



# Donors Committee

For consideration

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**To:** The Donors Committee  
**From:** The Secretary  
**Subject:** Haiti. Nonreimbursable technical-cooperation funding for the support for the competitive position of Haitian coffee

**Basic Information:** Executing agency ..... Insititut National du Café d'Haïti  
(INCAH)  
Amount ..... up to US\$800.000  
Source ..... Small Enterprise Development Facility

**Inquiries to:** Mr. Diego Arias (extension 2629)

**Other distribution:** IDB Representative in Haiti

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK  
MULTILATERAL INVESTMENT FUND

**HAITI**

**SUPPORT FOR THE COMPETITIVE POSITION OF  
HAITIAN COFFEE**

**(HA-M1004)**

**DONORS MEMORANDUM**

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Annex XI	Operations Manual
Annex XII	Itemized budget

## **ABBREVIATIONS**

ACE	Alliance for Coffee Excellence
CESI	Committee on Environment and Social Impact
ICO	International Coffee Organization
INCAH	Institut National du Café d’Haïti (Haiti Coffee Institute)
ISO	International Organization for Standardization
MARNDR	Ministry of Agriculture, Natural Resources and Rural Development
NGO	Nongovernmental organization
PCU	Project coordination unit
SCAA	Specialty Coffee Association of America
SMEs	Small and medium-sized enterprises

**HAITI**  
**SUPPORT FOR THE COMPETITIVE POSITION OF HAITIAN COFFEE**  
**(HA-M1004)**

**EXECUTIVE SUMMARY**

<b>Executing agency:</b>	Institut National du Café d'Haïti (INCAH) [Haiti Coffee Institute]	
<b>Beneficiaries:</b>	Among the beneficiaries of this project will be: (i) at least 500 coffee producers who will participate in pilot groups; (ii) at least 800 coffee producers trained on the quality management system; (iii) 25 local professionals and representatives of coffee growers' cooperatives and associations, trained in cupping quality coffees; (iv) 50 coffee producers participating in new market mechanisms using price as an indicator of coffee quality; and (v) INCAH, which will be strengthened through the project activities.	
<b>Financing:</b>	MIF	US\$ 800,000
	Local counterpart:	<u>US\$ 340,000</u>
	Total:	US\$1,140,000
<b>Objectives:</b>	The general objective is to help enhance the competitive position and market access of Haiti's small coffee producers. The project seeks to achieve a sustainable improvement in the quality of Haiti's coffee, in order to increase the volume of Haitian coffee sold at a premium over the international market price.	
<b>Execution timetable:</b>	Execution period:	36 months
	Disbursement period:	48 months
<b>Special contractual conditions:</b>	As a condition precedent to the first disbursement, evidence must be provided that the project manager selection process has been completed in accordance with Bank procedures	
<b>Exceptions to Bank policies:</b>	None.	

**Environmental  
and social  
review:**

The Committee on Environment and Social Impact (CESI) reviewed and approved the project abstract without qualification on 14 February 2005.

**Coordination  
with other  
official  
development  
agencies:**

The project will coordinate its activities with the European Union and USAID, which have historically supported Haiti's coffee sector, through periodic meetings with the executing agencies.



## **I. BACKGROUND**

### **A. Nature and magnitude of the coffee crisis**

- 1.1 The world coffee market has undergone substantial changes in both supply and demand over the past six years. These changes led to a steady increase in world production and export levels, and to stiffer price competition for coffee sold on the commodities market. The major change on the supply side was the considerable increase in production (especially in Brazil and Vietnam), causing an accumulation of inventories in producing and consuming countries and the drop in international prices. The current crisis in prices is not just a cyclical phenomenon; it is also the direct consequence of the new market structure. In 2000 and 2001, worldwide oversupply caused nominal coffee prices to drop to their lowest point in 30 years, or to a 100-year low if adjusted for inflation.<sup>1</sup>
- 1.2 In addition to the increased supply, the coffee sector experienced a series of structural changes in worldwide demand. These changes included processing techniques that allowed buyers to make up for some imperfections in low quality green coffee beans, making (low quality) robusta coffees more competitive with washed arabicas. However, high quality Haitian coffees remain distinctive and still have great market differentiation potential.

### **B. Haiti's coffee sector**

- 1.3 Coffee was Haiti's primary export crop until 2001 (the year of the international price crisis), accounting for 64% of total agricultural exports (US\$34 million) in 1995 (see Annex V for more details). While below the sector's productive capacity, coffee exports today account for approximately 20% of the total value of agricultural exports (US\$10 million equivalent) as a result of the price crisis and the new leadership of mango exports. The agriculture census in the late 1990s counted 250,000 small coffee plantations in Haiti. The situation seems particularly dire because, unlike other crops, most coffee producers<sup>2</sup> work on small plots of land and/or processing plants. Lower earnings in the sector have led to decreased investment in primary production, creating a vicious circle of lower production, lower revenues and a lack of investment. The slowdown in rural economic activity caused by the coffee crop, which is so essential to the economy, has accelerated migration to urban zones, especially Port-au-Prince, and has exacerbated instability and social imbalances.
- 1.4 Low coffee prices are the main reason why coffee exports have fallen from 80,000 60-kilogram bags before the 2000 crisis to less than 41,000 bags in 2003. This, despite the fact that coffee production has held fairly steady around 500,000 bags

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<sup>1</sup> For more information, see Annex X.

<sup>2</sup> Production/producer refer to both primary production/producer and coffee processing/processor. Larger-scale producers tend to be vertically integrated, which is not necessarily the case with small and medium-sized coffee growers.

since the early 1990s due to high domestic per capita consumption of the coffee grown. As a result, the sector is well able to withstand market and political shocks, both external and internal. It is worth noting that Haiti's coffee sector, like other key export produce (such as mangoes), has been able to weather historical and current events and political crises. This demonstrates the strength of the country's food and agriculture chain with its domestic consumption and close ties with exports, yielding healthy premiums in certain niches (see Annex V for more details on output and premiums).

