PROJECT PROFILE

PROJECT TITLE:
Improving African Coffee Processing and Market Access

PROMOTERS:
Inter African Coffee Organization (IACO)
International Coffee Organization (ICO)
Common Fund for Commodities (CFC)
Africa Export Import Bank (AFREXIMBANK)

PROJECT NATURE:
To Improve Competitiveness of African Coffee and Access to Emerging Markets

PROPOSED DURATION:
4 Years

PROPOSED COUNTRIES:
Côte d’Ivoire and Kenya
## Logical Framework

**Project Title**: Improving African Coffee Processing and Market Access

<table>
<thead>
<tr>
<th>Estimated Project Starting Date:</th>
<th>August, 2011</th>
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<tr>
<td>Estimated Completion Date:</td>
<td>July, 2015</td>
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<tr>
<td>Date of this Summary:</td>
<td>May, 2010</td>
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### Program Goal:
The broad goal of the project is to reduce poverty of coffee farmers in a sustained manner through equipping farmers with entrepreneurial skills and access to both local and foreign coffee markets.

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<thead>
<tr>
<th>Narrative Summary</th>
<th>Observed Verifiable Indicators (OVI)</th>
<th>Means of Verification</th>
<th>Assumptions</th>
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<tbody>
<tr>
<td>a. Increased coffee farmer sales and incomes.</td>
<td>a. Project impact analysis report</td>
<td>a. An enabling macro-economic environment is established</td>
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<td>b. Enhanced farmgate prices</td>
<td>b. Quarterly/Yearly M&amp;E reports</td>
<td>b. The 2 governments are committed to improving poverty in coffee producing communities</td>
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<td>c. Coffee farmer organizations and their members keep records of their operations and generally manage their operations better</td>
<td>c. Coffee trade statistics</td>
<td>c. Mutual trust is established between farmers and roasters</td>
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<td>d. Coffee roasters receive coffee</td>
<td>d. National agricultural statistics</td>
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<td>e. UNDP Human Development Reports</td>
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supplies from farmer organizations in an organized and reliable manner

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<tr>
<th>Project Purpose:</th>
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<tr>
<td>a. To organize farmers into strong organizations to work together</td>
<td>a. % increase in number of strong farmer organizations properly registered and with good governance</td>
<td>a. Agricultural statistics</td>
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<td>b. To train farmers and equip them with entrepreneurial skills</td>
<td>b. % increase in number of farmer organizations keeping properly accounting and other records</td>
<td>b. Records of FBOs</td>
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<td>c. To create reliable local market for coffee farmers by linking them with local roasters</td>
<td>c. % increases in sales of farmer organizations</td>
<td>c. Project monitoring reports</td>
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<td>d. To process coffee for the growing North African coffee market and expand access to external markets</td>
<td>d. % increases in coffee production</td>
<td>d. Midterm and end of project reports.</td>
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<td>e. Increased processed coffee exports</td>
<td>e. % increase in coffee farmers incomes</td>
<td>e. Surveys</td>
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<td>f. % increases in</td>
<td>f. Trade statistics</td>
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<th>Project Purpose:</th>
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<tr>
<td>a. Both coffee farmers and roasters committed to the project objectives</td>
<td>a. % increases in number of strong farmer organizations properly registered and with good governance</td>
<td>a. Agricultural statistics</td>
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<td>b. Trade processing and facilitation difficult in Africa</td>
<td>b. % increase in number of farmer organizations keeping properly accounting and other records</td>
<td>b. Records of FBOs</td>
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<td>c. Coffee farmers and roasters are trainable and interested in project ideals</td>
<td>c. % increases in sales of farmer organizations</td>
<td>c. Project monitoring reports</td>
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<td>d. Government policies promote intra-African trade</td>
<td>d. % increases in coffee production</td>
<td>d. Midterm and end of project reports.</td>
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<td>e. % increase in coffee farmers incomes</td>
<td>e. Surveys</td>
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<td>f. % increases in</td>
<td>f. Trade statistics</td>
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<td><strong>Outputs:</strong></td>
<td><strong>Output Necessary:</strong></td>
<td><strong>Output Necessary:</strong></td>
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| a. Coffee farmers farming and managerial skills enhanced  
  b. Coffee farmers businesses | a. Farmers production and sales have increased.  
  b. Higher incomes | a. Project impact studies  
  b. Farmers Surveys  
  c. Agricultural statistics | a. Global coffee prices attractive  
  b. Coffee supply situation reliable  
  c. Intra-African trade easy |
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<thead>
<tr>
<th>Professionally managed</th>
<th>Coffee production increased.</th>
<th>Market access improved</th>
<th>Better farmgate prices received by farmers</th>
<th>Coffee supply situation reliable</th>
<th>Farmer poverty reduced more permanently</th>
<th>Processed coffee exports increased</th>
<th>Local value addition activities expanded</th>
<th>Trade statistics</th>
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<td><strong>Inputs: Activities and Resources</strong></td>
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<tr>
<td>a. Mobilize coffee farmer organizations</td>
<td>b. Train the coffee farmers in good agricultural practices and enterprise development and management</td>
<td>c. Provide credit for supply of roasting equipment and working capital for roasters</td>
<td>d. Seek markets for coffee exports into markets in Algeria, Tunisia, Egypt, Sudan, among others</td>
<td>e. Develop programs for</td>
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<td>a. <strong>Component 1</strong>: Identification of Participating Farmers (USD100,000.00)</td>
<td>b. <strong>Component 2</strong>: Farmer Organization and Enterprise Development (USD1,000,000.00)</td>
<td>c. <strong>Component 3</strong>: Support to Local Coffee Processors (USD3,000,000.00)</td>
<td>d. <strong>Component 4</strong></td>
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<td>a. Project progress reports</td>
<td>b. Annual Audit Reports</td>
<td>c. Monitoring and other Periodic Reports</td>
<td>d. Participation in trade shows</td>
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<td>a. Active coffee farmer organizations</td>
<td>b. Foreign exchange regulations in both countries allow for easy overseas credit</td>
<td>c. Trade promotion in North African countries will be easily absorbed</td>
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<td>Network With Foreign Importers (USD600,000.00)</td>
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<td>f.</td>
<td>Organize trade promotions</td>
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A. **PROJECT BACKGROUND AND COMMODITY STRATEGY**

