

# **REGIONAL INITIATIVE FOR THE INTEGRATION OF SMALL-SCALE COFFEE COOPERATIVES IN PROCESSING AND MARKETING**

**(TC-97-02-43-3)**

## **EXECUTIVE SUMMARY**

**EXECUTING AGENCY:** Servicios Empresariales de Mesoamerica (SEM), a not-for-profit organization created in 1996 in San Salvador, El Salvador.

**BENEFICIARIES:** Small-scale coffee growers in El Salvador, Honduras and Nicaragua.

**COST AND FINANCING:** No reimbursable (III-A):  
MIF: US\$ 1,579,000  
Local: US\$ 682,000  
**Total: US\$ 2,261,000**

**OBJECTIVES:** The overall objective is to improve the productivity and competitiveness of small-scale coffee producers in El Salvador, Honduras and Nicaragua through helping them to integrate vertically in processing and marketing-the two most profitable stages in the value chain.

**PROJECT DESCRIPTION:** The Project consists of a three-year pilot program to provide technical and managerial assistance to small-scale coffee cooperatives or producers' organizations. The main components of this assistance package are: 1) to improve the general management and business skills of cooperatives including cost accounting, finance and information systems; 2)to provide technical assistance and training for small-scale producers so that they can effectively manage their processing plants and use effective quality control mechanisms; 3) to transfer environmentally-sound technologies using cost-effective water treatment and recycling processing residues as organic fertilizer; and 4)to develop commercialization capability to give access to a new international markets with emphasis on organic, gourmet and other speciality coffee. In addition, the Project will support the establishment of a regional marketing cooperative as a joint effort of coffee cooperatives in participating countries. The regional facility

will keep in close contact with the market to help the producers make better marketing decisions and obtain improved prices for their coffee.

**EXECUTION PERIOD:** The Project will be executed in 36 months and the disbursement period will be 42 months.

**ENVIRONMENTAL AND SOCIAL IMPACT REVIEW:** There are not likely to be any significant negative environmental impacts. The Project includes the introduction of environmentally-sound processing technologies, the treatment of waste water and the recycling of coffee pulp for use as organic fertilizer to increase agricultural productivity while lessening environmental deterioration. A mid-term review will include thorough analysis of environmental and social impact on the communities, including indigenous communities, and will make appropriate adjustments if necessary. (See Paragraphs 2.9, 7.1 and 7.2).

**SPECIAL CONDITIONS** Prior to the first disbursement, SEM must contract the regional coordinator and present to the Bank written agreements that the participating cooperatives in three countries will work with SEM. SEM must also present a business plan for the first year of project execution including: 1)description of activities and terms of reference for each project component; 2)plan of counterpart contribution and schedule for disbursement, 3) pricing plan of fees to be charged for services to members and non-members. At the end of each year, SEM will present a business plan for the subsequent year.

**EXCEPTION TO BANK POLICY:** An exception to Bank procedures and policies for the selection and hiring of consultants is requested, to allow SEM to hire the services of Enterprise Works Worldwide directly so that the latter can provide project supervision services (paragraph 5.3).

## I. BACKGROUND

### A. Eligibility

- 1.1 The Project is consistent with the MIF Small Enterprise Development Facility (III-A), as section 4 of the MIF establishing charter states that grants may be provided for technical cooperation to non-governmental organizations to expand the volume and range of services to micro-enterprises or smaller businesses. All three beneficiary countries are eligible for MIF financing under all modalities.

### B. Frame of Reference

- 1.2 Coffee is of critical importance to the development of the Central American economy and is one of the region's leading export products both in volume and in revenue. More than 230,000 coffee growers are involved in coffee production, 90% of whom are small-scale producers.<sup>1/</sup> This sub-sector employs 25% of the Central American labor force, generates a quarter of its exports and accounts for 5% to 9% of its gross national product.

- 1.3 The participation of small-scale producers in the value chain (presented in the table and Annex II) has traditionally been limited to stage 1 and 2, but this is now changing as they move more into dry processing and marketing. The most profitable part lies in Stage 4, as the value more than quadruples, in general, between Stage 3 and 4. The value of cherry coffee is only about 3% of the price paid by final consumers in the importing countries.

<b>The Coffee Value Chain</b>	
The coffee sector's value chain has four distinct stages:	
<b>Stage 1:</b>	production of cherry coffee- <i>café en uva</i> on the plantation;
<b>Stage 2:</b>	wet processing to produce parchment coffee- <i>café en pergamino</i> ;
<b>Stage 3:</b>	dry processing to convert parchment coffee into green coffee- <i>café oro</i> or <i>café verde</i> ;
<b>Stage 4:</b>	commercialization.

