

Document of

COMMON FUND FOR COMMODITIES

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**DEVELOPING THE POTENTIAL OF GOURMET ROBUSTA COFFEE
GABON AND TOGO
(CFC/ICO/42)**

(To be financed under the Second Account)

APPRAISAL REPORT



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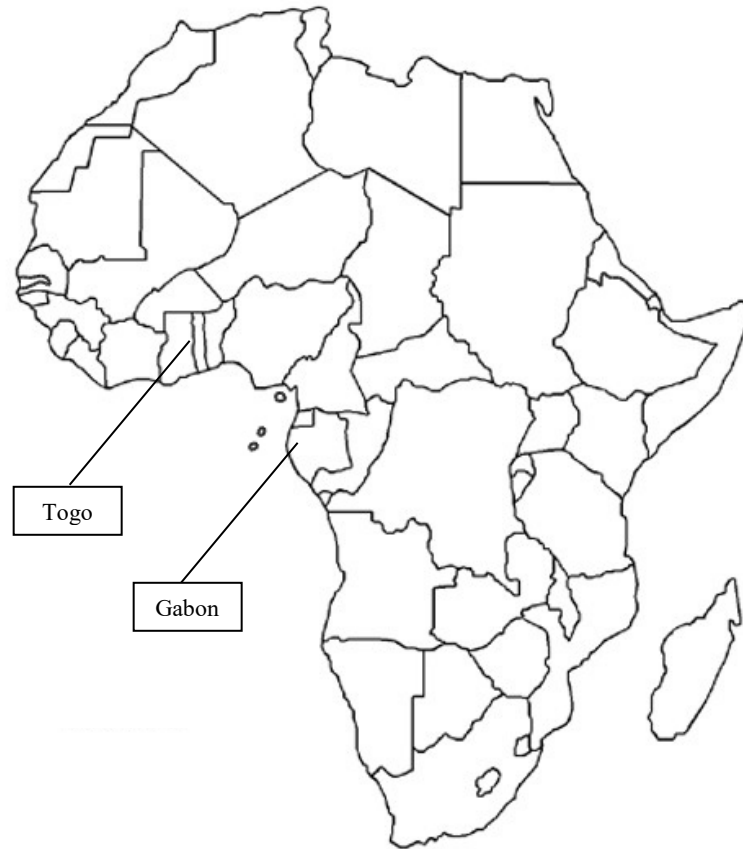
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Logical Framework

Narrative summary	Verifiable indicators	Means of verification	Assumptions
<p>Broad goal Improve livelihoods of small-holder farmers in Gabon and Togo</p>	<p>1. An increase in foreign exchange earnings from coffee exports 2. Livelihoods of at least 1500 farming families improved, and impact on surrounding farmers</p>	<p>1. Export and financial statistics 2. Impact and evaluation report</p>	<p>1. Reasonable premiums obtained for improved quality coffee 2. Stable macro-economic environment 3. Political commitment to support the coffee sector</p>
<p>Project purpose Production and marketing of gourmet robusta coffee from Togo and Gabon, and improve productivity of existing coffee</p>	<p>1. Premiums paid for gourmet quality coffee 2. Premiums paid for improved quality of production from selected farmers/farmer groups 3. Increased demand for hand-pulpers from other farmers 4. Increased use of inputs</p>	<p>1. National data on prices of coffee sold 2. Liquorers' evaluation of the gourmet coffee produced 3. Evaluation report and statistics on supply of inputs and machinery in local market</p>	<p>1. Markets will be found which will pay premiums for the improved quality 2. Growing awareness with consumers of potential of gourmet robusta coffee 3. Farmers willing to collaborate to produce quality 4. Exporters interested in marketing improved quality (Togo).</p>
<p>Outputs 1. Sustainable improvement in primary dry-processing by farmers of their robusta coffee 2. Viable and sustainable small-scale coffee washing units 3. Improved yields from existing coffee due to better crop husbandry practices and input use 4. Availability of quality planting material to small-holder farmers 5. Project implemented effectively and efficiently</p>	<p>1. Farmer groups identified and production statistics maintained and monitored 2. 20 demonstration plots established by end year 1 3. >1500 farmers producing gourmet sun-dried or washed coffee by year 3 4. Project outputs achieved within budget and time-frame 5. Market for gourmet robusta successfully developed, and increasing production by end year 3</p>	<p>1. Progress reports on project, including marketing aspects and quality evaluation of improved quality 2. Dissemination materials produced</p>	<p>1. Farmers willing to work together at this level 2. Farmers willing to invest time and effort to adopt new technologies 3. Buyers interested in developing sourcing of specialist robusta coffees, and willing to pay premium prices 4. Private sector operators willing to become involved with project 5. Reasonable level of farm-gate competition (Togo) and equitable price set under barème (Gabon)</p>
<p>Inputs: Activities 1.1 Conduct baseline survey of current situation in key selected zones 1.2 Identify and select suitable farmer groups 1.3 Arrange credit for farmers for inputs supply 1.4 Training of trainers for extension work with farmer groups, then training of farmers in improved husbandry. 2.1 Identify currently available improved varieties and organize multiplication (mother gardens, nurseries etc.) 2.2 Establishment of 10 demonstration plots in each country.</p>	<p>Component 1: US\$:404,934 Zones and farmer groups identified, improving productivity</p> <p>Component 2: US\$:258,723 Seedling multiplication and establishment demonstration plots</p> <p>Component 3: US\$:448,651 Improved quality, sun-dried robusta</p>	<p>1. PEA Project Progress reports 2. Annual audited accounts and reports 3. Mid-term evaluation, and project completion review 4. Periodic reports from PIA's</p>	<p>1. Financing from all sources is made on a timely basis in line with the proposed activities and work plans. 2. The PEA and collaborating institutions coordinate and execute the project efficiently and effectively. 3. All project participants remain committed to the project.</p>

Narrative summary	Verifiable indicators	Means of verification	Assumptions
<p>3.1 Training of farmers groups in improved drying and primary processing for sun-dried coffees</p> <p>4.1 Supply and training of farmers with hand-pulping equipment for production of washed robusta</p> <p>4.2 Rehabilitation of secondary processing facilities</p> <p>5.1 Training in quality evaluation and liquoring</p> <p>5.2 Identification of potential markets for gourmet quality robustas, and promotion activities towards those markets</p> <p>Inputs: Types of resources</p> <p>a. CABI technical, scientific and administrative support</p> <p>b. Management and technical staff from PIA's</p> <p>c. Machinery & equipment</p> <p>d. Farmer groups for ownership and management of machines</p>	<p>Component 4: US\$:684093 Washed robusta coffee and rehabilitated processing</p> <p>Component 5: US\$:615,724 Liquoring training, quality evaluation, and marketing and promotion</p> <p>Contingencies 5%: US\$:120,606</p> <p>Grand Total: US\$:2,532,731</p>		

Map



The colours, boundaries, and classifications in this map do not imply, on the part of the Common Fund for Commodities or its Members, any judgement on the legal status of any territory, or any endorsement or acceptance of any boundary. The projections used for maps may distort shape, distance, and direction.

Abbreviations and Acronyms

ACDR	Association de Conseils et d'Appuis pour le Développement Rural (Togo)
CABI	CAB International
CABI Africa	CABI Africa Regional Centre
CAISTAB	Caisses de Stabilisation et de Péréquation
CBC	Centre de Bouturage de Café (Gabon)
CCFCC	Comité de Coordination pour les Filières Café et Cacao (Togo)
CFC	Common Fund for Commodities
CNRA	Centre National de Recherche Agricole (Cote d'Ivoire)
CRAF	Centre de recherche agronomique de la zone forestière (Togo)
CQI	Coffee Quality Institute (USA)
DQM	Direction de la Qualité et de la Métrologie (Togo)
4-C	Common Code for the Coffee Community
FUPROCAT	Fédération des Unions de Groupements de Producteurs de Café et de Cacao du Togo
ICO	International Coffee Organisation
ITRA	Institut Togolais de Recherche Agronomique
LIFFE	London International Financial Futures and Options Exchange
NSPC's	National Project Steering Committees
OPAT	Office des Produits Agricoles du Togo
PIA	Project Implementation Agency
SCAA	Specialty Coffee Association of America
SCAE	Specialty Coffee Association of Europe

