

# PROJECT STATUS REPORT (FINAL)

01/01/2020 - 06/30/2020

## SECTION 1: PROJECT SUMMARY

**Operation number:** RG-T2840

**Suboperation number:** ATN/ME-15839-RG

**Project Name:** Price Risk Management for Coffee Cooperatives in Latin America

**Purpose:** To increase the capacity of 16 cooperatives to implement and manage effective st

**Country admin**

COSTA RICA

**Country beneficiary:**

REGIONAL

**Group:**

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**SubGroup:**

**Executing Agency:** Stichting Oikocredit International Support Foundation

**Team Leader:** WILLIAME

**Project cycle:**

Report Date: 2020 - 07 - 01

Approval Date: 2016 - 11 - 02

Signature Date: 2017 - 02 - 22

First disbursement date: 2017 - 07 - 07

Original Execution End Date: 2020 - 02 - 22

Current Execution End Date: 2020 - 02 - 22

Original Last Disbursement Date: 2020 - 08 - 22

Last Current Disbursement date: 2020 - 08 - 22

## SECTION 2: RESULTS AND ACHIEVEMENTS

Project's performance after finished

One of the most important results of the project was to make beneficiary cooperatives aware of the importance of quantify and manage price risk in their daily commercial operations; and the need to reduce said risk with mitigation strategies, that can be both physical and financial. Another important achievement was the design of Open Position monitoring tools that cooperatives use to calculate and visualize their level of exposure to the market daily. Likewise, it is counted as an achievement, that the cooperatives have opened brokerage accounts where they can transact directly with brokers to acquire financial tools to hedge their open positions. Another important result was the design and creation of a training curricula on PRM strategies, policies and actions that has been structured and uploaded into a e-Learning platform for the continuation of future learning. During the past three years, coffee prices had shown, more than volatility, a low-price tendency. This tendency has put a lot of pressure on the organization's trade management process to ensure better incomes for their members and providers. PRM project, has provided skills and tools to these organizations to be used, in their day to day operations, mitigate their exposure to price volatility and reduce uncertainty caused by speculative actions. As the cooperative has more employees and members understanding the relevance of a strong governance and accountability mechanisms, it will also improve the management of the coffee trade operations that strengthen the coop's response capacity to market variations. Since the project implementation, must participating coops have now more advanced views and capacities to confront market volatility. Furthermore, from a risk perspective, coops have become more attractive to external Impact Investors and commercial local banks, strengthening their financial capacity and management of their commercial position. Oikocredit dealt with the challenge of leading a multi-stakeholder project, that required time investment and high level of coordination among them, while learning from the interaction with each one off them, taking the best of their own expertise and perspective. These learnings were transferred from Oikocredit to coops in Oikocredit portfolio; not only in Latin America; but also, in Africa. A new project that focus on how to manage commercial position with IT software, trainings and advice is been delivered in 11 coops in Peru with the support of Partnering for Innovation; and it is planned to be replicated in Latin America. Furthermore, it's been negotiate an Africa chapter, in partnership with IFAD (International Fund for Agriculture Development). Also, CSAF (Council for Sustainable Agriculture Funds) is starting to use PRM Monitoring tools in a monthly base, and part of the training materials are been proposed to be used in Farm for Africa, Root Capital PRM project for 33 organizations in Africa. The main challenge is still the Simulator as it was set up late in the final phase of the project. Nevertheless, it is one of the desired outcomes of a PRM 2; to be strength and improved for coffee and other soft commodities like cacao, corn, sorghum, and rice.

Supervision Team Leader comments

Agree with the analysis.

