



Projects Committee
4th Meeting
27 September 2012
London, United Kingdom

**Report of the
Virtual Screening Subcommittee (VSS)
on two revised coffee project proposals**

Background

1. This report contains assessments provided by the Virtual Screening Subcommittee (VSS) on the following two revised project proposals which will be considered by the Projects Committee and Council in September 2012:

Project 1: Economic incentives for coffee agroforestry systems in Costa Rica,
(Pages 1 to 4) submitted by the United Nations Development Programme (UNDP)
(document PJ-26/12).

Project 2: Promoting coffee sustainability through productivity increases and youth participation in Cameroon and the Central African Republic [Formerly: Promotion of domestic coffee marketing and consumption in the Central African Republic], submitted by the Inter-African Coffee Organisation (IACO)
(document PJ-36/12).

2. The VSS is currently composed of Brazil, Côte d'Ivoire, Guatemala and Indonesia (exporting Members) and Germany, Italy, Spain and the USA (importing Members).

Action

The Projects Committee is requested to consider the report of the VSS and to submit recommendations on the above proposals to the Council.

REPORT OF THE VIRTUAL SCREENING SUBCOMMITTEE (VSS)

Project 1: Economic incentives for coffee agroforestry systems in Costa Rica, submitted by the United Nations Development Programme (UNDP) (document PJ-26/12).

RECOMMENDATION OF THE VSS (Tick as appropriate)				
VSS Member	Project endorsed	Project endorsed with comments	Project not endorsed	Comments, if any
Member 1*				
Member 2*				
Member 3		✓		The project should be approved since it will create a market differentiation from other commercial coffees. The results of the project should be disseminated to other producing countries

* No specific information received

VSS ASSESSMENT

ICO Criteria

1. Country eligibility: Are the intended beneficiaries of the project consistent with the type of beneficiaries described in paragraph 29 of ICC-105-16?

Member 1: Yes.

Member 2: Yes. Costa Rica is a developing country where small-scale farmers represent 92% of Costa Rican coffee producers, the beneficiaries of this project. It would be helpful for the proposal to have included additional details on how the intended beneficiaries of the proposal fall within the beneficiaries described in paragraph 29 of ICC-105-16, namely: “populations suffering substantial poverty, populations and economies heavily dependent on coffee, areas where there are few viable economic alternatives to coffee and areas where coffee growing provides stable rural employment and where the alternative may be disruptive population movements to urban areas, illegal migration or cultivation of socially harmful products.”

2. Aims and purposes: Are they consistent with the 2007 Agreement and ICC-105-16?

Member 1: Yes.

Member 2: Yes. This proposal aims to develop a project that would expand an agro-forestry initiative in Costa Rica to encourage more coffee farmers to adopt agro-forestry practices that preserve or re-capture Costa Rican forests. This in turn will promote a number of environmental benefits, such as improving carbon capture (and reducing the release of previously captured carbon), promoting biodiversity, reducing fertilizer usage, improving soil, etc. These goals/intended outcomes are consistent with the objectives of the 2007 Agreement and the strategies identified in ICC-105-16, in particular those related to promoting sustainable development of the coffee sector. The project also addresses a means to further diversify sources of incomes for coffee growers, which is also a strategic issue identified in ICC-105-16. Overall, this project proposal is solid, bringing in ecosystem preservation with coffee production and improved livelihoods for coffee farmers.

3. Is the project consistent with country or regional priorities?

Member 1: Yes.

Member 2: Yes, Costa Rica has demonstrated an interest in improving livelihoods of its coffee growers while protecting and conserving the environment.

4. Are there critical gaps or problems with the project?

Member 1: Yes. Product category rules for carbon footprint of green coffee will be soon designed by a project driven by the SAI platform coffee working group.

Member 2: No.

5. Is the project likely to have sustainable impacts for project beneficiaries?

Member 1: Yes, if accepted by the market.

Member 2: Yes. Sustainably grown coffee is an emerging market opportunity that this project could take advantage of with successful implementation. Components 2, 3 and 4 help ensure the success of Component 1 (development and deployment of a payment for ecosystem services scheme in the coffee sector), by helping farmers understand the benefits of agro-forestry beyond payments they may receive for carbon sequestration, providing necessary extension services to train farmers to implement agro-

forestry practices, and developing marketing and communication materials to strengthen international buyers' understanding of the carbon-friendly nature of Costa Rican coffee grown using agro-forestry practices. Component 2 also includes training for FONAFIFO and ICAFE technical staff on economic valuation of eco-system services, which should – along with training of farmers in agro-forestry practices – allow the benefits of the project to extend beyond the life of the project. Funding to pay farmers for eco-system services derives from a pre-existing, government-established fund financed from a variety of sources; thus, is not contingent on funding dedicated for this project. Further, the project proposes to expand a current/pre-existing PES scheme to the coffee sector. Building on an established programme is likely to contribute to the longevity and success of the scheme this project seeks to implement.