Project Summary

TITLE OF THE PROJECT	:	Developing the Potential of the Gourmet Robusta Market – Gabon and Togo
SUBMITTING ICB	:	International Coffee Organisation
DURATION	:	Three years
LOCATION	:	Togo and Gabon – with Guinea taking part in the dissemination phase.
NATURE OF PROJECT	:	Improving the quality of coffee produced through improved husbandry, harvesting and processing by farmers through groups and associations, with a view to marketing top quality robusta coffee to the gourmet markets. This will lead to an increase in farmer incomes, improving the livelihoods of Smallholder coffee farmers and their families.
TOTAL COST	:	USD 2,532,731
CFC FINANCING	:	USD 1,781,850 (Grant Total) USD 1,281,850 - Common Fund for Commodities USD 500,000 - OPEC Fund
COUNTERPART CONTRIBUTION :		USD 750,881 (Total) Togo – USD 352,604 Gabon – USD 398,278
PROJECT EXECUTING AGENCY:		CABI Africa, Nairobi, Kenya
COLLABORATING INSTITUTIONS	:	Togo – Comité de Coordination pour les Filières Café et Cacao (C.C.F.C.C.), Lomé,

Gabon – Caisses de Stabilisation et de
Péréquation, (Caistab), Libreville
Guinée – Fédération Nationale des Exportateurs
Et Producteurs de Café et Cacao, Conakry

SUPERVISORY BODY : International Coffee Organisation, London, United Kingdom

ESTIMATED START DATE : November 2007

I INTRODUCTION

A Project Background

Project concept

1. Togo and Gabon are West-African producers of robusta coffee, and they are seeking to enhance their production, and improve the quality with a view to placing it into the gourmet market sector.
2. The purposes of this initiative are to improve productivity and add value to the present coffee production, to increase the income of their small-holder farmers, to increase foreign exchange earnings from their coffee exports, and to enhance the agricultural production in their rural economies.
3. In both countries recent years have seen a decline in coffee production and productivity, due mainly to the difficult market conditions. There has been an acceleration in the drift of the rural population, especially young people, to the cities. The expected improvement in farm incomes should result in making coffee a more attractive option for young people, and slowing the rural exodus.
4. The project will identify certain zones and farmer groups who will be equipped and enabled to improve their coffee, both in quality and productivity. The goal will be to pilot the production of bold bean gourmet robusta coffee, both sun-dried and washed, which will then be marketed to the gourmet sector in Europe, the U.S., and Japan. The resulting improvement in incomes, both for farmers, as well as other stake-holders in the commodity value chain, should encourage other private sector initiatives to improve quality, and increase the output of gourmet robusta coffee.
5. Guinée will take part in the project for information dissemination, with a view to demonstrating the potential for a similar initiative in that country in the future.

B. Overview of the Coffee Sector

6. After several difficult years between 2000 and 2004, demand for coffee has been rising in recent years, especially in some of the new consuming markets (eg China, India). The outlook for the coming years is for a continuing increase in demand, with some concerns about the supply to meet it. At the same time, there is a growing market for gourmet coffees in the traditional consuming countries, with an increasing emphasis on top quality coffees, traceability, and an interest among consumers in the origins and sources of their coffee. While this has thus far been focused mainly on Arabica

coffees, there is now some interest in developing the potential gourmet demand for Robusta coffees, and this project aims to respond to this market potential.

Togo

7. Coffee is currently the third most important export of Togo, after phosphate and cotton. It has a direct impact on at least 34,000 farming families, as well as on the livelihoods of many other actors in the sector. With the low prices from 2000 – 2004, farmers became discouraged, and production declined. This was also due in part to the manner in which the liberalization was put into effect in the late 1990's, leaving the farmers without the support structures in the industry on which they had learned to depend.

8. The internal market is very competitive, and the improved prices of 2005 and 2006 have begun to have some impact. However, following the effects of the crisis years, and coupled with the liberalization, the industry will need more time and focused attention to return to the 15 – 20,000 tons production levels of earlier years.

Gabon

9. Following a period over the last 30 years since the 1970's, when the economy has been dominated by oil and mineral revenues, the Government of Gabon has made the decision to focus on the development of the agricultural sector. Recent years have seen a growing rural exodus, and with the crisis of 2000-2004, the Caisse de Stabilisation has recently been taking steps to assist farmers in bring their farms up to a more productive level.

10. Wages of agricultural workers are relatively high in Gabon compared to many countries in Sub-Saharan Africa, due in part to the oil revenues, and in part to the small population. It is important, therefore, in revitalizing the coffee sector, that the accent be placed on improved productivity of the coffee farms, which are almost entirely small-holdings from 0.5 up to 10 hectares, as well as focusing on the quality of the coffee itself.

11. The project therefore fits with the declared policy of Government, and the President himself. There is a keen expectation among many of the farmers that with the support of the project, it will be possible, in the coming years, to develop a gourmet robusta coffee from Gabon's fertile coffee producing zones. This will respond to the needs of the growing speciality market, improve the image of all of Gabon's production, and provide a vital livelihood, and reduce poverty, among a large number of rural families.

Current Production Status

Coffee and farmer livelihoods

Togo

12. Nearly 90% of the coffee farmers in Togo rely entirely on coffee for their cash income. Their coffee farms, ranging from 0.25 to about 3 hectares, with most averaging 1–2 hectares, are mono-culture. One of the impacts of the liberalization was to make credit in the marketing chain much more limited, due to difficulties of repayment. Bank advances to the approved buyers had previously been guaranteed by OPAT. With the low prices of recent years, the result has been to reduce the use of fertilizer very drastically (by well over 90%), resulting in lower productivity.

Gabon

13. Gabon's coffee production has sunk to a very low level, following the price levels of recent years, and the general discouragement of farmers. In the 1980's, exports had reached a level of up to 40,000 bags, but have since declined to very small volumes. Farmers have had to resort for hunting and fishing to derive a cash income, as well as some subsistence agriculture.

14. The revival of the coffee sector is considered a priority by Government in order to provide reasonable income levels in the rural areas. One of the main considerations is to try to arrest the rural exodus, especially of young people, to the urban areas. There the declining oil revenues are beginning to have an impact on the growth of the economy, resulting in high unemployment in Libreville. By encouraging improved farming practices, and aiming for the gourmet market, the revenues of small-holder coffee farmers can achieve levels which it is hoped will even attract the young disenfranchised in urban areas to return to their villages. This has been the case in one or two instances already, notably the Otala Cooperative.

The potential of coffee producing areas

Togo

15. The rainfall and growing conditions are very favourable for robusta coffee in Togo. There years of farmer training and the involvement of OPAT and the quality services have resulted in a very sound level of quality being achieved. This means that there is a good base on which to build for the gourmet market. Beans size, however, is generally fairly small, and since gourmet markets generally expect bold bean coffee, this aspect will need particular attention in the project.

Gabon

16. With its rainfall, seasonal cycle, extensive rain-forests, and position on the Equator, Gabon enjoys a particularly favorable climate for coffee production, with two harvests during the year. The main harvest is June/July, with a 'fly-crop' in January/February.

17. In the late 1990's, thanks to the close cooperation of the Caisse de Stabilisation with the CNRA in Cote d'Ivoire, Gabon obtained a supply of planting material of improved varieties, which were deemed suitable for Gabon's soil and climate. Propagation of these seeds gave remarkable results, with the first significant flowering appearing about 18 months of planting in the field, compared to 24 months in Cote d'Ivoire, and a good level of production being reached by the third year after planting out the seedlings.

18. The further development of planting material from the parent stock, at the CBC in Okoundja is one of the elements of which the project takes account, since this should also assure a supply of bold bean coffee, as well as ensuring the productivity to produce the returns needed at small-holder level.

19. Production is at present at a very low level, due to the difficulties of recent years. However, it is believed that exports should be restored to around 500 tons with 2 – 3 years, and quality will be the key to this development.

II INSTITUTIONS INVOLVED AND RESPONSIBILITIES

20. The outline of the proposed institutional arrangements and organization of the project are as follows:

A. Supervisory Body

21. The International Coffee Organisation, with headquarters located in London, maintains the statistics concerning world coffee production, trade and consumption. It also provides a forum for meetings between representatives of coffee producing and consuming countries, and acts as a centre for the collection, exchange, and publication of economic and technical information on coffee.

Address: International Coffee Organisation (ICO)
22, Berners Street
London W1T 3DD

UK
Tel: +44 (0)20 7612 0600
Fax: +44 (0)20 7612 0630
Email: info@ico.org

22. As a supervisory body the International Coffee Organisation will receive progress reports every six months from the Project Executing Agency in the CFC format. The ICO will study the report and compare it with the Annual Work Plan, and set performance indicators, before sending the report to the Common Fund with comments by the Supervisory Body. Budgets and financial statements should be attached to each progress report. Detailed guidelines are provided in the CFC Financial Procedures Manual. It will ensure that relevant information on the project will be made available to the interested member countries. It will carry out regular supervisions in the project areas including mid-term and completion evaluations.