### **C. Coffee quality: characteristics and opportunities**

- 1.5 Haiti has a long tradition of coffee production and has recent and growing experience in coffee production based on superior quality and product differentiation.<sup>3</sup> The term "high quality" refers to coffee that meets high standards for "cup value" and consistency. In order to meet these standards, there must be minimal defects at the green bean stage. High quality coffees, like those produced in an environmentally and socially sustainable manner, attract higher sales prices. In fact, the specialized coffee segment is the only one in the coffee industry that has experienced steady and substantial growth.<sup>4</sup> The same trend has been observed in Haiti since the late 1990s, when exports to specialized coffee markets began to rise steadily. The demand and volume of high quality coffee transactions on the international market have continued to grow, despite the price drop.<sup>5</sup> At the same time, the price gap has widened between high quality coffee and Exchange coffee.<sup>6</sup>
- 1.6 A number of coffee growers' organizations promote direct sale by growers of high quality green coffee. The Marketing Partners program of the Specialty Coffee Association of America (SCAA) promotes Internet auctions of green coffee. The Alliance for Coffee Excellence (ACE) has an Internet competition and auction (Cup of Excellence™) for coffees above a certain quality threshold. This type of program promotes coffee quality through the international recognition of flavor attributes. In this way, the programs channel trade by assigning the appropriate value to coffee quality and putting producers and roasters in direct contact. These experiences show that producers who enhance the quality of their coffee are able to sell it at a higher price in the United States, Europe and Asia.
- 1.7 The quality control process for coffee must start at the planting stage. During harvest and post-harvest, purity, size, color, and uniformity are decisive factors in the quality of the coffee. Once the coffee has been sold, whether in cherry,

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<sup>3</sup> The most recent and noteworthy initiative has been the launch of high quality coffee brands such as *Haitian Bleu*®.

<sup>4</sup> According to the National Coffee Association (NCA), average annual growth was around 30% for the past five years.

<sup>5</sup> It should be noted that while the high quality coffee segment is experiencing significant growth, overall global demand for coffee has remained stable. This means that growth in the specialty segment is being offset by losses in the low quality coffee segments.

<sup>6</sup> This figure is based on a comparison of New York Coffee Exchange "C" market prices and anecdotal prices taken from recent surveys of Haitian producers of high quality coffee, in which one pound of coffee sold for between US\$2 and US\$3.

parchment or green bean form, the producer cannot claim the premium associated with a superior quality. Because many producers sell their cherries immediately after harvest, quality enhancement measures must begin at the cherry stage and continue through processing.

#### **D. Strategic response for Haiti**

- 1.8 Currently, market incentives for producing high quality coffees do not always reach the first sale level. Coffee producers do not always have incentives for enhancing the quality of their cherries, wet parchment or green beans because they are generally paid an average wholesale price. This is due in part to the absence of an established and recognized system for coffee quality management and control that would provide incentives for quality coffee classification at the first sale in the chain (cherries or parchment). This leaves premiums as the sole means of rewarding quality.
- 1.9 Producers, and in certain cases buyers, must coordinate a range of factors in order to avoid and prevent defects and maintain quality during harvest and post-harvest. Such a strategy for quality enhancement should include comprehensive management of the coffee production process, from planting through distribution of the green coffee bean. The quality enhancement strategy should focus on: (i) supporting producers from geographic areas with the potential to produce high quality coffee (such as high altitude areas) in effectively creating, preserving and extending quality; adding value; and effectively promoting and selling their product; and (ii) the quality enhancements that can lead to recognition starting with the producer's first sale, whether of cherries or parchment, or when processing is done by another company with producers retaining ownership of the wet parchment coffee and stored dry parchment, and of the green bean sold for export.

#### **E. MIF strategy**

- 1.10 Successful execution of this project would improve the competitive position of Haiti's coffee. The establishment of a quality system specifically designed for the coffee sector would create an **innovative**, ongoing service for coffee producers and buyers, as well as candidates to provide it. It would also have a **demonstration effect** by helping to open access to new, alternative markets.

#### **F. Relationship to other initiatives**

- 1.11 In May 2003 the MIF approved a program now in execution: Support for the competitive position of Central American coffees (ATN/ME-8292-RG). Its objectives and components are similar to the proposed project. The first phase of designing a quality coffee management system for Central America is nearing completion and will be used as input for this project and adapted to Haiti's special circumstances. Coordination and sharing of experience and outputs between the

two initiatives and executing agencies has already been arranged under HA-T1021, a technical cooperation operation to support preparation of the proposed project. INCAH has already made its first exchange visit to Central America, along with the executing agency for the Central American project (TechnoNicaragua), to observe the activities of the operation now under way.

- 1.12 Additionally, several IDB projects in execution or preparation will support activities benefiting producers of quality coffee. These also support different processes for diversifying coffee production. Especially noteworthy are: the agricultural intensification program (HA-0016), the Ennery-Quinte agricultural intensification project (HA-L1009), the rural economy development program (HA-L1003), and the watershed management program (HA-0033).

## **II. PROJECT OBJECTIVES AND COMPONENTS**

### **A. Project objectives**

- 2.1 The general objective is to help enhance the competitive position and market access of Haiti's small coffee producers. The project seeks to achieve a sustainable improvement in the quality of Haiti's coffee, in order to increase the volume of Haitian coffee sold at a premium over the international market price.