Final evaluation

The analysis showed that competency levels of project participants, including managers and board members, improved substantially. The percentage of management team who reached the highest level or were scored as "Fully Competent" increased from 8% to 40%, and the percentage of board members reaching "Fully Competent" increased from 19% to 53%. Overall figures showed that while 100% of the traded volume was covered by physical strategies, only 8% was traded using financial strategies. The endline analysis suggests limited financial performance gains were made. A critical reason for the limited financial performance may have been because the project took place against the backdrop of a global coffee price crisis which likely affected these outcomes. The net coffee operation margin did increase by 14%, but it did not reach the target of 30%. Interestingly, the average net coffee operation was higher for the CPOs that implemented financial strategies for PRM at \$21/qq versus \$9/qq for those that did not. Thus, we should conclude that the project only partially achieved the strategic objective of mitigating price volatility faced by smallholder farmers, as the fluctuation in price received by CPO members was higher than the Coffee C Futures Contract price during the same time period. However, fluctuation in coffee trade gross margin was reduced at endline from a standard deviation of \$13 to \$8 per quintal. From the perspective of board members and the management team, organizational governance was generally high, and this contributed to the positive changes in implementation of PRM and positively influenced organizational performance, confirming project assumption. BiD Lab has made an important co-investment in the systematization of coffee commercialization operation and the establishment of good management practices, governance, monitoring of business cycle progress, and physical and financial coverage strategies. ISUP, as an executing partner for this project, has systematized years of experience in commercial credit in coffee from Oikocredit, and has looked for ways to improve the impact on the delivery of advisory and training in Price Risk Management. This time, in addition to leveraging on the experiences of third parties to facilitate the training and advisory processes, it has used own human capital and the experience in the construction of a curriculum for Price Risk Management, setting standards and monitoring processes that have spread to other members of its industry. Proof of this, is that the project has had

demand for replication and further development in 11 cooperatives in Peru thanks to Partnering for Innovation and the ISUP foundation. Perhaps not all proposed goals have been achieved; we oversized indicators and goals that did not necessarily depend on good management; as the 3 consecutive years of low coffee prices. However, it has strengthened organizations in their management capacity, so that they can capitalize during better times thanks to the implementation of good price risk management practices. The Executing Agencies should be well acquainted between them and before taken a challenge to implement a project with so many components and goals to strength producer organizations from different point of view. The memorandum of understanding should have been in place before the beginning of the project. The MEAL System should have been in place before the beginning of the project. This to be more time effective.

Supervision Team Leader comments

Agree with the analysis.

## SECTION 3: INDICATORS

C1 : PRM Organizational Strengthening		Weight 40%	Qualification Satisfactory			
Indicators		Baseline	Planned	Achieved	Status	
I1	Percentage of total traded volume covered by price risk management strategies, disaggregated by type of strategy (open positions, financial) - Open Position Coverage	0	100 ( 2021 - 05 - 22)	100 ( 2020 - 01 - 31)	Finished	
I2	Percentage of total traded volume covered by price risk management strategies, disaggregated by type of strategy (open positions, financial) - Financial Coverage	0	50 ( 2021 - 05 - 22)	8 ( 2020 - 09 - 24)	In progress	
I3	Number of cooperatives that are effectively and sustainably managing price risk, disaggregated by type of strategy (open positions, financial)	0	16 ( 2021 - 05 - 22)	22 ( 2018 - 07 - 20)	Finished	
C2 : PRM Toolkit		Weight 30%	Qualification Unsatisfactory			
Indicators		Baseline	Planned	Achieved	Status	
I1	Number of cooperatives using financial-based price risk management strategies	0	16 ( 2021 - 05 - 22)	16 ( 2020 - 07 - 29)	Finished	
I2	Number of cooperatives that use the web-based Price Risk Simulator	0	16 ( 2021 - 05 - 22)	0 ( 2020 - 07 - 27)	In progress	
C3 : Peer to Peer Learning Apprenticeship Program		Weight 5%	Qualification Satisfactory			
Indicators		Baseline	Planned	Achieved	Status	
I1	Number of learning agendas design for Peer-to-Peer visits	0	2 ( 2019 - 05 - 22)	2 ( 2020 - 01 - 30)	Finished	
I2	Number of peer-to-peer visits conducted	0	2 ( 2020 - 05 - 22)	2 ( 2020 - 01 - 30)	Finished	
C4 : Options Financing		Weight 25%	Qualification Unsatisfactory			
Indicators		Baseline	Planned	Achieved	Status	
I1	Total value of lending received by cooperatives used to adopt financial instruments for price risk management (US\$/per commercialization cycle)	0	900000 ( 2021 - 05 - 22)	700000 ( 2020 - 07 - 27)	In progress	
I2	Share of total lending received by cooperatives that is used to adopt financial instruments for price risk management (US\$/per commercialization cycle)	0	10 ( 2021 - 05 - 22)	6 ( 2020 - 09 - 25)	In progress	
I3	Number of cooperatives that open a brokerage account	0	8 ( 2021 - 05 - 22)	11 ( 2020 - 07 - 27)	Finished	
Milestones		Planned Value	Achieved Value	Due Date	Achieved Date	Status
Conditions Prior		1	1	2017 - 08 - 22	2019 - 10 - 15	Achieved
Meal System / SenseMaker in place		1	1	2017 - 08 - 24	2019 - 10 - 15	Achieved
Final Selection of 16 Cooperatives		1	1	2017 - 08 - 24	2019 - 10 - 15	Achieved
Special Conditions on Second Disbursement		1	1	2018 - 02 - 22	2019 - 10 - 15	Achieved
At least 3 trainings workshops implemented (basic, intermediate, advanced)		1	1	2018 - 02 - 28	2019 - 10 - 15	Achieved
Price Risk Simulator Excel Version		1	1	2018 - 08 - 31	2020 - 04 - 20	Achieved
Price Risk Simulator Online Version		1	1	2019 - 04 - 30	2020 - 03 - 31	Achieved
Coop Profiles		1	1	2020 - 06 - 30	2020 - 08 - 06	Achieved