B. Project Executing Agency

23. It is proposed that CABI Africa be the Project Executing Agency (P E A) responsible for the overall execution of the project, and for the disbursement of funds and project monitoring. It will work in close collaboration with the Project Implementing Agencies. CABI is an intergovernmental, not-for-profit organisation. The institution provides services worldwide to agriculture, forestry, human health and the management of natural resources. CABI has been working in Africa for close to a century, with extensive contribution to the cacao and coffee industries in a number of countries. The organisation is particularly suited to act as the PEA of this project since the purpose of the project is in tandem with CABI's mission which is to improve livelihoods through the generation, dissemination and application of knowledge in sustainable agriculture and natural resource management.

24. The reason for the choice of CABI as the PEA for this project is that they are uniquely qualified for this task. They have a very long experience in project management, as well as scientific research and farmer organizations relating to coffee in Africa. They have done extensive and successful work in the region on projects funded by CFC and are quite familiar with CFC and ICO procedures and expectations.

Address: CABI Africa
ICRAF Complex, Gigiri, United Nations Avenue
P.O. Box 633-00621,
Nairobi, Kenya

Tel: +254 20 7224450
Fax: +254 20 7122150
Email: c.agwanda@cabi.org
Contact: Dr. Charles Agwanda (Coordinator, Commodities)

25. The Project Executing Agency (PEA) will implement and coordinate the project implementation with collaborating institutions in the participating countries. The PEA will be responsible for the management of the project, and will be accountable for the project budget. The PEA will administer the project finances as provided in the CFC financial Procedures Manual, and will ensure that the project accounts are audited every year.

26. The PEA will produce progress reports every six months in the CFC format, and shall facilitate the supervision missions by CFC and ICO. The PEA will also make arrangements for the mid-term and project completion evaluations.

C. Project Implementing Agencies

Togo

Address: Comité de Coordination pour les Filières Café et Cacao (CCFCC)
Immeuble de la Qualité et de la Métrologie (ex-SCOT)
Zone Portuaire
B.P. 8582 Lomé, Togo
Tel: (228) 227 0945
Fax: (228) 227 0965
email: cfcc@laposte.tg
Contact: M. Enselme Gouthon
Secrétaire général

27. CCFCC brings together public and private sector stakeholders in the coffee industry, and is fully committed to the project. They will provide staffing, office facilities and administrative back up for the project, as well as networking with the research organizations (ITRA and CRAF) for purposed of the seedling multiplication and availability of improved planting material to farmers, and farmer groups and associations for the organization of small-holders.

Gabon

Address: Caisses de Stabilisation et de Péréquation (CAISTAB)
Immeuble Gabon 2000
BP 768
Libreville, Gabon
Tel: +241 760076
Fax: +241 764511
Email: 'caistabgabon@finances.gouv.ga'
Contact: Mrs Yolande Nyonda

28. The Caistab is actively working, in accordance with Government policy, to develop the agricultural economy, with its focus on coffee and cocoa. The Caistab will provide staffing, office facilities and administrative back-up. The seedling multiplication will be handled by CBC, and here again the Caistab will provide the liaison and follow up.

Guinée

Address : Fédération Nationale des Exportateurs et Producteurs de Café/Cacao
B.P. 6402,
Conakry, Guinée
Tel : +224 66 38 46/ (22 4) 60 21 73 45
Email: bmkttradingsekou@yahoo.fr
Contact: M. Camara Sékou Ahmed

29. The PIA's will have the responsibility of coordinating and managing the project in their respective countries. This will include:

- a. Liaison with the PEA
- b. Seeking co-financing
- c. Facilitating the base-line study
- d. Identification of farmer groups
- e. Location for installation of equipment and machinery
- f. Training of extension and technical staff
- g. Monitoring of quality of production
- h. Supervising the maintenance of machinery
- i. Procuring goods, works and services according to CFC procedures
- j. Calling meetings of the National Project Steering Committees (NSPC's)
- k. Preparation of technical and financial reports for the NSPC's and PEA

Other institutions

It is planned to work with three other institutions whose experience may be required for a successful implementation of the project.

Coffee Quality Institute (CQI)

30. The Coffee Quality Institute in the USA, has expressed an interest in the development of gourmet robusta coffees. CQI is uniquely placed to assist with liquoring training, technical input, and market development, especially for the U.S. market. It is intended to develop a joint approach in certain areas with them for this project.

Centre National de Recherche Agronomique (CNRA)

31. The CNRA of Côte d'Ivoire is the leading agronomic research institution with a strong expertise in coffee. Its mission is to contribute to the economic development and the welfare of populations through agronomic research, training and advisory services. It has working experiences with institutions in Gabon and Togo. Through the agreement with the Caistab of Gabon, CNRA provided technical assistance to the Ministry of Agriculture and rural Development for the promotion of coffee. The CNRA has also developed a regional research programme with a research institution in Togo (ITRA).

ECOM Agro-industrial Cooperation Ltd

32. ECOM Agro-industry Corp. Ltd is a commodity merchandizing company with operations primarily in Agricultural commodities such as coffee, cocoa and cotton in Africa, in Latin America and Asia, as well as Europe and the United States of America.

III PROJECT DESCRIPTION

A. Project Rationale and Objectives

What is ‘Gourmet Robusta? - Togo & Gabon

31. One question was frequently asked: “What is gourmet robusta coffee?” Togo’s robusta is already well appreciated in international markets, selling at premiums to the London Robusta Futures market (LIFFE). In the case of Gabon, the supply at present is very small, but from early years of production, the quality was generally well maintained, and the export quality of the coffee is of a good standard. In neither case is there any export of bold bean robusta (Screen 18 and above).

32. It should be noted that in the Arabica gourmet qualities, the emphasis is almost entirely on the cup quality, though appearance and bean size are also important, in Robusta, this may be different. Robustas may be considered as gourmet qualities not only if they have specific or exceptional cup qualities, but also if they are coffees which are particularly neutral in the cup, those which may have an enhanced caffeine content, or coffees with a higher extractability rate. This means that in the long-term ‘gourmet’ robustas may appeal to a wider market than the gourmet arabicas.

Sun-dried robusta coffee

33. It was noted that the production of gourmet robusta coffee should generally include the following characteristics:

- special care in the growing and harvesting of the coffee
- drying on raised drying tables to ensure proper ventilation and quality control
- traceability of the coffee back to its production zone
- normally a bold bean coffee (at least screen 16, and preferably 17/18 and above)
- clean appearance, even colour, without defects
- with a sound and neutral cup.

34. The above applies to sun-dried coffee, which cannot be excluded from the category ‘gourmet’ in the robusta market. Many of the consumers who appreciate the quality of the better robusta brands are looking for a very well prepared and regular quality of natural, sun-dried coffee.

35. There are other factors also which may lead to a premium price being obtained for well prepared robusta coffee. These may include the neutrality of the cup, a slight acidity, usually found in coffee grown at altitude, an appreciably higher caffeine content, or an enhanced extractability for soluble manufacture. However, for present purposes, the focus of attention is on the major characteristics outlined above. There will also be the aspect of what may be termed 'relational coffees' – building the relationships which the project will seek to develop to connect grower groups with specialist roasters. This can play an important part in improving values for growers. Apart from the sun-dried robusta coffee, there is also washed robusta coffee

Washed robusta coffee

36. Another category of ‘gourmet’ robusta is the washed coffee. The same quality criteria apply as for the sun-dried, but with the application of the washing process, the cup character of the coffee is considerably improved, resulting in a more neutral flavour. This is of particular interest in certain markets, as evidenced by the consistently high differentials achieved by the current producers and suppliers of washed robusta coffee, namely India, Indonesia and on a small scale, Guatemala.

What production options to arrive at this quality?

37. The production of ‘gourmet’ quality robusta pre-supposes:

- a. Organization and follow up of groups of farmers, who are prepared to commit to the additional work and care required for top quality production. This includes care of the plantation, special care at harvest, to ensure only ripe cherry is collected, and then the drying with properly arranged drying tables.
- b. Inputs available to ensure that the quality standard is maintained within the framework of an agreed production methodology. This has been developed in Togo over many years, although it may need to be updated with new innovations.

- c. Sustainability and Good Agriculture Practice

It is also proposed that it be brought into line with the Code Matrix of the 4-C Initiative so as to ensure that the coffee will be 4-C compliant, which may also assist with its marketing.

- d. Equipment

For proper drying, farmer will be supplied with equipment, and there needs to be training and supervision in the initial stages.

For the production of the washed coffee, hand-pulping units will be made available to farmers through the project, and again training and supervision is included as part of the project to ensure the right quality is produced.

- e. Traceability

A system of traceability for the coffee needs to be put in place, so as to be able to supply gourmet buyers with the information they may require on the precise origin of the coffee. This might also include the development

of a “terroir” system of “appellation”. This would probably be developed in the latter stages of the proposed project, and in conjunction with other work being done in this direction elsewhere in West Africa.

f. Grading

The coffee will need to be graded, since ‘gourmet’ robusta will generally be assumed to be at least Screen 16 and up, and in most cases, Screen 18 and up. Coffee destined for this market sector is generally sold on its bean appearance as well as its cup, hence a regular and bold bean coffee is essential.