### **B. Project components**

#### **Component I: Adaptation and implementation of a coffee quality management system (MIF US\$261,480; local contribution US\$3,600)**

- 2.2 Component I will establish the methodology, protocols and rules for a quality management system that will help coffee producers evaluate, enhance and maintain the quality of their coffee, through implementation in pilot groups. This quality system will also help coffee buyers evaluate product quality at each stage of the process. To design the quality management system, a consultant will be hired to work at the project coordination unit (PCU) and analyze the strengths and weaknesses of Haiti's coffee sector, identify and document good practices in Haiti, and review and adapt the system designed for the MIF program in Central America (see paragraph 1.11).
- 2.3 The selection of pilot groups to test the quality management system will occur at the same time as the analysis of strengths and weaknesses, with a focus on small and medium-sized producers. These producer pilot groups will receive technical assistance to encourage the use of new technologies and work methods, including those related to cupping. Three producer pilot groups with the potential to produce high quality coffee will be selected for testing the quality management system.

- 2.4 In principle, the pilot groups should have the following characteristics: (i) the agroclimatic conditions to produce high quality coffee (see paragraph 2.12); (ii) appropriate varieties for producing high quality coffee; (iii) appropriate infrastructure for producing and selling high quality coffee; (iv) a potential volume of production large enough to supply the market with various containers of high quality coffee each year; (v) a willingness to share information on their processes and serve as models for other producers; (vi) a high level of organization and good leadership ability; (vii) legally established; and (viii) a willingness to pay part of the cost of technical assistance.
- 2.5 The methodology and materials for the quality management system will be based on the analysis of strengths and weaknesses and good production practices. Manuals, training material, posters and other tools will be designed to help coffee producers take ownership of the quality management system. The project will also launch a website providing information on the quality management system. The website will be run by the executing agency for the three years of the project, and be taken over by INCAH once the project has been completed.
- 2.6 The project will also provide technical assistance for the pilot groups in organizing their operations and administration, and will also assist with business plans, new technologies, computers and project management. The project will provide support for enhancing local cupping capacity. Cupping is important because it gives producers feedback, so they can fine-tune their quality management system. The project will work with cuppers in this area, training them to recognize the defects and special qualities of coffee. Finally, this component will assist pilot groups in forging relationships and partnerships with exporters and roasters. This should occur early in the project, so that the pilot groups can implement the quality management system based on the requirements of exporters and roasters.

**Component II: Design and implementation of a national quality control system for coffee (MIF US\$122,705); local contribution US\$67,045)**

- 2.7 Component II will support the design and implementation of a national quality control system permitting the evaluation of quality at the different stages in the chain. This system will allow the identification of problems in coffee production at the national level, making it possible to provide concrete assistance to this sector. In order to finance this work, a consultant specializing in quality control will be contracted, and will work directly with the PCU. The consultant will also work with cupping laboratories, including the establishment of a lab at INCAH. At this lab, support will be provided for improving the selection, preparation, and roasting of coffee samples, in the aim of earning international accreditation (e.g. ISO 17062) to certify coffee quality. The project will finance a portion of the cost of hiring consultants to help the national laboratory implement ISO 17062, as well as the cost of certification. Once certification has been achieved, renewal will not be financed by the project.

- 2.8 This component will also finance training for coffee cuppers at the different levels of the chain (producers, intermediaries, cooperatives, roasters, exporters, etc.). The cupping training will be given by an international cupping expert. During the training, cuppers will learn how to associate cup defects with specific problems in harvesting for export. The project will share the findings with the entire coffee industry in Haiti, using manuals on tasting and chemical testing procedures. These manuals will be edited by quality control specialists and distributed to the different players in the chain.
- 2.9 In order to identify the optimal methods for coffee preparation based on each producer's specific conditions of production, INCAH will sign a collaboration agreement with Haiti's School of Agronomy. Together they will carry out testing and share their findings with the different players in the coffee chain. All of these manuals and experiences related to the design and implementation of a national quality control system will be part of the INCAH "labeling" system, which will serve as a voluntary certification of national standards for the quality control of coffee.

**Component III: Development of a strategy to promote quality Haitian coffee (MIF US\$185,680; local contribution US\$105,825)**

- 2.10 This component will help producers to orient their products toward new markets, both within Haiti and in other regions of the world. These activities will be carried out by a consultant specializing in sales, with assistance from short-term consultants. In order to develop a strategy to promote quality Haitian coffee, the trends of the specialized coffee market need to be analyzed, and the domestic market potential must not be overlooked. The objective is for this methodology of collecting and disseminating data and information to be carried out by the project and adopted by INCAH for continuous use, and for different means (meetings, participation at fairs, half-yearly bulletins, etc.) to be used regularly to disseminate information. This activity will enhance INCAH's promotion capacities once the project has ended.
- 2.11 The project will provide assistance in establishing and promoting quality coffee competitions and auctions in Haiti. These incipient market mechanisms reward coffee quality, enhance the local capacity of cuppers and strengthen ties between producers and roasters. Competitions evaluate coffee samples from producers throughout a country. The samples are cupped several times, first by a jury of national cuppers and then by a jury of international cuppers. The winning coffees are sold to international roasters by Internet auction. The project will contribute funds for hiring event organizers and cover other costs. Efforts will be made to recoup costs and use more private resources to finance the events. The work will be carried out in collaboration with coffee institutions, exporters, cooperatives, government entities, the Alliance for Coffee Excellence (ACE) and the Specialty Coffee Association of America (SCAA), among others. In order to ensure the

continuity of this activity once the project has ended, support will be provided during its last year on preparing a multi-year action plan for the institutional and financial evaluation of the future development of this event.