## CRITICAL FACTS THAT HAVE AFFECTED PROJECT'S PERFORMANCE

Executing agency institutional capacity

Supplier/contractor performance

Design of project/Components

Purchase difficulties

## Others, Which?

Supplier contractor performance: The simulator development had two different parts. One for the back-end design; which was been well developed and the other for the front-end user interface; which was sub-contracted out of the Project; and it was key for development of the tool it. This supplier was out of the supervision of the project management; resulting in outcomes not in sync with the over all project timing. Executing agency institution capacity: this was a multi-stakeholders with poor knowledge of each other cultural and operationally; so we knew each other on the run, adding stress on project development. Design of project components: the project MEAL system was design after project approval; making small room for improvements in project components. Simulator back end, should be hired and developed under the project umbrella; to been able to synchronize project timing with software development. Purchase difficulties: Once we realize the need of the training consultant for PRM advice and courses delivery; the project underestimated the time and resources to develop the training contents and courses preparation.

## SECTION 4: RISKS

	Impact Area	Severity	Prob.	Date	Responsible	Mitigation action
<b>Coordination Risks among project partners: Partners may have a different level o</b>	Final Outcome, Intermediary Outcome	(4) High	Very Low 20%	2020 - 02 - 14	Project Coordinator	Mitigation actions to reduce risk exposure include regular meetings with project partners using web-based conference softwares, to check on the advancements of tasks and commitments. A bulletin board with the latests updates of the project will be put in place to keep partners with current information.
<b>Desertion: Participants leave the program or cannot attend all of the required t</b>	Final Outcome, Intermediary Outcome	(4) High	Very Low 20%	2020 - 02 - 14	Project Coordinator	There are several means of mitigating this risk built into project design; 1) selecting cooperatives who demonstrate demand for these trainings and tools through the selection process; and 2) scheduling trainings in the off season to avoid conflicts with coffee harvests. These two measures ensure cooperatives are able to attend trainings and that they indicate a strong demand to attend.
<b>Methodology Risks: The proposed methodology requires institutional commitment to</b>	PRM Toolkit	(3) Medium	Very Low 20%	2020 - 02 - 14	Project Coordinator	This risk should be reduced through the proposed strategic selection process of participating cooperatives. Oikocredit will closely monitor training results and also engage in ongoing follow-up with board and staff, as well as buyers and lenders, to identify lags in real time and ensure meaningful buy-in from institutions and stakeholders.
<b>Not enough project lifespan to reach all projected results due to heavy up-front</b>	Final Outcome, Intermediary Outcome	(3) Medium	Medium 60%	2020 - 02 - 14	Project Coordinator	Efforts concentrated in thorough monitoring implementation, data collection and individualized producer organization advisory.
<b>Organizational Risks at the Cooperative Level: There are high rates of coop pers</b>	Intermediary Outcome	(3) Medium	Very Low 20%	2020 - 02 - 14	Project Coordinator	The coop assessment tool will look at governance issues as a decision factor. It is also expected that the PRM training will strengthen cooperative leadership and that the training program becomes an incentive for staff and board members to invest more deeply in their organization, resulting in higher immediate retention.