- g. The cup character of the coffee will be defined as the project develops, and it must clearly be of a fine quality, with a consistent flavour profile. The distinction between the normal robusta and gourmet robusta will need to be developed and drawn out during the life of the project. At present there is no liquoring done of the robustas from either Togo or Gabon. Within the framework of the project it is proposed that there be the establishment of a laboratory with cupping facilities, as well as liquoring training.

Proposed option – Togo

38. The market in Togo has been liberalized since 1996, and there is very keen competition for the purchase of the coffee from farmers. The production is handled at farm level up to the point of dry cherry, and farmers take their coffee to a local miller, who hulls the cherry for a fee. This gives the farmer his clean coffee to sell to licensed buyers or exporters in the local market.

39. With Togo’s strong history of quality control, and the development of a culture of quality with farmers, the quality sold at farm gate is generally of a high standard, and almost ready for export, apart from the final process of grading, which takes place in Lomé. There are two grading facilities at present, an old factory of the former OPAT (Office des Produits Agricoles du Togo), where some of the coffee is handled. The other is a modern factory owned and managed by one of the major exporters, which handles most of the coffee.

40. Because of the decline in production of recent years, the volume available to satisfy a keen export demand is hardly sufficient. Exports in 2005/06 are expected to reach about 9,000 tons. The result is that, in the early stages of the project, it would be difficult to introduce immediately wet-processing of the cherry. This is at present not within the experience of the farmers and it will take some time to demonstrate the benefits from adopting such a practice.

41. The main aim will therefore be, for years 1 and 2 of the project, to work with selected groups of farmers in pre-determined zones to improve the productivity of their coffee farms, focusing on inputs and crop care. It is expected that this should improve the percentage of Grade 1 (Screen 16+, currently about 25 – 30% of production) and even bold bean

(Screen 18+) coffee to a more significant level. The aim will be to work initially with about 1000 farmers under this project, with a view to producing 500 tons of improved quality coffee by the second year of the project. Of this, it is expected that 200 tons will come into the 'gourmet' category, as reflected in the selling price. The other 300 tons should be sold at a modest premium to the normal quality exported from Togo.

42. At the same time, training will be done of farmers through associations and other groups, with a view to achieving a good standard of agricultural practice and harvest, within the Code Matrix of the 4-C Initiative. Assistance may be sought from the 4-C Initiative in this respect to provide guidance and training of the farmers selected through the project.

43. During the second year, in selected areas, a pilot scheme with a few small coffee washing units will be introduced, with a view to the production of an initial target of 100 MT of washed robusta. This will introduce the process to farmers, and provide a sufficient volume of coffee to warrant a serious marketing effort. This will give the information necessary to be able to move ahead with an extension of the washed coffee into other areas if the sale prices show to justify the investment and produce a reasonable return. It is expected that there will be good uptake of the wet processing, once farmers have seen for themselves the viability of the process, and the economic benefits.

Proposed option – Gabon

44. The situation in Gabon is somewhat different, since the production is restarting from such a low base (currently about 100 tons). In this case, the market 'network' for the dried cherry is not developed, since it is at present the monopoly of the Caistab. This allows for the rapid application of washing technology across a wider area, with the possibility of building 'gourmet coffee' into farmers' thinking from the outset.

45. Even before the consultant's visit in August, 2006, the Caistab had taken the initiative, in view of the upcoming project, to send two of its senior staff members for a study tour to Burundi, to see how the washed coffee industry worked there. In addition, in two of its Provincial centres, a small quantity of washed robusta had been prepared, using basic methods, so as to test the cup quality of the resulting produce. The results were very encouraging, as confirmed at the Cafétec in Paris in August 2006, where the washed and natural qualities were assessed by a wide number of French roasters and importers, and received positive evaluations.

46. Following that visit in August, 2006, it was agreed with the Caistab that with immediate effect, 3 or 4 hand-pulping units would be imported. This would permit the testing of the process in certain locations in the two Provinces. With the 'fly-crop' in January/February 2007, a small quantity will be produced, so as to be able to test market the product into the roasting industry. By the time the Project is ready to start, hopefully in mid-2007, there will already have been the

confirmation concerning the validity of the process, and the value-added, providing a strong platform from which to begin the development work of the Project across a wider production area.

Internal Marketing up to Export

47. With major differences between the internal marketing arrangements in Gabon and Togo, the former being still a managed 'filière', the latter bring almost completely liberalized, the implementation of the project in the two countries will be different.

Togo

48. With approximately 34000 farming families involved in coffee, it is intended to work through groups of farmers, or associations. About 30% of the farmers in Togo are organized into groups through the Federation FUPROCAT, and it is intended to work with some groups selected and supervised by them. Others will be handled through ACDR, the now privatized organization which, before the liberalization, took responsibility for the agricultural extension services for the coffee sector. Since the liberalization, they have depended largely on project funding, but have a number of capable technical staff, and know the capacity of the farmers in the different production zones.

49. Through these organizations, the production of the gourmet quality will be encouraged and supervised. This will include cooperation with private sector buyers and exporters to ensure the proper premiums are paid to growers to reflect the improved quality. The payment of premium prices and the communication of the purpose of the project to the private sector and export trade, as well as to international markets, are fundamental to the sustainability of the project and the ongoing production. It has to be profitable for growers. It is anticipated that the export will be handled through private sector exporters.

Gabon

50. In this case, the Caistab is the sole buyer of coffee in the internal market within Gabon. The producer price is at present fixed at the beginning of each season, and the Caistab organizes the collection and payment to farmers. As the PIA, the Caistab will have responsibility for organizing the project, as well as determining a producer price for the improved quality which reflects the value addition, and adequately remunerates the farmer for the increased cost and work involved in the production of better quality. The export and export processing will be done by the Caistab, and the project includes the cost of adapting their existing machinery to suit washed robusta coffee.

Export Marketing

Existing markets for Togo and Gabon coffee

51. The existing markets for Togo coffees, as well as the past destinations for Gabon, are mainly within the European Union.

52. As regards the Togo production, well down from its historic average of around 18000 tons, there is a ready market for the coffee, and significant premiums over the London Futures market (LIFFE) are already achieved for the reliable quality. The project will need to work in collaboration with the private sector exporters, so as to ensure the traceability of the coffee is maintained, and to work with the existing trade channels to sell the coffee to the roasters in the gourmet sector.

53. Gabon's export quantities have been very low in recent years. This is in part due to local consumption absorbing part of the production. Export quantities are at present sold into the European industry.

Likely markets for a 'Gourmet Robusta' quality

54. The best potential markets for natural gourmet robusta coffee are likely to be in Southern Europe, with possibly a few outlets into the Northern European market. The Southern European markets, Italy, Spain, Greece, and also France, have a fairly large number of small and medium roasters, whose selling prices permit them to consider the purchase of top quality coffees. For them, the quality of the product is the primary concern, and with some creative marketing (marking of bags, information etc), it should be possible to interest them in a high quality sun-dried gourmet robusta. It is hoped to develop the European market in collaboration with the SCAE, who have indicated their interest in doing so.

55. It is intended also to start to develop interest in the U S gourmet market, though there is at present a general view that 'gourmet' must, of necessity, be Arabica coffee. Few of the specialty roasters in the US are open to consider sun-dried robusta coffee, though there is some nascent interest for washed robusta coffees. It is hoped to develop this with assistance from the CQI.

56. The washing of the robusta coffee is a more costly and complex process, but does open up other marketing possibilities. A number of Northern European mainstream roasters at present use some quantities of washed robustas,

which they find actually enhance their blends, adding body to the cup. If a reasonable supply of washed robusta coffee were available through the project, or from private initiatives following, it is likely that these markets could also be developed. However, the key in these cases is volume, since there would be a need for several containers during the year to satisfy just one roaster. This may be beyond the reach of this immediate pilot project proposal. It does, nevertheless, provide the potential for long-term growth.

How to approach these markets, identifying marketing channels etc.

57. The key to approaching the markets will be to have identified, packaged, documented and prepared the product adequately before taking it to market. It would be a mistake to go to markets with a gourmet robusta coffee from Gabon and Togo until such time as there was the possibility of supplying reasonable and regular quantities. So long as quantities remain very small, it would be best to approach one or two importing firms or roasters specializing in gourmet coffees in Europe, and seek to develop with them some specific outlets for the coffee, targeting particular markets and roasters. From the export side in Gabon, it would be handled by the Caistab. In Togo, the finance and export of the coffee would be handled through existing exporters. The project includes a training element to assist them in identifying new outlets.