**Component IV: Monitoring and supervision of coffee quality and dissemination of outcomes (MIF US\$93,890; local contribution US\$97,300)**

- 2.12 The activities of this component will share information on the quality control system and cupping with coffee companies and any interested coffee producers and buyers. This will be accomplished through a series of conferences, courses and the distribution of written information. After testing the quality management system in the pilot groups, it will then be shared with Haiti's entire coffee industry. The project will organize presentations, workshops and press conferences to explain the quality management system and ensure that the information reaches the greatest number of producers possible. These events will be directed at producers, NGOs, exporters and government representatives.
- 2.13 The project will design a national system to monitor and supervise coffee quality, which will be used by INCAH to offer information and training services in the sector. This will be done by hiring short-term contractors to establish computer and basic survey tools in order to support the monitoring system. A database for the coffee sector will also be created, to be updated annually by INCAH, for compiling and disseminating statistical information on coffee production and prices.
- 2.14 The project will organize training courses in the country's main coffee regions. A consultant will be hired to impart these courses, using the same philosophy as that for the pilot groups, but directed at a larger number of producers. The project will design a training manual on the quality management system for these courses (the manuals will be distributed to cooperative and association networks). The training will be organized in coordination with INCAH so that the Institute can strengthen its capacities and play a key role in improving coffee quality once the project has ended.
- 2.15 A workshop to share the results and lessons learned will be held at the beginning, midterm and end of the project. A consultant will be contracted to prepare the conference. This consultant will compile project experiences and put them on the INCAH website, which will be designed by an outside expert. The specific purpose of the event will be to create a profile of the most appropriate market mechanisms for selling high quality coffee, noteworthy experiences, technical and financial tools, as well as serving as a forum to promote interaction between Haitian coffee buyers and producers. Invitations will also be made to representatives of coffee growers' organizations, importers, exporters, roasters, and representatives from NGOs and the government working in the coffee sector.

### III. EXECUTING AGENCY AND MECHANISM

#### A. Executing Agency

- 3.1 INCAH will be responsible for executing the project and for counterpart funds. INCAH is an institute established in 2003, composed of private sector representatives (producers and exporters), NGOs and representatives of the public sector. INCAH has been involved in different aspects of coffee production and marketing, creating programs to train producers and promote the competitive position of Haiti's coffee sector. Its mission is to improve the productivity, quality and profitability of coffee producers.

#### B. Executing mechanism

- 3.2 To execute the project, INCAH will hire a project manager, technical assistant, and administrative/financial assistant, as well as long- and short-term consultants. The manager will be responsible for: (i) management of project activities according to the action plan; (ii) procurement of goods and services; (iii) supervision of contractors; (iv) management control and budget management using the established procedures; (v) disbursement applications for the Bank's contribution; (vi) preparation of account statements for resources used; (vii) submission of administrative and technical reports to the Bank; and (viii) coordination of necessary actions with project partners (MARNDR, NGOs, the public and private sectors, etc.). The project manager will be supervised by the INCAH board of directors, but will also be a member of a collaboration platform that will include INCAH's executive director and coordinators of the institute's different departments (for details on the execution structure, see Annex XI, Operations Manual, and the terms of reference for permanent staff in Annex IV).
- 3.3 The Bank will establish a revolving fund for a maximum of 10% of the approved total. The executing agency, acting through the project manager, will carry out the procurement of goods and services and contracting of consulting services necessary for project execution.
- 3.4 **Readiness** The logical framework, operational regulations and budget were discussed and agreed upon with INCAH. Additionally, agreements have already been made guaranteeing the counterpart funds and there exist a baseline, monitoring system and terms of reference for hiring the project manager.
- 3.5 **Execution and disbursement period.** The project will be executed in a 36-month period and MIF funds will be disbursed over 48 months.
- 3.6 **Procurement.** INCAH will follow all Bank rules, policies, and procedures, as established in documents GN-2349-4 and GN-2350-4 for the procurement of goods and works and for the selection and contracting of consulting services with MIF



funds. Additional procedures will be followed to fill gaps in the decree on government procurement in Haiti. Such procedures will be described in detail in a special procurement annex prepared by the Bank, which will form part of the letter of agreement. For consulting services with an estimated value of US\$100,000 or less, the short list may be comprised entirely of local consultants. INCAH prepared a procurement plan, which was sent to the Bank for approval. The procurement plan covers the first 18 months of project execution and will be updated each year in accordance with the relevant requirements of Bank procurement policies.

#### IV. COST AND FINANCING

Components	MIF	INCAH	Total	%
<b>Component 1: Quality system</b>	261,480	3,600	265,080	28%
<b>Component 2: Quality control</b>	122,705	67,045	189,750	18%
<b>Component 3: Commercialization</b>	185,680	105,825	291,505	29%
<b>Component 4: Monitoring and dissemination</b>	93,890	97,300	191,190	12%
<b>Administration</b>	76,770	66,230	143,000	9%
<b>Evaluations</b>	20,000	-	20,000	1%
<b>Audits</b>	15,000	-	15,000	1%
<b>Contingencies</b>	24,475	-	24,475	2%
<b>TOTAL</b>	<b>800,000</b>	<b>340,000</b>	<b>1,140,000</b>	<b>100%</b>
<b>Percentage</b>	70%	30%		

- 4.1 The total estimated project cost will be US\$1.14 million, divided as follows: (i) US\$800,000 from the Bank in nonreimbursable MIF resources (Small Enterprise Development Facility, III-A); and (ii) US\$340,000 in local counterpart resources from INCAH with at least half of that amount in cash. The local counterpart resources will come from INCAH's budget and the support INCAH is receiving from the European Union. The table above summarizes the principal project cost and financing items.
- 4.2 **Sustainability.** Various elements of the project deal with sustainability. First, the development of a quality management system will create a replicable mechanism for producers wishing to improve the quality of their coffee while also increasing their competitive position. Second, the skills of business owners, professionals and technicians participating in this project will continually increase, thanks to the solid

focus on technical assistance and training on competitiveness for coffee companies (management, quality management, commercialization and marketing). Third, the focus on training trainers will allow technicians bidding to become service providers and producers selected as trainers to replicate the training activities without project support. Fourth, the project aims at developing the local capacity of cuppers who could help companies improve the quality of their product. These cuppers would continue helping in this capacity after the project ends. Finally, since execution of this project is being coordinated with INCAH activities, it is hoped that the process will strengthen INCAH and allow it to carry on the activities once the project has ended.