The global coffee market has been dislocated since the early 1990s for two main reasons. The first is the cancellation of the quota system in the International Coffee Agreement (ICA) in 1989; and the second, is the entry of new coffee producers which brought with it new competition, as a result of the cancellation of the quota system. This led to increased coffee supply with its resultant collapse in coffee prices. International coffee prices fell from an average of US$1.28/lb in 1983 to just about US$0.50/lb in 2002. The dislocations have been caused more by the supply situation rather than the demand.

In Africa, the coffee sector was further liberalized/privatized in the late 1980s and early 1990s, and this posed new challenges because the private sector lacked the capacity to fill the gap that was created by the public sector withdrawal. Coffee production in Africa has thus been negatively affected. In 1970, Africa together exported 32 percent of world coffee. Today, Africa accounts for a mere 12 percent of coffee exports and production is declining in all countries, except in Ethiopia; and to some extent, Uganda.

Production in Cameroun has declined by about 29 percent from 1.1 million bags in 2000/2001 coffee year to about 0.8 million bags in coffee year 2008/2009. In Kenya, the decline during the same period was about 28 percent, from 1 million bags to 0.7 million bags. The decline is even worse in Cote d’Ivoire which used to be the leading coffee producer in Africa. From a production of 4.8 million bags in 2000/2001 coffee year, the country only produced 1.5 million bags in the 2008/2009 coffee year, a 69 percent drop in production. Although Cote d’Ivoire’s case may partly be explained by the internal conflict, falling coffee prices have also contributed significantly to this decline. The coffee crisis has therefore had a devastating impact on the African coffee industry. The socio-economic implications of the declining coffee sector in Africa are obvious, in a continent where the sector gives employment to about 33 million coffee producers and their families.

Globally, the International Coffee Organization (ICO) is encouraging coffee producing countries to promote local consumption, in an attempt to achieve balanced global coffee economy and improve coffee prices. In countries like Ethiopia and Brazil, among others, local consumption is being encouraged in order to achieve a balanced and more sustainable coffee economy. Brazil especially has strategically pursued a major coffee consumption policy whereby coffee drink has been supplied freely to school children. The policy has succeeded in creating domestic coffee market for producers and resulted in expanded local coffee production.
The ICO has further advocated for the exploration of new and emerging coffee markets to enhance coffee consumption in those markets to improve the demand side of the coffee equation. ICO’s commodity strategy has identified four key areas as guide to promote coffee consumption and improve producer prices. These include promoting consumption in producing countries; disseminating positive health-related information on coffee; promoting coffee consumption in new and emerging markets, and improving coffee quality.

During its 44th Annual General Assembly in Cote d’Ivoire, in February of 2005, the Council of the Inter African Coffee Organization (IACO) mandated the IACO Secretariat to work with the African Development Bank (ADB) and the Afreximbank to design a continent-wide project aimed at reducing coffee excess supply, boost coffee prices and enhance revenues of coffee producers. Following this, the Secretariat submitted an initial project concept to the Afreximbank for consideration and funding. The nature of the project was to promote South/South Trade within Africa through increased coffee processing activities in African coffee producing countries for export into the growing North African coffee market. The objectives of the project, among others, were to add value to African coffee; train African coffee roasters to improve their skills; create jobs; strengthen coffee consumption in Africa, and contribute to the sustainability of the African coffee industry.

Global coffee consumption in emerging markets grew by 2.93 percent between 2000 and 2008. Growth in new markets like the Russian Federation, Ukraine and China during the period has been quite significant averaging about 8 percent, 29 percent and 34 percent, respectively. At the same time, coffee consumption in North Africa has also been growing at an impressive rate. Algeria’s coffee consumption grew by 19 percent; that of Egypt by 59 percent, and in Tunisia, it grew by 45 percent during the same period. Between Algeria, Egypt, Libya, Morocco, Niger, Sudan and Tunisia, coffee consumption grew by an average of 3.7 percent per annum between 2000 and 2008. This North African demand growth rate is more than the global coffee demand growth rate of about 2.5 percent per annum. Unfortunately though, these growing African markets remain largely untapped by African coffee producing countries. Trade statistics indicate that the growing coffee imports into North Africa are from elsewhere rather than from the Continent.