Volumes necessary to attract buyers

58. For reasons of economic shipment, the minimum quantity required is 18 metric tons. For a roaster buyer to take a serious interest in a new specialty coffee, he must have the expectation of being able to access a supply of the coffee throughout the year. Roasters are generally reluctant to take on a new coffee if there is not at least a good prospect of supply continuity.

59. Whether it would be appropriate to handle the marketing of the different origins on some combined basis would depend very much on the quality outcomes of the initial stages of the project. Some joint marketing action at trade shows might be appropriate. For example, a joint stand at the Specialty Coffee Association of Europe (SCAE) annual meeting and conference (held in May each year) would provide the opportunity to present the gourmet robusta to many of the key players in the markets. At a later stage, this could also be done at the Specialty Coffee Association of America (SCAA), but only once sufficient quantities were available to warrant the investment in the promotion.

Improving the quality of production

60. One of the issues which will need to be considered is the marketing of the improved quality coffee which the project will produce, but which does not fall within the ‘gourmet’ classification because of bean size. This coffee should also be kept separate from the mainstream coffees, since if it is marketed separately, with traceability and care in every step of the production chain, it should be possible to achieve some modest premiums for this coffee also – perhaps \$ 25 – 50 per ton, depending on quality – compared to the run of the mill coffees. Since this will, at least in the early stages, represent the biggest volume of coffee coming from the small-holders involved with the project, this will be an important aspect of the overall economic management of the project. Provided the coffee is 4C compliant, this could also open other market outlets. (see Activity 1.5 below)

Constraints of marketing gourmet robusta coffee

61. There are several challenges in marketing ‘gourmet’ robusta coffee. These include:
- h. Overcoming the prejudice in the minds of many consumers that gourmet by definition means Arabica
 - i. Differentiating in a significant way the appearance and cup quality of the gourmet quality coffee from the other coffee. (Togo has already high quality standards, and it remains to be seen to what extent there will be a very obvious differentiation, unless the coffee is washed instead of sun-dried).
 - j. Part of the added value from the project will come from separating and marketing the bold bean coffees. This should ensure a premium of about \$ 150 – 200 per ton over standard Grade 1 coffees. The intention of increasing the use of fertilizers and improving farm management with the project farmers should significantly increase the percentage of above Screen 18 coffee, which should in turn improve the small-holders revenues.

B. Project Components

62. It is said that the quality of coffee is determined in three different areas:

- on the farm - about 40%
- harvesting and primary processing - about 40%
- secondary/export processing - about 20%

63. The project aims to enhance productivity of coffee at small-holder level, to ensure that the foundation for gourmet quality production is properly laid. This will include working through extension staff with small farmers on issues of crop husbandry, use of pruning techniques and inputs. It will then focus on harvesting and the primary processing,

whether by sun-drying or washing, through the secondary processing for export preparation, and so to the quality evaluation (liquoring and grading), and marketing. The activities are therefore based round five components:

1. Identifying the zones and then the farmer groups to work on this project, and training extension workers to assist farmers with crop husbandry
2. Making available to farmers seedlings of improved planting material with a view to enhancing quality and productivity and the establishment of demonstration plots
3. Improved processing of sun-dried robusta coffee targeting certain specialist buyers of fine quality sun-dried robustas
4. Installation of washing equipment to produce washed robusta coffee, including the secondary processing equipment required, and training of farmers in the production of washed coffee.
5. Liquoring training for quality evaluation, and marketing and promotion activities to ensure premium prices are obtained.

Component 1 Improving quality and productivity in existing coffee

Objective:

64. To improve the quality and productivity of farmers and farmer groups in selected zones of production by better crop husbandry and use of inputs.

Output:

65. A sustainable improvement in the quality and output of the coffee.

Activity 1.1 Baseline study

66. The first step will be to conduct a baseline study in the key selected zones, to establish current growing practices, yields, and post-harvest handling procedures, including drying and processing methods,

Activity 1.2 Identify the groups and sites for establishment of gourmet coffee production

67. Over a period of 2 – 3 months, the PIA's will work to identify the locations to be selected for the establishment of the gourmet coffee project. This will include the farmer groups to be selected for this development, as well as the organizations which will be responsible for organizing and handling the project with these farmer groups.

Activity 1.3 Arrange credit for inputs supply for farmers

68. Fundamental to the project will be the supply of inputs – fertilizers, pesticides, and small tools and equipment – for small-holders, so as to start to improve their farm management practices. The project provides for the supply of some basic tools and equipment to a number of farmers. The PIA will be responsible for organizing the distribution of these, monitoring their utilization, as well as arranging for financing the supply and distribution of fertilizers and pesticides. One of the key criteria for gourmet robusta coffee is a bold bean, and in order to achieve this, it is expected that in certain areas some fertilizer will need to be used. This should also considerably enhance overall productivity.

Activity 1.4 Training of extension workers and trainers

69. The extension workers in each country will need to be trained in the specific issues relating to the production of gourmet quality coffee. This relates firstly to field practices – pruning, weeding, mulching - and to include use of fertilizers and pesticides. It will also include post-harvest handling and processing, issues of traceability, storage of the coffee, and handling of the coffee to market. This training will be done in collaboration with the organizations, farmer groups and associations working with the small-holders and the project.

Activity 1.5 Guidelines for G A P for Gourmet Robusta

70. In the past 2 years, the 4-C Initiative – the Common Code for the Coffee Community – has set out a detailed Code Matrix for the production of coffee. This Code Matrix covers all aspects of growing and processing coffee in a manner which is sustainable. This sustainability includes the 3 pillars of – People, Planet, Profit – or Social Sustainability, Environmental Sustainability and Economic Sustainability.

71. The 4-C Initiative is expected to start its formal operations in 2007. It is proposed that in the implementation of this project for gourmet quality robusta coffee in Togo and Gabon, the Code Matrix be used as the guideline for Good Agricultural Practice. Once the coffee is verified as compliant with the 4C requirements, this could open new markets also.

Component 2 Seedling multiplication and improved varieties

72. In both Gabon and Togo, considerable work has been done on improved varieties. In addition, Gabon is recognized as a significant resource base for genetic material for ‘Café Canephora’, and it is therefore of importance to be able to do some work within the project on the varieties.

Objective:

73. Identify available improved planting material in each country, and make it available to small-holder farmers in different production zones

Output:

74. Rehabilitation of existing mother gardens, establish of further mother gardens and nurseries as necessary to cover the project area, and also to make planting material available to other zones wishing to pursue the same objectives. Also the establishment of demonstration plots for both improved husbandry and higher yielding varieties

Activity 2.1 Clearing of existing mother gardens and establishment of nurseries

75. Early in the project, steps will be taken, with CCFCC/CRAF in Togo, to re-establish a viable production of seedlings, and develop the commercial sustainability of this activity. This will involve the restoration of mother gardens, and establishment of nurseries in key locations related to the project. For Gabon, it is anticipated to buy suitable seeds from the CNRA in Cote d'Ivoire.

Activity 2.2 Establish of 10 demonstration plots in each country

76. There will also be at least 10 demonstration plots on small-holdings in each country as a means to show the improved practices.

Component 3 Improved quality – sun-dried robusta

77. The project includes the provision of equipment to a number of farmers and farmer groups for improving the quality of their sun-dried robusta coffee. This is mainly through careful harvesting and then proper drying procedures.

Objective:

78. To demonstrate to farmers how to produce high quality sun-dried robusta coffee, suitable for the gourmet market, and to ensure that they receive a premium price.

Output:

79. At least 1000 farmers in Togo and 500 in Gabon trained within 2 years in the improved methods of post-harvest handling, and achieving premium prices for their coffee, which will also depend on their improved husbandry to achieve bolder bean coffees.

Activity 3.1 Training farmers and groups in post-harvest handling

80. The project will work with farmer groups and associations to install the equipment, and train farmers in improved post-harvest handling techniques, from picking through to delivery of coffee to the buyer.

Activity 3.2 Supply of drying equipment to farmers

81. The project through the PIA's will supply a number of farmers with equipment for the sun-drying of their coffee, in order to optimize quality. Farmers will be trained in the use of this equipment, and monitored during the duration of the project, to ensure that they continue to follow agreed procedures.

Activity 3.3 Monitoring sale of the coffee - traceability

82. There will be careful monitoring of the sale of the project coffee, to ensure that traceability is maintained through the marketing chain. This will not be a problem in Gabon, due to the position of the Caistab in buying all coffee, but in Togo, a close collaboration will be needed with the exporters and their buyers to handle this aspect.

Component 4 Machinery and equipment for washed robusta coffee

83. This component includes the supply of hand-pulping equipment to small-holders to enable them to produce washed robusta coffee, once they have agreed to take part in this. It also includes enhancing existing export processing facilities to make them suitable for milling parchment coffee (from the washing process), and to ensure a gourmet quality output.

Objective:

84. Supply of a marketable tonnage of washed robusta coffee, selling at significant premiums to gourmet roasters in consuming markets.