## **V. BENEFITS AND RISKS**

### **A. Benefits**

- 5.1 The direct benefits for pilot groups participating in the project include: (i) greater economic efficiency through the implementation of a quality system creating higher quality of coffee and more efficient use of raw materials (coffee cherries and parchment); (ii) higher premium (as percentage of market price) received for coffee sold, as a result of improved quality; (iii) greater understanding of the demand for quality coffee, due to increased cupping skills; and (iv) enhanced relations with buyers (exporters/roasters).
- 5.2 The benefits of the project are the following: (i) it will promote the exchange of information on the results of the quality system implemented with the pilot groups (demonstrative effect); (ii) there will be an increase in the number of quality coffee cuppers, which will have an enormous impact on awareness in Haiti's coffee industry about the demand for high quality coffee; and (iii) the channels of commercialization for quality coffee will be multiplied and expanded, supporting alternative market mechanisms.
- 5.3 **Beneficiaries** Among the beneficiaries of this project are: (i) at least 500 coffee producers who will participate in pilot groups; (ii) at least 800 coffee producers trained on the quality management system; (iii) 25 local professionals and representatives from coffee growers' cooperatives and associations trained in cupping quality coffees; (iv) 50 coffee producers who would participate in the new market mechanisms using price to measure coffee quality; and (v) INCAH, which will be strengthened through the project activities.

### **B. Risks**

- 5.4 The project could face certain risks from: (i) the possibility that future demand for coffee could fall unexpectedly; (ii) the financial limitations of coffee producers, which could prevent them from undertaking the changes necessary to implement

the quality system; (iii) the possibility of natural disasters or a political crisis (or embargo) resulting in hindrances or obstacles to product export; and (iv) the possibility that decreased production might prevent certain new alternative market mechanisms from expanding the channels for commercialization of quality coffees. These risks will be mitigated as follows: (i) The first risk will be mitigated by training cuppers, allowing the industry—and producers in particular—to adapt rapidly and effectively to the new needs and requirements of buyers; in this way, producers will ably respond to changes in demand. (ii) The second risk will be mitigated through technical assistance to integrate rural financial institutions into the process of marketing high-quality coffee at the national level in general, and to pilot groups in particular. Moreover, consolidating the local capacity of trained professionals will reduce costs incurred by producers for implementing the quality system. (iii) The third risk is beyond the project team's control, but will be mitigated by the focus on creating a sense of ownership of the activities among private-sector coffee growers, making it more likely for them to weather natural disasters or political crises. (iv) The last risk will be mitigated through the analysis and design of a market mechanism to prevent market saturation of quality coffees.

## **VI. MONITORING AND EVALUATION**

### **A. Supervision and monitoring**

- 6.1 **Monitoring.** The executing agency will prepare and submit progress reports to the Bank's Country Office in Haiti within thirty (30) days after the end of each six-month period, and a final report within 30 days after the final disbursement. These reports will adhere to a format previously agreed upon with the Country Office, and will cover project activities and finances, as well as the results measured in terms of the execution indicators identified in the project's logical framework. The Country Office will use these reports to monitor progress in project implementation and prepare a project completion report in the three months after the last disbursement.
- 6.2 The executing agency will be responsible for compiling and analyzing relevant data so that it can continuously monitor the principal indicators established in the logical framework in Annex I of this document, or as modified by a joint agreement between the Bank and the executing agency. The executing agency and the Bank will use these indicators for project monitoring and evaluation, also to be included in the half-yearly progress reports, as well as the midterm and final evaluation.

### **B. Evaluations**

- 6.3 The Bank will use project funds to contract external consultants responsible for two evaluations: a midterm evaluation, approximately 18 months after the project has been declared eligible for disbursements, or when 50% of the funds have been disbursed; and a final evaluation once 95% of the contribution to assess outcomes,

lessons learned, and possible mechanisms for replication in other countries has been disbursed. The terms of reference for these evaluations will be prepared by the Bank in cooperation with the executing agency. The midterm evaluation will analyze the progress and overall performance of the project, giving particular emphasis to: (i) the utility and acceptance of the coffee quality management system in the pilot groups; (ii) an economic evaluation of system implementation; and (iii) user satisfaction with project services. Based on the results of this analysis, recommendations will be made for adjustments on the use of remaining funds. For the final evaluation, external consultants will evaluate the broader impact of the project. The following factors, in particular, will be evaluated: (i) the impact of the quality system designed in component I on quality and on the economic situation of pilot groups; and (ii) the impact on development of new alternative market mechanisms that recognize quality through price. The consultants will also use the logical framework laid out in Annex I, or as modified by joint agreement between the Bank and the executing agency. The executing agency will provide access to all information and documentation necessary for these evaluations.

- 6.4 The Country Office, with the assistance of the project team and the executing agency, will carry out annual performance reviews to determine the degree of achievement of project objectives. These reviews will determine whether the project will be continued, suspended, or cancelled.

## **VII. ENVIRONMENTAL AND SOCIAL IMPACT**

- 7.1 The project is expected to have no adverse environmental impacts. However, certain social and environmental measures have been incorporated into the selection methods for pilot groups, which will be evaluated by the executing agency. Sustainable environmental measures, based on the specially prepared environmental guide (see Annex VII), will be taken into account and included in the development of protocols, quality standards, and producer selection criteria.
- 7.2 The project will contribute indirectly to improving the social situation of producers and of the labor force in general. The project aims to encourage families of coffee growers, particularly women, to participate in all project activities. The aforementioned measures will constitute the environmental and social management plan. The Committee on Environment and Social Impact (CESI) reviewed and approved the project abstract on 14 February 2005, without comment.

## **VIII. SPECIAL CONTRACTUAL CONDITIONS**

- 8.1 Evidence that a project manager has been selected pursuant to the Bank's procedures will be a condition precedent to the first disbursement.