The initial project concept submitted by IACO did not materialize until in February, 2009, when the IACO Secretariat followed up the submission to the Afreximbank. The Bank requested the Secretariat to re-submit the concept note. During internal consultations, it was generally agreed to scale down the size of the project and to limit it to two countries – one French speaking and one English speaking for two reasons; first, to make the
project a pilot one; and second, to make its implementation more manageable. The idea was to then disseminate project results to other African coffee producing countries, at the end of project implementation. From further discussions, Cote d’Ivoire and Kenya were chosen to benefit from the pilot project. Accordingly, a project proposal on Improving African Coffee Processing and Access to New Export Markets was re-submitted to Afreximbank in April, 2009, for consideration and funding. The Bank’s response to the proposal was largely positive. It indicated that while it supported the general principle/objective of the proposal, it could not fund the grant aspects of the proposal because of its own internal policies regarding grants. The Bank therefore advised that IACO seeks for co-financiers to finance the grant aspects and indicated its willingness to fund the investment aspects by making credit lines available to the private processors.

IACO is therefore submitting this proposal to the CFC, through the ICO, for consideration to provide grants for the non-investment aspects of the proposal. In re-formulating the proposal for submission to the CFC, IACO consulted with Afreximbank on its earlier commitment to the project proposal. In an electronic mail to IACO dated 11 May, 2010, and signed by the Director for Research, Planning and International Cooperation, Afreximbank re-affirmed its commitment to the project in a statement as follows: “... The objective of the proposed project conforms with the Bank’s mission and merits our support. I therefore write to confirm our in-principle interest, subject to the necessary internal approvals, to co-fund the required investment in the proposed project.”

B. PROJECT OBJECTIVE AND RATIONALE

The goal of this proposed project is to develop a reliable and sustainable coffee supply source for processing for the emerging and growing North African coffee markets. One challenge faced by African coffee processors is the erratic coffee supply situation. Processors have no formal arrangements with coffee producers to supply their processing plants, a situation which sometimes affects production schedules and sales contract performance. The Project goal is to be achieved through the following four objectives. First, identify and work with selected farmers/farmer organizations to provide regular coffee supply for roasting. The second objective is to train the selected farmers/farmer organizations in good agricultural practices and entrepreneurial skills. The third is to organize and support local coffee roasters/processors to process coffee; and the final objective, is to seek networking with foreign roasted coffee importers to import processed African coffee.

Coffee farmers in Africa are generally disorganized and operate as small individual entities with little or no training in their operations. As individuals, they lack simple management
skills that they would need to position themselves to take advantage of market opportunities. This structure has not helped farmers and has rather perpetuated their poverty. Poverty is a major concern in Africa and more endemic in the agricultural sector, including the coffee sub-sector. Although coffee farmers are encouraged to operate on cooperative basis in both Cote d’Ivoire and Kenya, their capacities need to be strengthened. This project seeks to explore new ways of reducing poverty among coffee farmers by assisting them to better manage their farm businesses, produce more cost effectively to make them more competitive and to expand their operations. Such an intervention will help coffee farmers to earn more incomes in a more sustainable manner. Effort at reducing poverty is a process rather than an event and interventions that give long-term impacts in tackling poverty must be promoted.

Farmers have been known to organize themselves better when they come together to build strong farmer groups. Within groups, individual farmers are capable of performing certain tasks through the combined efforts of the group members. Groups provide companionship and source of mutual understanding. Group members collaborate to protect their interest from outside pressures and threats. Groups provide farmers with the ability to work together to influence product prices in their favor; and in other respects, groups have been used as entry points for technology dissemination and adoption. Farmer groups have therefore been known to make positive impacts on their members. Farmers therefore stand to gain tremendously from belonging to groups.

The coffee sector in Africa offers opportunities for growth. Despite the several constraints faced by the sector, some small roasters do operate under harsh conditions in a number of African coffee producing countries, roasting green coffee into high value soluble coffee. The potential for expansion and growth is high but they would require access to capital and training to turn around their business operations. Exports and domestic sales of roasted coffee would raise value of African coffee to attract higher retail values and more revenues to African coffee producing countries and their farmers. Initial estimates indicate that the value of roasted coffee is 5 times that of raw coffee while coffee drink generates a value 8 times that of raw coffee. The achievement of Project objectives will furthermore create opportunities for the coffee sector in both countries to share in the advantages arising from value addition.

The project will build capacity of local roastersprocessors in Cote d’Ivoire and Kenya and support them to process coffee for the competitive export market, especially in the emerging North African market. In both Cote d’Ivoire and Kenya, coffee packaging needs to be improved to meet international standards. Roasting skills have to be imparted to
local roasters and high quality packaging materials should be made available. Local African coffee roasters, and for that matter, those of Cote d’Ivoire and Kenya, need to become competitive in order to be able to sell their products in international markets.