Output:

85. By the third year of the project, to produce at least 200 tons of washed robusta coffee in Gabon, and 100 tons in Togo

Activity 4.1 Installation of equipment for production of washed robusta coffee

86. The supply of washing equipment, as well as individual drying equipment, to ensure the production of gourmet quality, will be critical to the project. This will be done according to the development of the supply of coffee in Gabon, and in Togo, as it becomes feasible to integrate the washing process into the production systems in specific pilot areas. In addition, project vehicles will need to be purchased to ensure that the supervision of the production can be adequately followed up.

87. **In Togo**, in the initial stages, the focus will be on the development of an improved quality of sun-dried coffee, with emphasis on the growing, harvest, drying, and traceability to local production areas. A small pilot project will be developed, using hand-pulping equipment, to produce a quantity of washed robusta, in order to test the market's reaction, to evaluate the potential for increased quantities. The machinery will ultimately be owned by the farmer groups of their organizations. Above all, it will examine in detail the economic benefits which may be derived by the farmers from the improved quality.

88. **In Gabon**, given the present situation of the supply, and the need to seek a significant premium for the coffee to offset the higher production costs, a scheme will immediately be started to pilot in the first year the hand-pulping of the coffee. The purpose will be to produce a marketable quantity of washed coffee, and to test the market's response, as well

as the economics of this washed production. Provided these tests prove satisfactory, in the second year, the production of washed coffee will be increased, with the wider use of the washing equipment.

89. Because of the historic pattern of small-holder production, the relatively small holdings of individual farmers, and the difficulties of internal transport, it is proposed to work with small hand-pulping units, with each farmer processing his own coffee, and then fermenting, washing and drying his parchment. The machinery will remain the property of the Caistab, who will also ensure its maintenance. The Caistab will assure the purchase of all the improved quality coffee at a remunerative level for the growers, providing incentives according to quality.

Activity 4.2 Rehabilitation Processing Factories

90. In Lomé, Togo, and Franceville, Gabon, there are processing facilities which have worked for many years in the processing of sun-dried robusta coffees. The Lomé factory was owned by OPAT, while the Franceville factory is managed by the Caistab. In both cases, these factories are in need of some rehabilitation, to make them suitable for the processing of gourmet quality coffees. There is also the need to add some machinery for milling washed robusta coffee. One component of the project is to add this machinery, as well as rehabilitating parts of the factories which need attention, so that the secondary processing is fully up to the standard required for gourmet qualities.

Component 5 Liquoring and marketing

91. The ability to evaluate the cup quality of the coffee is fundamental to the supply of coffee into the gourmet sector. Emphasis will be laid on the training of liquorers in each country, as well as grading the other aspects of the quality. There will also be a focus on marketing activities, with a view to identifying and selling to buyers willing to pay a premium for the improved qualities, and who will take an interest in the supply as a specialty coffee.

Objective:

92. To train exporters and producers to evaluate and identify gourmet quality robusta coffee, and to achieve premium prices in world markets on a sustainable and commercial basis

Output:

93. At least 3 trained liquorers in each country by the end of the project, and established market relationships with roasters and importers on a commercial and sustainable basis for the improved quality coffee produced.

Activity 5.1 Liquoring and quality management

94. Since neither Togo nor Gabon at present does any cup testing of their coffee, and since cup quality is fundamental to the production and supply of gourmet coffee, a laboratory will be established in each country. This will be a base for training of liquorers, as well as for enhancing the quality evaluation of the coffee across the spectrum of all qualities. In Togo, the laboratory will be established within the DQM, and in Gabon, within the Caistab.

Activity 5.2 Liquoring and quality training courses

95. It is anticipated that the training in liquoring and marketing will be done with assistance from the Coffee Quality Institute of the USA. They have the specialist knowledge of the gourmet markets' requirements, and are developing the use of robusta coffee by specialty roasters.

Activity 5.3 *Marketing*

96. The initial work on marketing will be mainly to ensure that the farmers receive a fair premium for the improved quality of their production. In the case of Togo, this will involve proper communication with the local licensed buyers as well as the exporters, so that the project is properly understood across the industry. For Gabon, it will involve communication with farmers and in establishing an appropriate price mechanism within the framework of the pricing structure of the Caistab.

97. For the longer term the better qualities will need to be introduced to the market. This will be done only once the supply is adequate to assure a regular volume for the market, and the quality has been stabilized and clearly identified as gourmet robusta coffee. This will include participation in trade fairs, possibly organizing buyer visits to Togo and Gabon, as well as visiting some key buyers who might be interested in the product. In Togo, a close collaboration with some of the private sector exporters will be essential to ensure that farmers receive premium prices, the traceability of the coffee is maintained, and the sustainability of the improved production is assured.

98. In both Togo and Gabon, it is anticipated that some marketing training be done of those involved in export marketing – including aspects relating to contracts, shipping, insurance, risk management, quality control, and different markets. The marketing training will focus on both the European specialty markets, especially those in Southern Europe which are major consumers of better quality robustas, as well as the U.S. market, in collaboration with CQI, and possibly also Far Eastern markets, depending on available quantities.

C. Benefits and Beneficiaries

99. The primary beneficiaries of this project will be the small-holder coffee farmers. They will receive training in improved husbandry and processing, and receive a higher price for their improved quality coffee. This will further strengthen their bargaining position with exporters/buyers in the competitive market environment of Togo.

100. Exporters will also benefit, as the project will open new markets to them for their coffee. In addition, the increase in foreign exchange earnings, both from the improved quality, as well as improved volumes due to increasing productivity, will be a benefit derived by both countries taking part in the project.

D. Environmental Aspects

101. No negative environmental impacts are expected from this project. The washing equipment proposed uses minimal quantities of water, and this represents no environmental risk .

E. Intellectual Property Rights, Publications

102. The technology to be used in the project is well known in other producing countries, and not subject to copyright. Any technologies, processes or copyrights developed during the course of the project may be protected by patent for the mutual benefit of the PIA's, but the ICO and the CFC will be consulted on this matter if or when it arises. According to the CFC project preparation manual, the IPR's of the project belong to the Fund and the ICO.

F. Project Costs and Financing

103. The budget for the project comes to a total of US\$:2,532,731, of which US\$:750,881 will come from counter-part financing. This leaves a net US\$:1,781,850 sought from the CFC. This covers the financing requirement for capital and operating costs, including machinery and equipment, project coordination and technical support.

104. The objectives of the Project are clearly aligned with the objectives of the national agricultural policies of both Togo and Gabon – value-added to primary commodity export crops, with the aim of improving small-holder farmer incomes, and national foreign exchange revenues.

Loan versus grant funding

105. The project anticipates the supply of a certain amount of machinery and equipment, which is primarily for supply to the small-holder farmers in order to enable them to improve their quality. Since the project is a pilot scheme, and the increase in farmer incomes has yet to be demonstrated, the basic drying equipment and farm tools will be supplied to participating farmers or groups on a grant basis. As smallholders, farmers are not in a position to take on additional risk, and the benefits of the improved quality need to be clearly shown to farmers before they can be expected to purchase such equipment.

Ownership of the machinery

106. In the case of the pulping machines for washed coffee production, **in Gabon**, these will remain the property of the Caistab, which will also assure their maintenance during the life of the project, and continuing thereafter. If there is a

move towards a liberalization of the internal market, the machines might be sold at a depreciated value to small-holder farmer groups, at which point they would take responsibility for their care and maintenance. **In Togo**, in the liberalized market environment, the pulping machines will be leased to farmer groups, who will themselves take responsibility for their care and maintenance. It is expected that in the second and third years of production from these machines, the benefits of producing washed robusta coffee should be apparent, enabling these farmer groups to buy the machinery for themselves.

Revolving fund

107. Any funds generated from the sale of the equipment to farmers will be placed into a revolving fund. This fund will be used by the PIA's to purchase further equipment, which can then be made available to other farmers or groups, in order to broaden the impact of the project, and lead to increasing quantities of quality coffee. The PEA will monitor the establishment and handling of this fund.

Pilot project

108. While it is clear that benefits can be derived from the production of improved quality robusta coffee, it is not yet certain that it will be possible to obtain the very high prices which might be hoped from the 'gourmet' market sector, as is the case with Arabica coffees. It is not yet certain that the market is willing to make such a differentiation among robusta coffees. It is for this reason that the proposal is based on grant rather than loan funding. In addition, the coffee sectors in both countries have been badly affected by the prolonged period of low prices from 2000 – 2004, and would not be in a good position to take on loan funding for this sort of pilot scheme.