<b>Political and social instability in Nicaragua affecting continuation of nicaragu</b>	Final Outcome, Intermediary Outcome	(3) Medium	Very Low 20%	2020 - 02 - 14	Project Coordinator	Due to the on-going political crisis on the country, the 3 Nicaraguan organizations could not travel out of the country to participate in the Intermediate training. The PEU is evaluating now, along with these organizations, the possibility to replicate this Intermediate workshop in Nicaragua. This with the objective to level up the cooperatives for the upcoming advanced training.
<b>Political and social instability in Nicaragua, affecting Central America's curre</b>	PRM Toolkit	(3) Medium	Very Low 20%	2020 - 02 - 14	Project Coordinator	The escalation of violence and insecurity throughout Nicaragua may jeopardize the execution of the current Peer to peer plans, as host organization (Aldea Global) is located in Jinotega, Nicaragua. Mitigation actions include evaluation of an alternative host in Costa Rica or Postpone the Peer to peer plans until the country relatively normalizes again.
<b>Readiness of the Simulator in time and manner as agreed by project partners.</b>	PRM Organizational Strengthening	(3) Medium	Medium 60%	2020 - 02 - 14	Project Coordinator	The PEU is currently developing an alternative to the simulator. This alternative uses an Excel add-on application called Crystal Ball, which is a spreadsheet-based application for predictive modeling, forecasting and simulation. This application gives insight into the critical factors affecting risk.
<b>Covid-19</b>	Options Financing	(5) Very High	Very Low 20%	2020 - 09 - 24	Executing Agency	The PEU were not able to mitigate this risk.

<b>Staff Turnover in Executing Agencies</b>	PRM Toolkit, PRM Organizational Strengthening	(4) High	Medium 60%	2020 - 09 - 24	Project Coordinator	PEU had to take on the shoulders the continuity of activities and ensure a proper project completion.
<b>Project Components ownership</b>	PRM Toolkit, Options Financing, PRM Organizational Strengthening	(4) High	Low 40%	2020 - 09 - 24	Project Coordinator	PEU had to take whole responsibility to ensure continuity and completion of project components.
<b>Project Toolkit, Tools and Training Materials Ownership</b>	PRM Toolkit, PRM Organizational Strengthening, Peer to Peer Learning Apprenticeship Program	(2) Low	High 80%	2020 - 09 - 24	Executing Agency	In this particular case, Oikocredit and executing agency has requested for third parties to mention the source of the product.

**TOTAL RISKS QUANTITY: 12 IN EFFECT RISKS: 12 NOT IN EFFECT RISKS: 0 MITIGATED RISKS: 0**

## SECTION 5: SUSTAINABILITY

### Indicate likelihood of project sustainability after project completion:

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#### Justification

Other donors have shown interest in replicating/scaling this initiative.

### ASPECTS THAT PUT THE PROJECT SUSTAINABILITY AT RISK

*[There were no aspects reported during this period]*

### Actions related to sustainability which have been implemented in the project:

Implementation of a follow-up project, focused on the development of a PRM Web-based Software for Cooperatives, and the continuation of PRM Trainings; with support of USAID/Fintract and Oikocredit funds (totaling USD 600,000.00) as sponsor and executing agency, respectively. Also, and PRM-2 Project its under negotiations with IFAD for the continuation of PRM goals and activities and the final development of the PRM1 Simulator.