**SUPPORT FOR THE COMPETITIVE POSITION OF HAITIAN COFFEE  
HA-M1004  
LOGICAL FRAMEWORK**

<b>Narrative summary</b>	<b>Indicator</b>	<b>Means of verification</b>	<b>Assumptions</b>
<b>Objective</b>			
To help enhance the competitive position and market access of Haiti's small coffee producers	A 5% increase in the share of Haitian coffee sold above market price, <sup>1</sup> two years after project end.	Baseline and final project surveys of exporters.	No political, climatic and/or phytosanitary disasters.
<b>Purpose</b>			
To increase the volume of Haitian coffee sold at a premium over the international market price.	<p>By 36 months into the project</p> <ul style="list-style-type: none"> <li>- 10% increase in revenues for producers of high quality coffee (30% for producers in the pilot groups) by the end of year 3.</li> </ul> <p>By 24 months into the project:</p> <ul style="list-style-type: none"> <li>- Increase in sales of quality coffee by 2 containers (or equivalent) at the national level.</li> <li>- 15% increase in the average price above the international market price<sup>1</sup> received by pilot groups.</li> </ul>	<p>Management report on cooperative networks, data from individual producers and other stakeholders (exporters, roasters, etc.).</p> <p>Half-yearly and final project reports by the executing agency.</p> <p>Midterm and final evaluation reports by the external consultant.</p> <p>PPMRs and PCRs for the project.</p> <p>Baseline data for each participating pilot group.</p> <p>Baseline and final project surveys.</p>	<p>Buyers are interested in participating in quality coffee competitions and auctions.</p> <p>Future demand for quality coffee does not change unexpectedly.</p> <p>The financial limitations of coffee producers do not hamper implementation of the quality system.</p>

<sup>1</sup> The market price is defined as the "C" market price on the New York Coffee Exchange, plus or minus the country differential.

Narrative summary	Indicator	Means of verification	Assumptions
Components			
I. Adaptation and implementation of a coffee quality management system	<p>By 36 months into the project</p> <ul style="list-style-type: none"> <li>- 13% increase in volume of produce sold on the market at a premium by pilot groups.</li> <li>- 50% reduction of triage coffee.</li> <li>- 10% increase in percent of final sale price received by primary producers in the pilot group.</li> <li>- Pilot groups receive financial services adapted to their circumstances.</li> </ul> <p>By 24 months into the project:</p> <ul style="list-style-type: none"> <li>- Quality management system implemented in the 3 pilot groups.</li> <li>- At least one business partnership established between producers' associations and roasting/exporting companies.</li> <li>- At least 25 producers/cuppers trained in coffee cupping methods.</li> <li>- Pilot groups manage administrative tools and procedures.</li> </ul> <p>By 12 months into the project:</p> <ul style="list-style-type: none"> <li>- Quality management system designed</li> <li>- 3 pilot groups selected and baseline set.</li> <li>- 3 pilot groups in operation</li> <li>- Project webpage in operation.</li> </ul>	<p>Baseline and final project surveys</p> <p>Half-yearly and final project reports by the executing agency.</p> <p>Midterm and final evaluation reports by the external consultant.</p> <p>PPMRs and PCRs for the project.</p> <p>Baseline data for each participating pilot group.</p> <p>Baseline data for each participating pilot group</p>	<p>Minimum saleable volumes are reached.</p> <p>No political, climatic and/or phytosanitary disasters.</p>
II. Design and implementation of a national quality control system for coffee	<p>By 36 months into the project</p> <ul style="list-style-type: none"> <li>- INCAH laboratory and the four decentralized laboratories are operating efficiently.</li> <li>- INCAH laboratory earns ISO certification.</li> <li>- "INCAH label" quality system implemented.</li> </ul> <p>By 24 months into the project:</p> <ul style="list-style-type: none"> <li>- School of Agricultural Science carries out at least one test of coffee production methods in Haiti.</li> </ul>	<p>Half-yearly and final project reports by the executing agency.</p> <p>Midterm and final evaluation reports by the external consultant.</p> <p>PPMRs and PCRs for the project.</p>	<p>INCAH has the budget ways and means to continue its mission and continue training tasters.</p>

Narrative summary	Indicator	Means of verification	Assumptions
III. Development of a strategy to promote quality Haitian coffee	<p>By 36 months into the project</p> <ul style="list-style-type: none"> <li>- At least one coffee competition and auction held.</li> <li>- At least 3 new producer-buyer partnerships formed through the competition and auction.</li> </ul> <p>By 24 months into the project:</p> <ul style="list-style-type: none"> <li>- Information and statistical system on coffee production and prices operating efficiently at INCAH.</li> </ul>	<p>Half-yearly and final project reports by the executing agency.</p> <p>Midterm and final evaluation reports by the external consultant.</p> <p>PPMRs and PCRs for the project.</p>	<p>INCAH has the budget ways and means to continue its mission and implement the promotion strategy.</p> <p>No new international competition for high quality coffees.</p>
IV. Monitoring and supervision of coffee quality and dissemination of outcomes	<p>By 36 months into the project</p> <ul style="list-style-type: none"> <li>- At least 800 producers trained on the quality management system at the national level.</li> </ul> <p>By 12 months into the project:</p> <ul style="list-style-type: none"> <li>- INCAH coffee quality monitoring and supervision system up and running.</li> </ul>	<p>Half-yearly and final project reports by the executing agency.</p> <p>Midterm and final evaluation reports by the external consultant.</p> <p>PPMRs and PCRs for the project.</p>	<p>Operators at the different links in the chain are interested in learning from project experiences.</p>
<b>Activities</b>			
1.1 Implementation of pilot groups.	<p>By 12 months into the project:</p> <ul style="list-style-type: none"> <li>- Selection of pilot groups completed.</li> </ul>	<p>External evaluation report.</p>	<p>Operators at the different links in the chain are interested in learning from project experiences.</p>
1.2 Technical support for pilot groups	<p>By 24 months into the project:</p> <ul style="list-style-type: none"> <li>- Technical support for pilot groups on coffee quality management completed.</li> </ul>	<p>Baseline and final project surveys</p>	<p>Technical assistance and asset providers continue fulfilling their responsibilities.</p>
1.3 Management support and assistance with external monitoring of pilot groups	<p>By 24 months into the project:</p> <ul style="list-style-type: none"> <li>- Technical support for pilot groups on administrative and business management processes completed.</li> </ul>	<p>External evaluation report.</p>	
1.4 Assistance with establishing business partnerships	<p>By 24 months into the project:</p> <ul style="list-style-type: none"> <li>- Technical support for pilot groups on sale and marketing of coffee completed.</li> </ul>	<p>Baseline and final project surveys</p>	<p>Operators at the different links in the chain are interested in learning from project experiences.</p>
1.5 Assistance with access to sources of financing	<p>By 24 months into the project:</p> <ul style="list-style-type: none"> <li>- Technical support for pilot groups on presenting investment and financing proposals completed.</li> </ul>	<p>Baseline and final project surveys</p>	<p>Microlenders continue to operate in the country's rural areas.</p>

