

## SOCIAL ENTREPRENEURSHIP PROGRAM

### PROJECT SYNTHESIS

1. **Country:** Haiti
2. **Project Number:** HA-S1013
3. **Project Name:** MOKAFE, A Cup Of Hope Coffee Project
4. **Executing Agency:** Geo Wiener S.A.
5. **IDB Unit:** Multilateral Investment Fund (MIF)
6. **Financing Amount and Source:**

	<u>IDB</u>	<u>Local</u>	<u>Total</u>
Reimbursable financing:	US\$700,000	US\$300,000	US\$1,000,000
Technical Cooperation:	US\$220,000	US\$194,150	US\$414,150
Total:	US\$920,000	US\$494,150	US\$1,414,150

### 7. Goal and Purpose:

The project objective at the impact level is to increase high-value market opportunities in café pilé<sup>1</sup> (natural coffee) for small-scale coffee producers of five coffee cooperatives in Haiti. The project objective at the results level is to increase the supply of café pilé within Geo Wiener's supply chain by strengthening the linkage between the coffee cooperatives and the company in a win-win strategy.

### 8. Description:

Two components will be financed to achieve the objectives: reimbursable financing in the amount of US\$1,000,000 (IDB: US\$700,000 and Geo Wiener: US\$300,000) and nonreimbursable technical-cooperation funding in the amount of US\$414,150 (IDB: US\$220,000 and Geo Wiener: US\$194,150). Geo Wiener will be the borrower and executing agency for the nonreimbursable technical-cooperation component.

- ***Reimbursable financing component***

The reimbursable financing component will be used to provide US\$630,000 in working capital to cooperatives for the production and purchase of café pilé. Geo Wiener will advance the cooperatives with working capital funds to support their marketing activities, enabling them to purchase coffee from small producers, reducing the need for intermediaries, and allowing producers to obtain a higher share of prices. Each cooperative will undergo an assessment to determine its working capital needs, absorption capacity, and ability to repay. The remaining US\$70,000 will be invested in

<sup>1</sup> Café pilé or natural coffee is coffee produced by farmers using the traditional method by which cherries are sundried and dehusked by rudimentary means (e.g., mortar and pestle). Café pilé accounts for the lion's share of coffee production in Haiti (approximately 95%) and is largely sold domestically.

small scale infrastructure in order to improve the quality of “café pilé” and decrease the percentage of rejected coffee. Geo Wiener will use these funds to establish or upgrade existing infrastructure (such as drying surfaces, storage facilities and testing tools) at each cooperative. These investments will be purchased by the cooperatives at cost price and repaid with coffee beans. The reimbursable component will have a counterpart contribution of US\$300,000. These counterpart funds will also be used in combination with the reimbursable financing to meet the working capital needs of the cooperatives.

- ***Non-reimbursable Technical Cooperation component***

The **technical cooperation component** will build the capacity of producers and cooperatives in Geo Wiener’s supply chain to increase production of café pilé in a sustainable manner. Grant funds for this project will focus on three main areas: a) enhancing productivity, b) improving quality, and c) building the business management capacity of coffee cooperatives.

**Subcomponent I: Enhancing productivity.** The objective of this subcomponent is to improve productivity and agricultural practices for café pile, by training farmers and cooperatives on good agronomic practices, quality standards and standardized processing techniques for the production of “café pilé”, in order to build a formal/regular market for this type of coffee. The activities will include: (a) stocking coffee nurseries with high-yielding and disease resistant coffee varieties and establishing a revolving fund for the maintenance and production of seedlings<sup>2</sup>; (b) strengthening the existing system for seedling/nursery management through cooperatives; (c) rapid needs assessment of cooperatives to determine their specific training needs in both financial management and agronomic practices; (d) an assessment of agricultural service providers in the regions where the project will be implemented to leverage voucher smart subsidies provided by the IDB technology transfer program (HA-L1059/HA-G1025); (e) development of training materials for producers on post-harvest processing of café pilé; and (f) train the trainers for cooperative leaders in farm practices and post-harvest processing of café pile.