## SECTION 6: KNOWLEDGE

	Relative to	Author	Date
Oikocredit is taking much more time and effort to lead PEU. Oikocredit staff had to be involved in training methodology, systematization of the training modules. Furthermore, the development of the simulator had taken at least one business day per week of the coordinator of the project plus coordination and administration; going further the expected time contribution of Oikocredit project implementation. Oikocredit would like to boost coordination contribution from BID Lab to the PEU, to be used and justified by Oikocredit.	Implementation	Hugo Villela	2019 - 10 - 22
Software development: Beside speaking different languages, we have strong cultural differences with software developers. So, building an understanding around our needs and the interpretation from the software developers had taken additional efforts.	Design	Hugo Villela	2019 - 10 - 22
Training sessions: Homogenize the audience among board members, technicians and management board; to advance the achievements of the participants at training workshops.	Implementation	Hugo Villela	2019 - 10 - 22
Training session: Planification in advance to each training session reduced stress during the workshop, strengthening the teamwork spirit. It can be added that enjoying what is being delivered from the training team contributes to a better learning atmosphere among the attendants.	Implementation	Hugo Villela	2019 - 10 - 22
Software development: The software developer should speak at least the same language than the responsible: PEU.	Design	Hugo Villela	2019 - 10 - 22
Software development: The PEU should be aware of processes, work plan and timeframe of the software developers, in order to manage PEU expectations and get on-going and proper feedback to software developers	Implementation	Hugo Villela	2019 - 10 - 22
Networking with other initiatives that are currently addressing or have addressed PRM programs in the past [e.g. World Bank (Roy Parizat) and FLO International] to share learnt lessons and not duplicate efforts.	Sustainability	Hugo Villela	2019 - 10 - 22
Alignment with CSAF regarding monthly monitoring tool is taking some resistance. It requires the PRM project to address training to CSAF members on price volatility and risk mitigation, so that all CSAF members push/work in same direction.	Risk	Hugo Villela	2019 - 10 - 22
With the first advanced module completed, we have discovered through feedback from participants, that the trainings have a proper combination of technical concepts and practical exercises. Alternating these elements throughout each day for the training. Furthermore, we have learnt that 4 days of advanced training are not enough (as the content is vast) and that for participant to keep developing their skills constant practice is needed. Is safe to say, that more advanced techniques are available but are difficult to instill in the participants without proper follow up, or continuation of the trainings.	Sustainability	jorge quintanilla	2019 - 10 - 22

<p>The Simulator Development was delayed due to multiple factors. Design and Implementation of PRM strategies is a complex subject that few people comprehend well. The difference between technical knowledge and practical knowledge (based on experience) makes a considerable gap. Reaching common grounds of what was needed for the Simulator in terms of processes, results and analysis, between the developers and the technical team (PEU and external consultants) took a considerable (and unforeseen) amount of time, meetings, travels, and discussions. These discussions and meetings, for most the time, were made online which hinder the understanding of complex topics. For future software development, we encouraged to have the developers at a close physical reach/distance, that would enable more face-to-face meetings and co-working groups that would results in more fast and efficient software developing time.</p>	Implementation	jorge quintanilla	2019 - 10 - 22
<p>A multiple Partner Agreement should be agreed and signed by all parties before project implementation to avoid unexpected delays that could affect project development.</p>	Design	jorge quintanilla	2019 - 10 - 22
<p>There is a small universe of experts in PRM strategies with the qualification and competencies to train people in a holistic manner. The hiring process was challenging, as most of the people that know about PRM are running brokerage businesses with poor andragogy competences.</p>	Implementation	jorge quintanilla	2019 - 10 - 22
<p>Since the main objective is to achieve a change of mentality and behavior; the project had to make additional adragogy efforts to the design of training courses methodology. Meaning additional work, which was not considered in the initial plans, was needed.</p>	Implementation	jorge quintanilla	2019 - 10 - 22
<p>The MEAL System comprises the different tools that have been developed or adapted for the holistic evaluation of the project and its progress. Due to this fact, the editing and issue of a MEAL Operating Manual prior to the design and implementation of the Baseline Study (based on MEAL components) would have been of great importance for a more comprehensive application of its various assessment tools.</p>	Design	jorge quintanilla	2019 - 10 - 22