Narrative summary	Indicator	Means of verification	Assumptions
2.1 Support for establishing quality control laboratories for coffee.	By 24 months into the project: - Technical support for laboratories on quality control and tasting completed.	External evaluation report.	MARNDR accepts transfer of equipment to INCAH
2.2 Training of cuppers	By 24 months into the project: - At least 6 cupping courses completed.	External evaluation report.	A sufficient number of people are interested in training
2.3 Design of procedural manuals for quality tests.	A procedural manual on cupping, a manual on chemical tests and a manual on the INCAH label exist by the end of the third year.	External evaluation report.	INCAH label is requested by operators at the different links in the chain.
2.4 National laboratory certification.	By 24 months into the project: - Technical support for the national laboratory on earning certification is completed.	Final evaluation report.	
3.1 Design of a national promotion strategy	By the end of year 3, the strategy is shared by INCAH and used by operators in the chain to position themselves in the market, based on the quality of their product.	External evaluation report.	INCAH is able to gather information, train its staff, and participate in international fairs.  INCAH staff turnover is stable.
3.2 Organization of an annual quality coffee competition and auction.	By 24 months into the project: - Preparation and execution of a high quality coffee competition and auction completed.	External evaluation report.	Sociopolitical stability in Haiti.
4.1 Design and implementation of a coffee quality monitoring system	Project progress and outcomes are known, understood, and disseminated by the end of year 3.	External evaluation report.	
4.2 Standardization based on project outcomes	Manuals are edited and distributed to all producers' associations by the end of year 3.	External evaluation report.	
4.3 Dissemination of project outcomes	By 36 months into the project - At least 6 workshops held to share outcomes and experiences.	External evaluation report.	



### BUDGET SUMMARY (US\$)

Total 3 years (US\$)		Total cost	Financing		
Area of activity	Description		MIF	INCAH in cash	INCAH in kind
<b>I</b>	<b>Quality system</b>	<b>265,080</b>	<b>261,480</b>	<b>3,600</b>	<b>-</b>
	0 Project Unit	182,880	182,880	-	-
	1 Establishment of pilot groups	1,050	1,050	-	-
	2 Technological support	45,600	42,000	3,600	-
	3 Management support	22,950	22,950	-	-
	4 Contract monitoring	10,800	10,800	-	-
	5 Liaison with microfinance	1,800	-	-	-
<b>II</b>	<b>Quality control</b>	<b>189,750</b>	<b>122,705</b>	<b>35,695</b>	<b>31,350</b>
	0 Project coordination unit	132,830	94,280	7,200	31,350
	1 Establishment of laboratories	1,000	-	1,000	-
	2 Training of tasters (20)	22,225	22,225	-	-
	3 Preparation of procedural manuals	6,200	6,200	-	-
	4 Applied research on quality	20,495	-	20,495	-
	5 Monitoring of procedure implementation	3,000	-	3,000	-
	6 Laboratory certification	4,000	-	4,000	-
<b>III</b>	<b>Commercialization</b>	<b>291,505</b>	<b>185,680</b>	<b>58,800</b>	<b>47,025</b>
	0 Project coordination unit	155,905	98,080	10,800	47,025
	1 Design of marketing strategies	90,000	42,000	48,000	-
	2 Quality and valuation competition	45,600	45,600	-	-
<b>IV</b>	<b>Monitoring of quality/capitalization</b>	<b>191,190</b>	<b>93,890</b>	<b>34,600</b>	<b>62,700</b>
	0 Project coordination unit	118,990	41,890	14,400	62,700
	1 Quality control measure	36,200	26,000	10,200	-
	2 Standardization of experience	10,000	-	10,000	-
	3 Dissemination of project outcomes	26,000	26,000	-	-
<b>V</b>	<b>Administration</b>	<b>143,000</b>	<b>76,770</b>	<b>42,230</b>	<b>24,000</b>
<b>VI</b>	<b>Evaluations</b>	<b>20,000</b>	<b>20,000</b>	<b>-</b>	<b>-</b>
<b>VII</b>	<b>Financial audits</b>	<b>15,000</b>	<b>15,000</b>	<b>-</b>	<b>-</b>
<b>VIII</b>	<b>Contingencies</b>	<b>24,475</b>	<b>24,475</b>	<b>-</b>	<b>-</b>
<b>Total</b>		<b>1,140,000</b>	<b>800,000</b>	<b>174,925</b>	<b>165,075</b>