6. Is the scale and scope of the project appropriate?

Member 1: Yes.

Member 2: Yes. The project seeks to develop a national scheme that can potentially benefit any small-scale Costa Rican coffee farmer. The project scope/scale could be clarified with respect to Component 3. In particular, it is unclear whether the project's scope includes only those farmers that have signed up to participate in the PES scheme, or whether it encompasses a broader subset (or all) Costa Rican coffee farmers so as to encourage their participation in the scheme.

7. Is the timeframe of the project appropriate?

Member 1: Yes.

Member 2: Yes. The project sets a two year timeframe which seems appropriate for the components outlined in the project.

8. Government commitment: Is the counterpart contribution committed by the government appropriate?

Member 1: Yes.

Member 2: Yes. Co-financing is in-kind and comprises more than 50 percent of the funding estimated for the project. This large cost-share will promote active buy-in of partners and promote sustainability of the project benefits.

9. Will this project develop capacity-building in the local community?

Member 1: Yes.

Member 2: Yes. See answer to question 5.

10. Have gender aspects been adequately addressed?

Member 1: Not necessarily.

Member 2: In part. The proposal states that a gender analysis will be performed to see if and when PES should go to the female head of household. This will be a valuable analysis but other aspects of the proposal such as training programmes on agro-forestry could also benefit from a general analysis.

11. Does this project leverage additional resources through private sector, civil society, government, or academic participation?

Member 1: No.

Member 2: Yes. It includes counterpart financing from ICAFE of US\$200,000 plus seeks to develop partnerships with international buyers supportive of agro-forestry practices.

Project 2: Promoting coffee sustainability through productivity increases and youth participation in Cameroon and the Central African Republic [Formerly: Promotion of domestic coffee marketing and consumption in the Central African Republic], submitted by the Inter-African Coffee Organisation (IACO) (document PJ-36/12).

RECOMMENDATION OF THE VSS (Tick as appropriate)				
VSS Member	Project endorsed	Project endorsed with comments	Project not endorsed	Comments, if any
Member 1			✓	
Member 2*				
Member 3			✓	More information on the following is needed before the project is approved: <ol style="list-style-type: none"> 1. Areas in the country where project will be implemented. 2. Detail on how budget will be used. 3. More information on the infrastructure – since the Central African Republic has no exports. How they plan to sell the coffee. 4. How many families or producers will benefit. 5. Youth age that will benefit.

* No specific information received

VSS ASSESSMENT

ICO Criteria

1. Country eligibility: Are the intended beneficiaries of the project consistent with the type of beneficiaries described in paragraph 29 of ICC-105-16?

Member 1: Yes

Member 2: Yes. The Central African Republic is identified as an LDC, which ICC-105-16 notes are among the intended beneficiaries. Cameroon is identified as a developing country. The proposed project targets communities and small holders in rural agricultural areas facing substantial poverty and where increased productivity and improved quality in the coffee sector stand to provide substantial improvements in farmers’ livelihoods.

2. Aims and purposes: Are they consistent with the 2007 Agreement and ICC-105-16?

Member 1: Yes.

Member 2: Yes. The project's goals are consistent with several goals identified in ICC-105-16, including promoting the contribution of coffee to poverty alleviation and living conditions of smallholders, stimulating the improvement of quality and productivity, encouraging increased consumption and market development, and supporting the research and development of new technologies.

3. Is the project consistent with country or regional priorities?

Member 1: No.

Member 2: Yes. Both Cameroon and the Central African Republic have prioritized poverty alleviation, food security and development of the coffee sector, all of which are goals of this proposal.

4. Are there critical gaps or problems with the project?

Member 1: Yes. Project is neither well defined nor described.

Member 2: Yes. See below:

Finance: The proposed project includes a component focused on increasing finance for coffee farmers through building partnerships with coffee traders. The proposed project's inclusion of a finance component is commendable; however it remains unclear how this component will be implemented and its success ensured. Several gaps need to be addressed, for example:

- What changes will this project introduce that will convince traders to offer financing to coffee growers when they haven't previously done so?
- Will other sources of financing also be explored, for example, financing from social investment funds/lending institutions? These may be necessary to induce traders to participate in financing schemes.
- Who will the financing be provided to, for example, to farmer cooperatives/organizations or individual farmers?
- What is the purpose of the financing, for example, is it trade financing or financing for farm investments?
- Will cooperatives and farmers be in a position to repay loans, and what is the consequence if loans are not repaid? Will collateral be expected as a loan condition?
- Will training be provided to cooperatives and farmers to understand financing terms and repayment and for basic financial literacy (e.g. understanding cost structures, coffee pricing, etc.)?
- Will outside consultants with expertise in coffee sector finance be employed to provide training and develop partnerships?