Coffee consumption is growing in North Africa where coffee is traditionally not grown. The demand for coffee in these countries is met through imports from other regions outside of the African continent. Penetrating the North African coffee markets would be a starting point in promoting inter African trade which is painfully very minimal; and in some respects, absent. African coffee producers have traditionally competed in selling unprocessed coffee in the same traditional markets of Europe and America. The project seeks to create new market opportunities for African coffee producers and processors within the African continent. The Africa Export Import Bank (AFREXIMBANK), as the Continent’s trade finance Bank and a partner in this Project, intends to use its huge global network to identify potential buyers, especially in North Africa, to buy roasted African coffee.

The impacts of this project on resource-poor coffee producers in Cote d’Ivoire and Kenya can be tremendous. The first and second objectives of this project will:

- provide entrepreneurial skills for coffee farmers to better manage their farm business operations on a more commercial basis
- be competitive in their business operations
- improve the agronomic practices of coffee farmers
- create market opportunities for the coffee farmers to drive their production
- help the coffee farmers to earn extra incomes from coffee and improve their livelihoods
- make a more poverty-reduction impact at poor coffee community levels in the beneficiary countries.

The achievement of the third objective would strengthen capacity of local processors to take advantage of new market opportunities and be competitive in the international market arena. This is to help improve market access for processors and expand business operations and profitability. Finally, the fourth objective will improve marketing for coffee exports and help balance the demand/supply situation of African coffee.

C. PROJECT COMPONENTS

The Project is a pilot one to be implemented in Cote d’Ivoire and in Kenya. At the end of the Project, the lessons and experiences would be replicated in other parts of the two beneficiary countries, as well as other African coffee producing countries.
Component 1: Identification of Participating Farmers

The first component will involve the identification and selection of coffee farmer organizations, who would qualify to participate in the project, based on some defined criteria. Many coffee farmers in both countries belong to farmer organizations because the two governments encourage such groupings. The project will therefore seek to assess the technical and other capacities of these groups in participating in the project and work with them. However, where appropriate, the formation of new groups may be facilitated to ensure project sustainability.

**Objective:**
To develop a knowledge base of potential participating farmers and know more about their technical and financial operations and preparedness to participate in the project.

**Output:**
Beneficiary farmer groups primed with full report on each of them produced.

**Activities:**

- **Activity 1**
  Agree with collaborating institutions on methodology for assessment

- **Activity 2**
  Develop framework for support to the coffee farmers

- **Activity 3**
  Identify farmer organizations and conduct focus group discussions with them

- **Activity 4**
  Identify potential sources that could provide further information on identified farmer organizations, including public and private sources, to collect more information from the sources

- **Activity 7**
  Analyze information gathered and select farmer organizations to participate in the project

- **Activity 8**
  Hold consultative meetings with members of the selected farmer organizations to explain project objectives and their roles and to seek their commitment in project implementation.

**Inputs/Costs**
Inputs into this component are likely to be in the form of mandays to travel to rural communities to meet coffee farmers, cost of travelling and per diem, and for technical know-how to develop the framework for supporting the farmers. It is estimated tentatively to cost \textbf{US$100,000.00 in grants} for both countries.

**Component 2: Farmer Organization and Enterprise Development**

This component will train members of the selected coffee farmer organizations in good agricultural practices (GAP), including extension to enable them do what they do better. It will further train the farmers in diverse areas like group development and cohesion to make them strong organizations in order to make project impacts sustainable. Other training areas would include credit and financial management; contract and procurement handling and performance; business and technical communication skills, and monitoring and evaluation. Where existing coffee farmer groups do not exist, the project would facilitate the formation of new groups. The long term outcome of the training is expected to make farmers commercially-oriented, better managers of their farm businesses and make them earn more incomes.

**Objective:** To ensure reliability of coffee supply to roasters for a higher and reliable incomes

**Output:** Poverty of coffee farmers reduced in a more sustainable manner

**Activities:**
- **Activity 1** Develop Terms of Reference (TOR) for selection of Human Resource Development Experts
- **Activity 2** Tender for selection of Farmer Training Consultants
- **Activity 3** Agree on contract terms and training framework with selected trainers and sign a contract
- **Activity 4** Carry out needs assessment of identified farmer groups
- **Activity 5** Develop training materials for coffee farmer training
- **Activity 6** Train the selected coffee farmer organizations
**Activity 7**

Carry out tracer studies of the trained farmers

**Activity 8**

Promote partnership between participating farmer organizations and participating roasters.

**Inputs/Costs**

The main input here is the training of farmers. It is estimated that farmers would need two months of training in year one and one month of follow-up in year two. The cost of this component is estimated to be **US$1,000,000.00 in grants** for the two countries.