Machinery

109. Given the cost of local transport, it is proposed to use hand-pulping equipment, and each machine has a capacity of about 50kg red cherry per hour, or say 250 kg of cherry per day. This is equivalent to about 40 kg green coffee per day per machine. Assuming a season running for 90 days during the year, each machine therefore has the potential to produce 3,5 - 4,0 tons of clean coffee. Thus in Togo, the capacity of the project for washed robusta coffee is estimated at about 160 - 200MT per year, and in addition a tonnage or about 300MT of improved sun-dried coffee. In Gabon, the washing machinery has a capacity of about 500MT per year, and it is intended to focus mainly on this type there.

Profitability for farmers

110. Assuming a small-holder farmer with 1000 trees is at present producing 350 kg of coffee, sold at current market levels (at the time of writing of this report, the London LIFFE robusta market was at about \$1400/ton on the forward positions), the farmer could expect an income from his clean coffee of about US\$420. Provided the interventions proposed within the project are applied successfully, the same farmer could expect a total income from the same 1000 trees of about US\$900. This is made up from the improvement in the quality from his coffee, enhancing the value of 25% into the gourmet category, with a price increase of US\$200 per ton, and the remaining 75% coming into a slightly superior quality category, representing a price increase of say US\$40 per ton. In addition to the increase in the price, there should also be a significant improvement in his productivity, lifting the quantity from his 1000 trees to 700 kg. Thus, he could expect a total income of US\$896. This represents for the farmer an increase of more than 100%, and taken over a number of producers, represents a significant improvement in foreign exchange earnings for each country.

Crop finance

111. No provision has been made for crop finance in the project, nor for the finance of fertilizers and other inputs. Crop finance is not required where farmers are themselves producing their own coffee, and in the case of inputs, it will be up to the PIA in each country to ensure that these are made available to the farmers on competitive terms, and in such a manner as to ensure that the farmers are encouraged to use them. It is anticipated that the use of some inputs will be essential in order to achieve the quality objectives for the gourmet market. It is anticipated that any credit to the farmers or their groups will be arranged locally.

IV PROJECT ORGANISATION AND MANAGEMENT

A. Project Management

112. The PEA will assume overall responsibility for conducting the project, including overall coordination of the planning, implementation, budgeting, accounting and monitoring of progress.

113. The project will be implemented based on an agreed annual work programme and budget, consistent with the project budget. The PEA, in close collaboration with the PIA's, will draft a work programme including task assignments to be undertaken by each party. This will cover the activities to be carried out in detail. It will also include a schedule or reporting by the PIA's. The draft work programme will be cleared by the ICO, and made available to the CFC for comments, not later than 2 months before the start of the project. The comments of the CFC will be incorporated into the final annual work programme and budget.

B. Disbursements, Procurement, Accounts and Audit

114. *Disbursements* against the purchase of project items individually costing the equivalent of a *de minimus* of Euro 250 or more will be fully documented and retained in a central location by the PEA. Staff salaries and allowances, operating expenses, training costs and supplies and all other incurred project costs shall only be reimbursed by the PEA against certified Statements of Expenditure (SoE's) from PIA's. It will be incumbent upon the PIA's to retain copies of expenditure documentation for all items, including below *de minimus*, at a central location for review by the PEA, SB or CFC.

115. *Procurements* will take place in accordance with CFC Rules and Regulations for the Procurement of Goods and Services from the Second Account.

116. *Disbursement and Procurement* guidelines are elaborated in the Financial Procedures Manual of the CFC, and will be detailed in Schedule 3 of the Project Agreement.

117. *Accounts and Audit.* Both PIA's in the project will maintain independent financial records and accounts in accordance with sound and internationally accepted accounting practices, and will submit to the PEA audited annual accounts within 2 months of the close of the project fiscal year (31st December.). The PEA will keep consolidated accounts for the project, and prepared consolidated financial statements in accordance with CFC Procedures. The PEA will arrange for an annual project audit by independent auditors, which will be submitted in line with the requirements of the CFC Procedures Manual.

C. Monitoring, Supervision and Evaluation

118. The PEA will review with the PIA existing knowledge and information, and prepare the first year's work plan and budget.

119. These detailed work plans and budgets must be submitted at least 2 months before the start of the project.

120. The Project Coordinator, appointed by the PEA, will be resident in either Togo or Gabon during the life of the project. He will liaise with both countries, and make such trips between the two as deemed necessary to ensure the running of the project and the necessary training and back up in all the activities.

121. The PEA will arrange a workshop in each country in the third year to review the project, and if possible this workshop shall coincide with the mid-term evaluation of the project by independent consultants.

122. Each PIA will produce reports relating to the project activities undertaken for submission to the PEA, and these will serve as the basis for a 6 monthly report by the PEA to be submitted to the SB and CFC. A consolidated annual report will be submitted to the SB and CFC within 3 months of the end of each year, and the final report within 3 months of the conclusion of the project.

National Project Steering Committee (NSPC)

123. In addition to the PIA in each country, the PEA, in collaboration with the PIA, will establish a National Project Steering Committee. This will include representation from the private sector, farmer groups, the research organizations, and other stakeholders directly concerned.

124. The NSPC's will have responsibility, together with the PEA, for ensuring that the project is efficiently implemented, within the budget, and achieving the goals and objectives set out. In addition it will be through the NPSC that other stakeholders in the industry and in the project are to be kept informed and motivated concerning the progress of the project. It will also provide a forum in which they may air their view and concerns and discuss important issues relating to the quality improvement of the coffee.

Activities

a. The PEA, PIA, and NSPC to agree on the way to execute the project at national level each year, together with the budget. This will be done by means of a Coordination Conference to be held in each country.

b. The PIA will have the responsibility for coordinating and managing the project in each country, keeping within budget, liaising with the PEA, and reporting to the NSPC.

c. The PEA will assign one officer as project coordinator to handle the day to day management and follow up of the project, and to liaise with the PIA in each country. He will be based in either Togo or Gabon, and also ensure that the training and technical aspects of the project are fully assured.

d. The NSPC will meet to launch the project, and then meet once a year with all national stakeholders to review progress, and plan the ensuing year.

Dissemination Activities

125. The PEA will hold an annual regional meeting with representatives from Togo and Gabon, as well as from Guinea, in order to review the progress of the year, the lessons learned, and plan the coming year. This will include the purpose of providing sufficient information to the representatives from Guinea to be able to evaluate the potential of a similar initiative in that country.

D. Project Risks

126. Apart from unforeseen natural disasters, social and political instability, there are no major risks anticipated in the implementation of this project. One risk may come from the coffee market, where a new decline in prices could call in question the viability of coffee production in these two countries. However, with the market now in a more balanced state

than between 2000 to 2004, and the prospects for a continuing increase in consumer demand, it is anticipated that the project will prove to be beneficial and profitable for the small-holder farmers who engage with it, and for the countries concerned in their continuing and improving revenues from coffee. In addition, the production of top quality coffee provides some measure of protection from depressed markets, due to a more consistent demand from gourmet consumers.

Appendix I - BUDGET

TABLE 1: SUMMARY PROJECT COSTS

	TOTAL	CFC	Counter-
	US\$	financed	part
	US\$	US\$	funded
	US\$	US\$	US\$
Capital			
Coffee Processing Equipment	420,000	420,000	
National Collaborating Institutions	66,250	66,250	
PEA	0	0	
	<u>486,250</u>	<u>486,250</u>	
Total Capital Cost			
	<u>486,250</u>	<u>486,250</u>	
Operating Cost Budget			
Project Execution Agency (PEA)			
Project coordination & management	382,500	382,500	0
Market development and assistance	94,375	94,375	
Financial Control and Administration	78,750	78,750	
National Meetings and other visits	37,500	37,500	
Project supervision - CFC-			
ICO	69,375	69,375	
Participation			
Guinée	35,625	35,625	
	<u>698,125</u>	<u>698,125</u>	<u>0</u>
Project Implementing Agency (PIA)	<u>1,227,750</u>	<u>512,625</u>	<u>715,125</u>

TOTAL	2,412,125	<u>1,697,000</u>	<u>715,125</u>
Contingencies 5%	120,606		
	US\$ <u>2,532,731</u>		
Less counter-part funding (including contingencies 5%)	-750,881		
Net funding sought for project		<u>US\$ <u>1,781,850</u></u>	

TABLE 2: PROJECT COSTS BY CATEGORY OF EXPENDITURE

Category	Total cost US\$	CFC US\$	Counter-Part US\$
I Vehicles, machinery & equipment	486,250	486,250	
II Personnel	670,500	443,250	227,250
III Technical assistance & consultants	191,875	191,875	
IV Duty travel	174,000	174,000	
V Dissemination and training	741,375	253,500	487,875
VI Operational costs	78,750	78,750	
Sub-total	US\$ 2,342,750	1,627,625	715,125
VII Supervision, monitoring & evaluation	69,375		
VIII Contingencies	120,606		
TOTAL PROJECT COST	US\$ <u>2,532,731</u>		