**Subcomponent II: Improving quality of café pilé.** The objective of this subcomponent is to develop and implement standards and norms to improve the quality of natural coffee, and promote more direct links between cooperatives and GW in order to improve prices for farmers and promote greater investment in the supply chain. The activities include: (a) a review and update of the existing processing protocol for café pilé; (b) development of a transparent price policy that establishes prices and premiums paid for café pilé sorted by grade (Grades A, B, and C); and (c) training of association members to classify café pilé by grade.

**Subcomponent III: Building the Business Capacity of Coffee Cooperatives.** The objective of this subcomponent is to build the capacities of cooperative enterprises in the GW supply chain, in order to develop management and financial capabilities. The activities include: (a) development of Geo Wiener’s credit policies for providing working capital loans to cooperatives; (b) development of an annual loan management plan for cooperatives; and (c) financial/business training for cooperatives as needed.

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<sup>2</sup> Seedlings of the high yielding and disease resistant Catimor variety will be stocked in the nursey.

**Subcomponent IV: Knowledge and Strategic Communication.** The objective of this subcomponent is to capture and disseminate lessons learned. The activities include the development of: (a) video on post-harvest treatment of café pilé; and (b) case study on value chain financing in the GW coffee supply chain

## 9. Beneficiaries:

The project's beneficiaries will be some 1,500 small-scale coffee producers, of which 30% are women. The majority of coffee farmers cultivate on plot sizes of about half a hectare, with some farmers cultivating two or three plots. For the majority of producers, agricultural production is their primary income generating activity. Although coffee is the dominant cash crop, they also cultivate food crops for their own consumption. The project will work with at least five cooperatives from which Geo Wiener has been sourcing coffee on an informal basis and will aim to incorporate new cooperatives into the supply chain. In 2014, 42% (94.4 tons) of Geo Wiener's coffee was sourced indirectly from farmers of the five selected cooperatives through the services of an intermediary. Additional cooperatives are likely to participate in the project as the company expands its supplier base. The five participating organizations have a total of 3,079 members, of which 50% are active

## 10. Expected results and benefits:

The project seeks to consolidate the supply chain by formally establishing direct commercial relationships for café pile between Geo Wiener and five selected coffee cooperatives. It seeks to add value by creating a more direct and secure supply chain for café pile. Geo Wiener will contract directly with the cooperatives to source café pilé (pre-sorted and graded) at a price that is mutually agreeable to both sides. The supply chain model will reduce the need for intermediaries and allow producers to capture a higher share of prices based on quality and economies of scale. The expected result of this strategy is that Geo Wiener will be able to purchase and sell more coffee to domestic and export markets. Similarly, the five coffee cooperatives will improve their capacity to produce, process, and market café pile thus increasing income.

The project aims to address the problems faced by coffee cooperatives and small farmers' associations by: (i) providing affordable working capital to cooperatives during the harvest season to purchase coffee from their members; (ii) delivering technical expertise in the production of café pilé to improve quality and comply with buyer requirements; (iii) linking the cooperatives to value-added markets and providing small farmers with improved prices for "café pilé"; and (iii) strengthening the cooperatives at the managerial, operational and financial levels and formally establishing café pile as a new business line.

The project is expected to achieve the following results by the end of the three-year implementation period: (i) 145,000 kilograms of café pile (natural coffee) sold by participating cooperatives to Geo Wiener; (ii) US\$1 million new working capital for cooperatives provided by Geo Wiener; (iii) 5 cooperatives with links to strategic business partners; (iv) an increase from US\$1 million to US\$1.7 million in sales of Mokafe and Geo Wiener lines of roasted coffee locally and internationally

The project is expected to achieve the following impacts by the end of the three-year implementation period: 30% average annual sales growth for quality café pile from small-scale coffee producers in the 5 cooperatives participating in the project; 50% of Geo Wiener's coffee is sourced from the 5 participating cooperatives (baseline value 42%).