**Component 3: Support to Local Coffee Processors**

African local coffee markets are under developed, even among the leading coffee producers like Kenya, Uganda, Cameroun, Cote d’lvoire and Zambia. Of the 100 mt. of coffee consumed locally in Zambia, 80 percent is said to be imported because there are no soluble processing facilities. Only small volumes are sold to local roasters which eventually enter the domestic market. The case of undeveloped local coffee market is common in African coffee producing countries. Accordingly, the growing coffee demand from North Africa and the Middle East is being met by imports from Europe and America.

The two beneficiary countries have liberalized their coffee sector with the expectation that the private sector will mobilize resources for the relevant investments in coffee production, commercialization, processing and export. Unfortunately, the private sectors of these countries are weak and receive very little support to carry out this new mandate. This project is expected to facilitate and develop private sector capacity in the beneficiary countries and expand their access to trade financing to enable the sector help develop the coffee industry. Selected roasters would be supported with roasting equipment and working capital to buy green coffee from coffee farmers for processing. External markets, especially in the North African region, would also be sought for the products of the roasters.

This initiative would mostly be private sector led. Given the importance of the sector to the Governments of Cote d’Ivoire and Kenya, they might wish to participate to ensure a successful project implementation. Any such participation would have to be in a form of partnership with the private sector, especially Coffee Producers Associations and their members. Government participation would be expected to be limited only to the provision of venture equity up to a maximum of 30 percent, with a carefully laid out plan to wean off the private entrepreneurs within a maximum of 3 years.
Objective: To expand African coffee processing and its competitiveness

Output: African coffee exports competitive and internationally acclaimed

Activities:
Activity 1: Organize consultative meetings with relevant government officials, Coffee Boards and public institutions responsible for promoting traditional/non-traditional exports, Coffee Producers Associations, Farmer Cooperatives, Financial Institutions, Local Government Authorities etc. within the 2 countries to agree on criteria for selecting participating roasters and number per country

Activity 2: Develop framework for supporting the processors

Activity 3: Make an initial list of roasters and hold discussions with them to assess their technical and managerial capacities

Activity 4: Prepare TORs for tender to select Consultants for feasibility on roasters

Activity 5: Carry out feasibility of roasting facilities on the initial list, with financial plan and needs

Activity 6: Do a final selection of participating roasters, based on feasibility

Activity 7: Prepare MOU for all participating roasters

Activity 8: Agree on type of roasting equipment, quantities, supply source, Installation, costs and make contact for supply.

Activity 9: Identify participating financial institutions and agree on broad parameters for their participation

Activity 10: Enter into an MOU with participating Bank(s)
Activity 11 Arrange with participating Banks to import and pay for equipment supply and installation.

Activity 12 Meet government officials on possible government venture partnership

Activity 13 Based on results of meeting with government, develop an MOU to spell out government role

Activity 14 Monitor roasters and their operations on quarterly and yearly basis.

Inputs/Costs
The major inputs in this component will be the roasting equipment to be financed by Afreximbank and the working capital needs of the roasters. Five roasters each are earmarked for support in Cote d’Ivoire and in Kenya. The other costs include consultancy for feasibility and meetings. The cost of this component is estimated to be US$3,000,000.00, of which US$500,000.00 is expected to be the grant component.

Component 4: Network with Foreign Importers
The implementation of this component would mostly rely on Afreximbank. The Bank intends to utilize its global trading network to link beneficiary roasters to foreign importers from North Africa and the Middle East. These foreign importers would enter into trade contracts with coffee processors in Cote d’Ivoire and Kenya to buy their processed coffee.

Objective: Enter new markets and expand African processed coffee exports

Output: Africa is the first preference for coffee imports into North Africa

Activities:
Activity 1 Meet with Afreximbank on modalities and agree on roles
Activity 2 Identify processed coffee buyers, especially in North Africa
Activity 3 Link coffee buyers in North Africa with African coffee roasters.
Activity 4  Send samples of processed African coffee to new markets

Activity 5  Organize exchange programs for African coffee processors and processed coffee buyers on the continent

Activity 6  Train African coffee processors and exporters in international trade negotiations and agreements

Activity 7  Sponsor African coffee processors for trade shows/fairs in North Africa

Inputs/Costs
While Afreximbank would have its own way of achieving this component, the project will initiate some actions towards establishing long-term sustainable linkages between coffee processors and buyers. The cost of this component is estimated to be **US$600,000.00**, inclusive of a **grant component of US$200,000.00** for both countries.

Component 5 – Project Coordination and Management
The project will have some other implementers and there is the need for a mechanism to coordinate the activities of all the implementers and to monitor and supervise their operations in a more systematic manner.

**Objective:** Achieve project objectives in a coordinated manner

**Output:** Prepare annual workplans and budgets to guide implementation, field monitoring reports, quarterly budgets, annual audit and annual reports.

**Activities:**
Activity 1  Select the PEA

Activity 2  Select National Project Coordinators for Cote d’Ivoire and Kenya

Activity 3  Designate project offices and equip them in both countries

Activity 4  Assign local personnel unto the project in Cote d’Ivoire and Kenya
Activity 5  Launch project to educate public and beneficiaries
Activity 6  Prepare annual workplans and their budgets
Activity 7  Closely monitor annual plans and their implementation, and write progress/fields reports for ICO and CFC
Activity 9  Write and submit quarterly reports, annual project reports, annual audit reports regularly
Activity 10  Carry out mid-term review of project
Activity 11  Receive quarterly reports from collaborating institutions and regularly monitor project activities
Activity 12  Ensure supervision by PEA, ICO and CFC
Activity 13  Commission end of project completion report and share results. Completion report will advise on lessons learned and the way forward for the project wrap-up and results dissemination.