- 1.4 The limited profitability of small-scale producers constrains their purchase and use of materials as well as their employment of the technology that is needed to maintain an adequate production volume and to improve productivity.
- 1.5 Furthermore, as cherry coffee is a perishable product, the small-scale producers' lack of easy access to dry processing installations minimizes their negotiating power. Frequently, small-scale producers are forced to sell cherry coffee to local intermediaries or exporters at discounts 30%-50% below the market price.
- 1.6 Since small-scale producers do not have direct access to export markets because of their low levels of production, they tend to turn to middlemen or trading agents who control

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<sup>1/</sup> The small-scale producers in Central America are typically defined as individual farmers who have between 1.4 and 7.0 hectares.

the local market or have established links to international markets. Also, the coffee sector is characterized by widely fluctuating and unpredictable prices (see Annex III for a general description of coffee markets). Therefore, even if small-scale producers were fully integrated into the processing stage, they would need sophisticated marketing skills and contacts. This means they need several kinds of assistance in order to increase their share of the consumer's dollar.

- 1.7 Economies of scale have traditionally been a key factor in bringing about cooperative organizations. These economies can be measured in varying ways such as efficiencies in utilization of capital equipment, skilled labor or expertise; bargaining power in the market; or financial and administrative advantages of size. The history of cooperatives and producer associations in the coffee sub-sector shows their potential in coffee processing and marketing, but the lack of access to financing has limited their capacity to carry out their functions.
- 1.8 Not only poor access to markets but also inadequate understanding of how markets and the marketing process work are serious barriers for small coffee growers. It is increasingly important to explore access to alternative markets and compete in the global economy. Small-scale producers need to be trained as entrepreneurs through cost-effective mechanisms. They also need direct experience, market research and development, and feedback from buyers so they will understand the relationship of coffee quality and profitability.

C. Enterprise Works Worldwide's Methodology

- 1.9 In 1995, the Bank funded a Small Project in El Salvador in cooperation with Enterprise Works Worldwide, or EWW (Appropriate Technology International, ATI, at that time) and the two producers groups for a total of approximately US\$1.5 million, with US\$1.3 million from the Bank. The program included: i) investments for cooperative owned processing facilities and waste treatment units; ii) credit for working capital and individual farmer investment; and iii) technical cooperation for improvement in managerial skills and marketing, processing and quality control, and waste treatment. The project received an award by the Bank in December 1998 in recognition of its successful implementation and significant impact on the development of small-scale coffee growers in El Salvador.
- 1.10 The EWW methodology focuses on commodity-specific sub-sectors, such as coffee, and includes input and output linkages of small production units. This approach improves understanding of the dynamics of small-scale production, of policies that constrain growth and of interventions that may be helpful.
- 1.11 The MIF project proposes to expand on the successful intervention mentioned. The activities of the MIF project will benefit a greater number of organizations and small-scale producers in other parts of El Salvador, and will start to replicate the model in Honduras and Nicaragua.

## **II. PROJECT DESCRIPTION**

### **A. Objectives**

- 2.1 The overall objective is to improve the productivity and competitiveness of small-scale producers in El Salvador, Honduras and Nicaragua, through helping them to vertically integrate in processing and marketing-the most profitable stages in the value chain. By improving processing facilities and techniques, as well as the management of cooperatives, the quality of processed coffee will be improved. Overall, the Project will help increase the income of the small-scale coffee growers and their families, and at the same time, create employment in the rural area. It uses an innovative business development approach that will allow the small-scale producers to have more control over their product and a significant impact on their home economies.
- 2.2 The specific objectives are: 1) to enhance the effectiveness of the cooperatives management and business skills so they can provide high quality services on a financially sustainable basis; 2) to increase the efficiency of coffee processing by helping small-scale producers participate in each stage; 3) to transfer and ensure the installation of environmentally-sound technologies; and 4) to help producers' organizations cooperate on a regional scale and negotiate better with existing and potential buyers. This will enable them to face the new situation caused by economic liberalization.

### **B. Project Components**

- 2.3 The Project consists of a three-year pilot program providing technical and management assistance to small-scale coffee growers through their organizations. The project comprises a technical assistance package to the small-scale coffee growers second-tier cooperatives aimed at institutional strengthening of these cooperatives; and also includes technical assistance for processing and quality control at the processing plants, environmentally sound management and commercialization. The Project also includes a second component aimed at supporting a pilot initiative for regional coffee commercialization.
- 2.4 To ensure sustainability and the multiplier effects of the intervention, the project targets second-tier cooperatives (cooperative of cooperatives). Once the institutional strengthening of these second-tier cooperatives is achieved, they will be better prepared to assist their members (first-tier cooperatives) in improving their business skills and becoming more competitive in the new market conditions, thereby benefiting a greater number of coffee growers.
- 2.5 The project is designed as a regional program for two basic reasons: i) to replicate in neighboring countries the model developed and successfully implemented in El Salvador, namely EWW's strategic sub-sector approach, with increased participation of small-scale producers in adding value to their products; and ii) to create economies of scale by

exchanging lessons learned among similar organizations in various countries in the region.