TABLE 3: CASH TABLE BY COUNTRY AND P E A

Figures without 5% contingency			
Country	Total US\$	CFC US\$	Counter- Part US\$
Togo	831,625	495,812	335,813
Gabon	882,375	503,063	379,312
PEA	698,125	698,125	0
	<u>2,412,125</u>	<u>1,697,000</u>	<u>715,125</u>
5% contingency	120,606		
TOTAL	US\$ <u><u>2,532,731</u></u>		

TABLE 4: CAPITAL COSTS

	Togo	Gabon	TOTAL	CFC
	US\$	US\$	US\$	US\$
Coffee processing				
Hand-pulpers	37,500	50,000	87,500	87,500
Drying equipment	50,000	50,000	100,000	100,000
Farmer processing equipment	30,000	30,000	60,000	60,000
Parchment huller/polisher	15,000	15,000	30,000	30,000
Densimetric table	13,750	13,750	27,500	27,500
Laboratory Equipment	17,500	17,500	35,000	35,000
Moisture meters	11,250	11,250	22,500	22,500
Total Coffee Processing				<u>362,500</u>
Seedling production				
Equipment for seedlings	18,750	18,750	37,500	37,500
Total seedling production				<u>37,500</u>
Marketing				
Construction web-sites	10,000	10,000	20,000	<u>20,000</u>
TOTAL CAPITAL COSTS	<u>\$ 203,750</u>	<u>216,250</u>	<u>\$ 420,000</u>	<u>\$ 420,000</u>

TABLE 5 - PROJECT COSTS BY COUNTRY - P I A

Project Implementing Agency - P I A											
	Quantity	Price	Togo	Gabon	Total CFC	Counterpart funding	Machinery & Equip't	Training	Supervision	Travel	Tech Asst
	Quantity	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Motor vehicles											
1 for each P I A	2	27,500	27,500	27,500	55,000						
Motor-cycles											
2 in Togo	2	1,875	3,750	0	3,750						
Computer & printer	1	3,750	3,750	3,750	7,500						
			<u>35,000</u>	<u>31,250</u>	<u>66,250</u>	<u>0</u>	66,250				
Operating costs of project - PIA annual costs											
		Togo	Gabon								
Staff Costs		Monthly cost									
1 Project coordinator		1,875	1,875	22,500	22,500	11,250	33,750		45,000		
1 Project accountant		1,500	1,500	18,000	18,000	9,000	27,000		36,000		
2 Senior agronomes		1,125	1,125	13,500	13,500	6,750	20,250	27,000			
4 Agronomes		500	500	6,000	6,000	3,000	9,000	12,000			
4 Nursery/seedling workers		313	313	3,750	3,750	1,875	5,625	7,500			
1 Mill technician		0	938	0	11,250	0	11,250		11,250		
2 Assist't technicians		0	313	0	3,750	0	3,750		3,750		
Office space	2,188		26,250	26,250	0	52,500			52,500		
Services	2,188		26,250	26,250	0	52,500			52,500		
Promotion & dissemination			3,000	3,000	0	6,000				6,000	
Financial consultant			6,250	7,500	13,750						13,750
Farmer association liaison/training			6,250	3,750	10,000						10,000
Marketing consultant			3,750	5,000	8,750						8,750
Total Staff Costs			<u>135,500</u>	<u>150,500</u>	<u>64,375</u>	<u>221,625</u>					

Motor vehicle running costs							
US\$/year	7,500	7,500	7,500	7,500	7,500		15,000
Motor cycle running costs							
US\$/year	500	1,000	0	500	500		1,000
Maintenance costs, machinery		2,500	2,500	2,500	2,500		5,000
Meetings							
a. National Project Steering Committee							
2 meetings/year @ \$750		1,500	1,500	3,000			3,000
12 members - 2 meetings x 2 days							
per diem \$62.5/day		3,000	3,000	6,000			6,000
b. National Project Workshop							
1 meeting/year		1,500	1,500	3,000		3,000	
30 members x 2 days x \$62.5/day p.diem		3,750	3,750	7,500		7,500	
c. Regional meetings							
1 meeting/year - 6 representatives							
from each country							
Travel \$750 + \$125 per diem x 3 days		13,500	13,500	27,000			27,000
Meeting facility costs		1,250	1,250	2,500			2,500
Training seminars							
a. Senior agronomists							
1 training seminar/year for 3 days							
4 trainees							
Meeting facilities		1,250	1,250	2,500		2,500	
Per diems \$62.5/day		750	750	1,500		1,500	
b. Extension workers							
3 training seminars/year for 3 days							
12 trainees							
Meeting facilities		1,500	1,500	3,000		3,000	
Per diems \$62.5/day		9,000	9,000	18,000		18,000	
c. Liquoring and marketing training							
2 training seminars, 4 days each Yr 2 & 3							
6 trainees in each country							
Meeting facilities		3,125	3,125	0	6,250		6,250
Per diems \$62.5/day		6,000	6,000	12,000		12,000	

d. Consultants travel costs for attending training												
seminars and regional meetings			3,750	3,750	7,500				7,500			
Per diems for meetings \$125/day			1,250	1,250	2,500				2,500			
			<u>62,125</u>	<u>61,125</u>	<u>106,500</u>							
TOTAL P I A Costs per annum	US\$		<u>197,625</u>	<u>211,625</u>	<u>170,875</u>	<u>238,375</u>	<u>66,250</u>	<u>100,250</u>	<u>231,000</u>	<u>45,500</u>	<u>32,500</u>	
Life of project		3 years	US\$	<u>592,875</u>	<u>634,875</u>	<u>512,625</u>	<u>715,125</u>	<u>66,250</u>	<u>300,750</u>	<u>693,000</u>	<u>136,500</u>	<u>97,500</u>
						Training	487,875					
						Personnel	<u>227,250</u>					
							<u>715,125</u>					
						Gabon	379,312					
						Togo	<u>335,813</u>					
							<u>715,125</u>					

TABLE 6 - PROJECT COSTS - P E A
Project Executing Agency

	Annual cost	Years	Cost over Project	Counter part Funding	Type of expenditure					
	US\$		US\$	US\$	Particpn Guinée US\$	Market assist'ce US\$	PEA Coord'n US\$	Travel US\$	Financial Control US\$	Supervision CFC/ICO US\$
Project Coordinator										
Gabon/Togo	112,500	3	337,500				337,500			
Management advisory from head-office	15,000	3	45,000				45,000			
Financial controller	20,000	3	60,000						60,000	
Staff costs			442,500							
Miscellaneous office expenses postage, DHL, telephone etc.	6,250	3	18,750						18,750	
Guinée										
Participation in annual meetings	11,875	3	35,625		35,625					
Travel for meetings and other visits										
4 visits/year for training courses etc.,travel	3,125	3	37,500					37,500		
Marketing and promotional activities										
Stand at SCAE 2009			5,000			5,000				
Stand at SCAA 2009			6,875			6,875				
Marketing and promotion materials			12,500			12,500				
Technical assistance and consultancy										
Supervision ICO	3,125	3	9,375							9,375

C.Q.I. Marketing, quality and liquoring training courses											
1 course each in years 2 & 3	20,000	2	40,000		40,000						
SCAE - European marketing Supervision & monitoring	15,000	2	30,000		30,000						
CFC	15,000		15,000						15,000		
Mid-term evaluation	15,000		15,000						15,000		
Terminal evaluation	15,000		15,000						15,000		
Project preparation	15,000		15,000						15,000		
Total P E A Costs			US\$	698,125	0	35,625	94,375	382,500	37,500	78,750	69,375

TABLE 7 - COSTS BY COMPONENT

Component	Total US\$	CFC US\$	Counter- US\$
1 Improve quality and productivity Seedling multiplication and	404,934	255,200	167,436
2 varieties	258,723	181,718	77,185
3 Improved quality - sun-dried	448,651	324,658	118,614
4 Improved quality - washed	684,093	511,626	154,370
5 Liquoring and marketing	615,724	423,799	197,520
Total	2,412,125	1,697,000	715,125
5% contingency	120,606		
Grand total	<u>2,532,731</u>		

TABLE 8 - SUMMARY OF COSTS BY COUNTRY

Figures without 5% contingency

Country	Total US\$	CFC US\$	Counter- Part US\$
Togo	831,625	495,812	335,813
Gabon	882,375	503,063	379,312
PEA	698,125	698,125	0
Total in Euros	<u>2,412,125</u>	<u>1,697,000</u>	<u>715,125</u>
Figures with 5% contingency			
Country	Total	CFC	Counter-part
Togo	873,206	520,603	352,604
Gabon	926,494	528,216	398,278
PEA	733,031	733,031	0
Total in Euros	<u>2,532,731</u>	<u>1,781,850</u>	<u>750,881</u>