Inputs/Costs
Inputs will be mainly cost of 1 project vehicle and 2 motorbikes, cost of travel to project sites and perdiem for supervision and monitoring, administrative cost of PEA, among others. The cost is estimated to be **US$600,000.00 in grants.**

**Project Monitoring, Supervision and Evaluation**
IACO is proposed to be the Project Executing Agency (PEA). A National Project Coordinator (NPC) will be appointed by the Comité de Gestion de la Filière Café et Cacao (CGFCC), which is also the Coffee Board of Côte d’Ivoire, to coordinate project implementation in that country while the Kenya Coffee Board (KCB) will also appoint a National Project Coordinator to coordinate project implementation in Kenya. Both Boards will further designate offices as project implementation offices (PIOs) and assign staff to work in the project offices. The PIOs will be headed by the National Project Coordinators who will report directly to the Chief Executives of CGFCC and KCB, who for the purpose of this project will be designated as National Project Managers (NPM). The NPMs will enter
into Memorandum of Understanding (MOU) with the PEA to oversee implementation at country level.

CGFCC and the KCB will be the collaborating institutions in Cote d’Ivoire and Kenya, respectively. Both Coffee Boards played important role in coffee marketing, processing, post-harvest handling and external marketing of coffee before the sector was liberalized. Since liberalization, the mandate of these Boards has been reduced to that of facilitation, coordination and policy formulation. There is therefore in-country expertise in the 2 countries to provide back-up support in project implementation.

Internally within the PEA, a Project Implementation Committee (PIC) will be formed with the mandate to provide overall direction for the implementation of the project. Membership would include IACO Secretary General as the Chair, IACO Director for Research and Development as Member, IACO Director for Economic Studies as Member and IACO Head of Finance and Administration as Member/Secretary.

The Project Implementation Committee would meet quarterly but in between, emergency meetings may be organized. The PIC will receive the annual workplans and budgets from the NPCs for scrutiny and approval, after which they would be sent back to the NPCs for implementation. The NPCs will further submit their quarterly and annual reports to the PIC. But additionally, the project contact at the PEA; that is, the Director for Economic Studies will carry out field visits and submit his progress reports to ICO, CFC and the PIC for the Committee’s review and decision making.

D. INSTITUTIONAL ARRANGEMENTS

D.1 Supervisory Body:

D.1.1 International Coffee Organization (ICO)

Executive Director – Nestor Osorio

Project Contact – Denis Seudieu, Chief Economist, ICO
22 Berners Street, London W1T 3DD, United Kingdom
Telephone: +44 20 7612 0619
Fax: +44 20 7612 0630
Email: Seudieu@ico.org

The ICO is the intergovernmental organization with a membership of 75 coffee producing and consuming countries. The ICO is responsible for global coffee matters; and by doing,
helps to address challenges that face the global coffee industry through international cooperation. Since its establishment in 1963, ICO has consistently contributed practically in finding solutions to the world coffee economy; and thereby, improving standards of living in poor coffee producing countries in the world. Coffee is the world’s second largest traded commodity after crude oil and produced in more than 60 countries around the world, providing livelihood for several poor coffee farmers.

The ICO is the International Commodity Body (ICB) for coffee. As the designated ICB for coffee, it will be its responsibility to supervise the preparation of the full project proposal once this concept note is approved and to submit the fully developed project proposal to the Common Fund for Commodities (CFC) for funding, after its own initial assessment of the proposal. The ICO will also supervise the implementation of the project, after its approval for funding and provide for the PEA the type of reports that it has to send to the ICO and regularity.

D.2 Project Executing Agency (PEA)

2.2.1 Inter African Coffee Organization (IACO)

Secretary General – H.E. Madam Josefa Leonel Correia Sacko

Project Contact – Kwaku Owusu Baah, Director for Economic Studies, IACO
B.P V210 Abidjan, 3rd Floor CAISTAB Building, Cote d’Ivoire,
Telephone: +225 20 21 61 31/ 20 21 61 85
Fax: +225 20 21 62 12
Email: kwakobaah@yahoo.com

IACO is being proposed as the Project Executing Agency (PEA), although it is understood that the final selection of the PEA is the responsibility of the CFC and the ICO. The project would require a PEA that has an understanding of the coffee industry in both countries. The PEA must also have a proven record of coffee project management in Africa. The profile of IACO indicates that it has the required expertise to act as the PEA in this project.