**Haiti**  
**Support for the Competitive Position of Haitian Coffee**  
**Related Projects**  
**(HA-M1004)**

**A. Identical or related MIF projects.**

None

**B. Similar or related Bank projects.**

<b>Project number/ date of approval</b>	<b>Title of project, sector, executing agency and amount</b>	<b>Date of signing and original period of disbursement in months</b>	<b>Percentage disbursed</b>	<b>Comments: Satisfactory execution or problems in execution, including delays, extensions, reformulation, executing-agency change, etc.</b>
HA-0049 28 March 1990	Pont-Sonde-Mirebalais Highways and Access Roads in the Arbonite Valley  Ministry of Public Works, Transportation, and Communications  US\$44.5 million from the IDB.	4 April 1990  10 months (extended by by 80 months)	100%	Completed. The suspension of payments, caused by the government's failure to meet its payment obligations to the Bank, adversely affected execution.
HA-0078 7 November 1990	Additional Financing Artibonite II  Arbonite Valley Development Agency  US\$11.55 million from the IDB	9 April 1991  54 months (extended by 17 months)	99%	Although components 1, 2 and 4 have received a satisfactory rating, the project is classified as unsatisfactory because little has been done with regard to components 3, 5 and 6.
HA-0041 8 Feb 1995	Road Maintenance & Rehabilitation Program  Ministry of Public Works, Transportation, and Communications  US\$45 million from the IDB	8 April 1995  38 months (extended by 40 months)	93%	The project was affected by political problems in Haiti. Because Haiti has been in default with the Bank since June 2001 and on nonaccrual status since February 2002, it is not possible to predict a date for lifting of the current suspension of disbursements.
HA-0046 11 December 1996	Investment Sector Loan  Ministry of Economic Affairs and Finance  US\$50 million from the IDB	23 January 1997  24 months	100%	The components were reformulated to simplify the project and adapt it to the country's institutional capacity.

<b>Project number/ date of approval</b>	<b>Title of project, sector, executing agency and amount</b>	<b>Date of signing and original period of disbursement in months</b>	<b>Percentage disbursed</b>	<b>Comments: Satisfactory execution or problems in execution, including delays, extensions, reformulation, executing-agency change, etc.</b>
HA-0016 12 November 2003	Agricultural Intensification Program Ministry of Agriculture, Natural Resources, and Rural Development	20 November 2003 60 months	5%	The project is being executed as planned.
HA-0093 12 November 2003	Program for Rehabilitation of Basic Economic Infrastructure Ministry of Economic Affairs and Finance US\$70 million.	20 November 2003 55 months	5%	The 2004 audited financial statement shows weaknesses in the internal control system. The project execution unit's next deadline for submitting audited financial statements is 31 August 2005.

**C. MIF projects related or similar to the same sector or beneficiaries.**

None.

#### D. MIF projects in Haiti

No.	Memo no.	Project no.	ATN no.	Name	Executing agency	Facility	Approved	Status	MIF Amount	% Disbursed
1	MIF/AT-67	TC9505449	ATN/MT-5078-HA	Secured Transactions Reform	CPMCE	I	29-Nov-95	Completed	501,832	100.00
2	MIF/AT-87	TC9509136	ATN/MT-5334-HA	Energy Sector Reform	PMO	I	11-Sep-96	Completed	998,961	100.00
3	MIF/AT-192	TC9708465	ATN/MT-6097-HA	Program to Support the Potable Water and Sanitation Sector Reform and the Establishment of the Regulatory Agency	MTPTC	I	12-Aug-98	In execution	965,000	5.18
4	MIF/AT-222	TC9810020	ATN/ME-6341-HA	Institutional Strengthening of SOGEBANK	SOGEBANK	IIIa	4-Jan-99	Completed	300,000	100.00
5	MIF/AT-251	TC9903024	ATC/MT-6502-HA	Promotion of private participation in the electricity sector	CMEP	I	13-May-99	Completed	47,727	100.00
6	MIF/AT-278	TC9901031	ATN/ME-6646-HA	Strengthening of markets and competitiveness of small and microenterprise in the Haitian garment subsector	INDEPCO	IIIa	13-Sep-99	In execution	370,000	91.47
7	MIF/AT-291	TC9708259	ATN/MH-6696-HA	Private Training Market Initiative	FUNDIH	II	13-Oct-99	In execution	2,000,000	64.78
8	MIF/AT-520	TC0206035	ATN/ME-8131-HA	Institutional Strengthening of Microcredit National S.A.	MICROCREDIT	IIIa	6-Dec-02	In execution	300,000	10.00
9	MIF/AT-539	TC0302007	ATN/ME-8408-HA	Institutional Strengthening of Acme	ACME	IIIa	26-Aug-03	In execution	175,000	8.57
10	MIF/AT-573	HA-M1001	ATN/ME-8586-HA	On-Line Networks for Culture, Tourism and Commerce in Haiti	PEOPLINK	IIIa	18-Dec-03	In execution	470,400	20.00
11	MIF/AT-629	HA-M1003	ATN/ME-8982-HA	Deepening of Financial Services to Microenterprise in Haiti	XCAPPPB	IIIa	6-Dec-04	Approved	220,000	0.00
12	MIF/AT-636	HA-M1002	ATN/ME-9006-HA	Microfinance strengthening to the Caisse Populaires	DID	IIIa	10-Dec-04	Approved	400,000	0.00
							<b>Total MIF Amount</b>		<b>5,248,127</b>	

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION MIF/DE-\_\_/\_

Haiti. Nonreimbursable Technical Cooperation ATN/\_\_\_-\_\_\_-\_\_\_ to  
Support the Competitive Position of Haitian Coffee

The Donors Committee of the Multilateral Investment Fund

RESOLVES:

1. That the President of the Inter-American Development Bank or such representative as he shall designate is authorized, in the name and on behalf of the Bank, as Administrator of the Multilateral Investment Fund, to enter into such agreements as may be necessary with the Institut National de Café d'Haïti, and to take such additional measures as may be pertinent for the execution of the project proposal contained in document MIF/AT-\_\_\_ with respect to a technical cooperation to support the competitive position of Haitian coffee.

2. That up to the amount of US\$800,000 or its equivalent in other convertible currencies, shall be authorized for the purpose of this resolution, chargeable to the technical cooperation resources of the Small Enterprise Development Facility of the Multilateral Investment Fund.

3. That the above-mentioned sum is to be provided on a nonreimbursable basis.

(Adopted on \_\_\_\_\_)