Improved Agricultural Practices: In some parts of the proposal, the provision of new seedlings is highlighted as the means to improve coffee productivity and quality; in other parts of the proposal additional activities are also identified, namely training and capacity building on best agricultural practices and processing techniques. These additional activities will be crucial to improving coffee quality and productivity, and project proponents should ensure they are prioritized along with other efforts.

Seedlings: The proposed project states that youth who produce the seedlings will earn a commission for producing the seedlings. Who will pay this commission? Does this funding come out of the project's budget, or will the commission be earned on sales of the seedlings? The proposed project states that improved seedlings will be distributed "freely", which implies distributed free of charge and therefore that commissions will not derive from seedling sales. Additionally, it may improve the programme to charge farmers at least a nominal fee for the new seedlings as a means to improve farmer buy-in to the programme.

Youth: The project would benefit from establishing a minimum age for youth to participate in the programme to avoid any misperceptions that the project may encourage children under the age of 15 to participate in the programme. Additionally, 100 youth in the Central African Republic and 80 youth in Cameroon seem like very low targets for a five year programme. Could additional youth be targeted? Further, while access to seedlings, basic equipment and land are critical components in engaging youth in coffee farming, training and extension service will equally be essential. The proposal could place more emphasis on the latter. Overall, however, the proposed project's inclusion of youth is a very positive element.

Estimated Impacts: The basis for the estimated impacts of the proposed project (e.g. on pages 26 and 28) is unclear, and without additional explanation, appears inflated.

Consumption: The CFC has indicated that promoting consumption is an activity unlikely to gain CFC funding. The CFC Manual, under point 6.5 'Factors leading to rejection of projects' states that "projects which amongst others concentrate on generic promotion of commodities" may lead to rejection of the proposal. As such, we suggest that Component 4 on "Promotion of Domestic Consumption" be deleted and the proposal revised accordingly.

FAO: The proposed project identifies an interest in partnering with the FAO to expand intercropping. Has the FAO expressed interest in such a partnership? Have the projects proponents been in contact with the FAO regarding this?

Research: The proposed project includes a component focused on improving research capacities in Cameroon and the Central African Republic. Will research conducted outside

Cameroon and the Central African Republic be used to supplement research carried out by the respective Central African Republic and Cameroon institutions? Could the proposed project economize on resources by drawing more heavily from research sources outside the Central African Republic and Cameroon?

Supervising Body: The proposal should be revised to identify the ICO as the Supervising Body, as the ICO is the designated Supervisory Body for coffee projects financed by the CFC.

5. Is the project likely to have sustainable impacts for project beneficiaries?

Member 1: Yes, if resources are really going to small holders and not to consultants.

Member 2: Yes. Elements included in the proposed project such as institutional strengthening; training in best agricultural practices, processing techniques, and cooperative/grower organization management; and the focus on youth are likely to make substantial contributions to ensuring sustainable impacts.

6. Is the scale and scope of the project appropriate?

Member 1: Yes.

Member 2: Yes, the scale and scope seem appropriate, focusing on four regions each in the Central African Republic and Cameroon and a pilot of a limited number of youth (though perhaps the number could be expanded as noted above).

7. Is the timeframe of the project appropriate?

Member 1: Yes.

Member 2: Yes, if various project components can be conducted simultaneously.

8. Government commitment: Is the counterpart contribution committed by the government appropriate?

Member 1: No.

Member 2: The government contribution is low, with governments providing only 3.5% of the project's funding.

9. Will this project develop capacity-building in the local community?

Member 1: No.

Member 2: Yes, several aspects of the programme focus on training and capacity building. The proposed project would benefit from additional training and capacity building regarding finance. See comments regarding finance in response to question 4 above.

10. Have gender aspects been adequately addressed?

Member 1: No. Women are not specifically encouraged.

Member 2: No. It is noted that poverty is a rural phenomenon especially among women, however there is no analysis of how women will be included in or impacted by the programme. This should be added.

11. Does this project leverage additional resources through private sector, civil society, government, or academic participation?

Member 1: No.

Member 2: The proposal seeks to partner with the FAO and the private sector, however, as noted above there are gaps in the proposal regarding how these partnerships will be forged and maintained.

LIST OF ACRONYMS USED IN THIS DOCUMENT

CFC	Common Fund for Commodities
IACO	InterAfrican Coffee Organisation
ICAFE	Coffee Institute of Costa Rica
FAO	Food and Agricultural Organization of the United Nations
FONAFIFO	National Forestry Financing Fund
PES	Payment for Environmental Services
SAI	Sustainable Agriculture Initiative
UNDP	United Nations Development Programme