IACO have had some experiences lately in projects funded by the CFC and the African Development Bank (ADB). IACO was the PEA for the Robusta Quality Improvement and Marketing Project, which ended in 2008 and which was funded by the CFC. IACO was the PEA for the IACO/ADB Capacity Building Project, which ended in 2008 and funded by the ADB. IACO is presently the PEA for the CFC funded project dubbed Enhancing the Competitiveness of African Coffee Through Value Chain Analysis. This is at the Project
Appraisal Stage with CABI Africa as the Implementing Agency. The IACO Research and Development Department has the continental responsibility of being the information clearing house (ICH) for all coffee projects and research activities in Africa, summarize and disseminate results of all such coffee projects and research work to other member countries.

IACO is an intergovernmental organization born in December, 1960, by the Heads of States and Government of the then 11 African coffee producing countries meeting in Madagascar. Since then, membership of the Organization has grown and brought together all the 25 African coffee producing countries. Membership of the IACO is opened to any African coffee producing country and the Islands bordering the Continent. The objective of IACO is to study problems of African coffee, in particular the production, processing and marketing of the commodity, to ensure the smooth disposal of production and the optimal level of selling prices, the consumption of coffee and to undertake promotional activities to increase demand. In carrying out its mandate, IACO partners/collaborates with donors by developing project proposals for implementation in member countries.

IACO functions by collecting and disseminating information on production, processing and marketing of coffee to its member countries; assisting members in research and development programs to improve cultural practices of coffee farmers in member countries; undertaking and assisting in the development of specialized technologies required for production, processing and marketing of coffee and promotion activities of African coffee, and taking necessary measures to strengthen the international framework of IACO so that member states can individually and collectively play effective role in international organizations and to secure remunerative prices for coffee.

IACO operates through a General Assembly (GA), Board of Directors (BOD) and a Secretariat and has its headquarters in Abidjan, Cote d’Ivoire. The Secretariat is headed by the Secretary General, with extensive international experience, and supported by 2 Directors for Economic Studies and Research and Development who are appointed by the GA. The Secretary General and the 2 Directors are International Professional Staff, with Diplomatic Status. The Secretariat also has a Head of Finance and Administration and other supporting staff.

IACO’s General Assembly is the supreme organ of the 25 member countries that meet once a year, usually hosted by a member country, with at least one delegate from each of the member countries attending. As and when it becomes useful, emergency meetings
may be called in between the General Assembly. The role of the Assembly includes determining the general principles and policies of the Organization, approves member contributions, appoints the Secretary General, approves the annual budget submitted by the Board of Directors and provides overall guidance and general coordination of the Organization. The BOD examines documentation of the Secretariat and submits the annual budget and audited accounts to the General Assembly for approval. Subject to the direction and control of the GA, the Board is responsible for the general conduct of the business of the Organization. It has 7 members who are elected by the General Assembly. The Chair and Vice Chair of the Board are at the same time the Chair and Vice Chair of the General Assembly but without the right to vote. The Board that meets once in a year also designates the relevant countries and organizations to serve on its Technical Advisory Committees.

IACO has four Technical Advisory Committees. Each of the Committee meets once a year to assist the Secretary General in preparing annual workplans of the Organization and advise the Board on specific technical matters. The Committees include:

- Promotion and Sales Coordinating Committee responsible for market research.
- Production Committee, with one representation each from the 25 member countries
- Finance Committee, consisting of four members from 4 member countries.
- African Coffee Research Network (ACRN) Coordinating Committee with 9 members from 9 member countries.

The ACRN was established in March, 1993, as a network to facilitate and enhance capacity of coffee research institutions, improve on resource manpower and effectively disseminate appropriate technologies/information to coffee stakeholders, mostly in Africa. ACRN has been pro-active in achieving realistic objectives in training, workshops, technical meetings and collaborative project designs, among others. It is coordinated by the Director for Research and Development of IACO. ACRN has extensive expertise in directing scientific programs and in the management of multidisciplinary research. It also collaborates with several overseas research institutes in the successful transformation of projects inputs and outputs.

Financial and other physical resources of the Organization are generated from annual contributions from members; grants and legacies, and resources generated from preparing and coordinating projects submitted to donors and funded by them. The Secretariat submits annual financial reports to the Board for submission to the General
Assembly for approval. The financial reports usually report on resource utilization. Subscriptions from member countries are used to mainly cover staff salaries and other administrative costs.

As the PEA, IACO will be responsible for the day-to-day management of the project, including ensuring financial prudence. The overall coordination and management of project activities will also be the responsibility of the PEA. Based on the reporting requirements of the SB and the Fund, IACO will submit periodic reports to the two bodies on timely basis. It will ensure that project funds are used effectively and that project accounts are properly monitored and audited on annual basis.

**E. Tentative Costs and Financing**

<table>
<thead>
<tr>
<th>Component</th>
<th>Component Cost (US$)</th>
<th>Expected CFC Grant (US$)</th>
<th>Expected Afreximbank Credit Line (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Identification of Participating farmers</td>
<td>100,000.00</td>
<td>100,000.00</td>
<td>0</td>
</tr>
<tr>
<td>2. Farmer Organization and Enterprise Development</td>
<td>1,000,000.00</td>
<td>1,000,000.00</td>
<td>0</td>
</tr>
<tr>
<td>3. Support to Local Coffee Processors</td>
<td>3,000,000.00</td>
<td>500,000.00</td>
<td>2,500,000.00</td>
</tr>
<tr>
<td>4. Network With Foreign Importers</td>
<td>600,000.00</td>
<td>200,000.00</td>
<td>400,000.00</td>
</tr>
<tr>
<td>5. Project Coordination and Management</td>
<td>600,000.00</td>
<td>600,000.00</td>
<td>0</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>5,300,000.00</strong></td>
<td><strong>2,400,000.00</strong></td>
<td><strong>2,900,000.00</strong></td>
</tr>
</tbody>
</table>

**F. Beneficiaries and Benefits**

The direct beneficiaries in this project would be the participating farmers and the roasters. The farmers will have the benefit of receiving technical know-how to improve their farming practices and the way they do their businesses. This is critical for long-term
sustainability of their businesses and important because it is a sustained poverty-reduction measure. Farmers will produce to meet the quality standards required by the roasters; and in so doing, improve their coffee quality to earn higher farmgate prices. Demand from the roasters will create ready markets for the farmers. These and other benefits would largely improve livelihoods of the beneficiary farmers and their families. Coffee roasters will benefit from business expansion, through the roasting of coffee for an assured market and have access to trade financing to invest in their businesses.

At the national level, the two beneficiary countries will benefit from expansion in coffee exports and increasing foreign exchange earnings. The coffee sector will generally grow to expand the countries’ gross domestic product (GDP) through increasing employment and incomes in the coffee and other sectors of the economy.

**G. Issues and Follow-up Actions**

Technical Issues

This project profile has made some assumptions that need to be confirmed during project formulation. They include the assumption that there are already active and functioning farmer organizations in the two countries that could participate in this project. If that is not the case, the formulation team must help to determine what can be done to have them active and functional. Experiences show that forming new farmer groups for the sake of implementing projects may not be prudent because there is the temptation for the farmer groups to disintegrate once they have received some physical benefit from the projects. Therefore, if new groups have to be formed for this project, the formulation team must explore the best way to have them sustainable.

Secondly, no provision is made in this project for credit to farmers. In Kenya, the Government has established a Coffee Development Fund to finance coffee producers. In Cote d’Ivoire, the activities of the Fond de Regulation du Café et Cacao (FRCC) has been taken over by the CGFCC. FRCC was the body responsible for funding coffee development. Again in Cote d’Ivoire, the CFC is funding a project meant to improve access to finance for the diversification of farmers’ coffee operations. The formulation team must explore synergies with these projects/programs and all others.

Institutional Issues
The formulation team must assess capacity within the two Coffee Boards to determine whether it is possible to designate officers there as NPCs; otherwise, the team must explore the possibility of hiring outsiders for the job and the cost of such an action.

**Policy Issues**

Several African countries have strict foreign exchange policy restrictions. The formulation team must study how Afreximbank support to processors, especially the credit side, can be realized within any such policy restrictions.

The team must also explore government policy regarding its potential venture partnership with the private sector and how this could be realized.

**Follow-up Actions:**

<table>
<thead>
<tr>
<th>Action</th>
<th>Timeline</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Submit Project Profile to ICO</td>
<td>19 May, 2010</td>
<td>IACO</td>
</tr>
<tr>
<td>VSC of ICO Approve Project Profile</td>
<td>31 August, 2010</td>
<td>VSC</td>
</tr>
<tr>
<td>ICO Council Approve Profile</td>
<td>30 September, 2010</td>
<td>ICO Council</td>
</tr>
<tr>
<td>Approved Profile Submitted to CFC</td>
<td>30 November, 2010</td>
<td>ICO</td>
</tr>
<tr>
<td>Project Profile Approved by CFC</td>
<td>31 January, 2011</td>
<td>CFC</td>
</tr>
<tr>
<td>Release of Funds for Project Formulation and Appraisal</td>
<td>28 February, 2011</td>
<td>CFC</td>
</tr>
<tr>
<td>Project Preparation and Appraisal</td>
<td>31 March, 2011</td>
<td>IACO, ICO, KCB, CGFCC</td>
</tr>
<tr>
<td>Submit Full Project Proposal to CFC</td>
<td>15 April, 2011</td>
<td>IACO, ICO</td>
</tr>
<tr>
<td>Approve Full Project for Funding</td>
<td>30 June, 2011</td>
<td>CFC</td>
</tr>
<tr>
<td>Release of Funds for Project Implementation</td>
<td>31 July, 2011</td>
<td>CFC</td>
</tr>
<tr>
<td>Mobilization Towards Project Implementation, Including Designating Bank Accounts and Appointment of National Coordinators and Offices</td>
<td>15 August, 2011</td>
<td>IACO, ICO, KCB, CGFCC</td>
</tr>
<tr>
<td>Project Inauguration in Cote d’Ivoire and Kenya</td>
<td>31 August, 2011</td>
<td>IACO, ICO, CFC, KCB, CGFCC</td>
</tr>
<tr>
<td>Project Start-up</td>
<td>1 September, 2011</td>
<td>IACO, ICO, KCB, CGFCC</td>
</tr>
</tbody>
</table>