### **Component 1: Improvement of Cooperatives Management**

- 2.6 Through this component technical assistance will be provided to the second-tier cooperatives - and through them to the first-tier cooperatives - in the following areas:
- 2.7 (a)Institutional Strengthening This will consist of consulting and training courses in planning, cost accounting, finance, information systems, and general administration. Senior consultants, knowledgeable of cooperative management, hired by SEM will assist the senior management of the selected second-tier cooperatives. During the first six months the key areas which are critical to the sound management of the cooperatives will be diagnosed and recommendations will be made.
- 2.8 (b)Technical Assistance for Processing and Quality Control Technical assistance in post-harvest handling and processing will be provided at processing plants. The dry processing infrastructure will be provided by local counterpart second-tier cooperatives. The conversion rate of cherry coffee into parchment and then green coffee will increase. Even a small increase in the conversion rate can increase significantly the producers' profit margins. Also the quality of coffee for export (mostly as green coffee) must be carefully controlled and tested, with feedback to producers, processors and buyers. This will help maximize the value to producers. Coffee grading and testing equipment and appropriate training will be provided as needed to each participating second-tier cooperative.
- 2.9 (c)Technical Assistance for Environmentally-Sound Management Technical assistance will be provided to ensure the treatment of waste generated by coffee processing, with the end result of promoting development that is environmentally sustainable. The assistance includes the introduction of systems for processing pulp to produce organic fertilizers and the treatment of waste water so it can be reused in processing or returned to rivers without polluting them. The processing plants will make use of the system designed by EWW in El Salvador, which requires less water than do other traditional methods. This will simultaneously reduce soil and water pollution residues and provide income for producers' cooperatives or organizations through the sale of organic fertilizer. (See Annex IV.)
- 2.10 (d)Technical Assistance for Commercialization Central American coffee cooperatives rely principally on trading agencies. This component will help the second-tier cooperatives become more independent in terms of understanding the export market and searching more widely for qualified new direct buyers.
- 2.11 One second-tier cooperative will be equipped in each country to monitor world coffee markets electronically and will employ an experienced marketing expert. A training program for marketing managers will be implemented so that the key personnel of cooperatives will understand market data and how to use it. The training will cover market trends, price monitoring, and dealing with international buyers. Marketing efforts

will emphasize *organic* (grown without chemicals), *gourmet* (a high quality, carefully processed and classified product for selected markets willing to pay a premium price) and *other speciality coffee* (such as shaded coffee) markets--the fastest growing coffee sectors in the United States and Europe.

- 2.12 (e)Other Technical and Management Training: On an exceptional basis, tailor-made technical assistance will be provided to selected first-tier cooperatives or producer associations, making sure they have timely access to processing plants shared by cooperative members.

## **Component 2: Regional Coffee Marketing Initiative**

- 2.13 One of the main problems for small-scale producers and their cooperatives is insufficient volume of production to negotiate effectively with international buyers. For this purpose the project will give support by recruiting international consultants to help establish a Regional Marketing Facility, building on the experience of the trading company already established in El Salvador, COMERCAFE (Comercializadora Regional de Café). The MIF will provide assistance for legal expenses to determine the most appropriate legal entity under which the facility should be constituted to perform its role as a regional trading company. The program will then proceed to provide assistance with selected promotional activities, office equipment for an information system, and other limited operating costs.
- 2.14 To implement this initiative and coordinate the participation of cooperatives, SEM will take advantage of the experience of COMERCAFE. EWW launched this regional pilot project in 1997 to address the lack of capacity of the cooperatives to purchase and market coffee produced by their members and to secure better prices. From November 1997 through December 24, 1998, COMERCAFE sold 36,000 bags of coffee for a total of US\$5.5 million. The average price was US\$153 per bag, or \$14.72 more than prevailing market prices.
- 2.15 The Regional Facility will put more emphasis on organic, gourmet and other speciality coffee. The Facility will charge a commission on coffee sales and keep a portion of the differentials obtained while passing the balance on to the cooperatives. Trading coffee through the Regional Facility, as well as using its services, will be voluntary for the cooperatives, each of which should allocate a portion of its total production for sale by the regional entity and will receive patronage refunds each year if there is a surplus. COMERCAFE may also negotiate coffee sales for organizations other than the three second-tier cooperatives.

## **III. EXECUTION**

- 3.1 The executing agency of the Project is Servicios Empresariales de Mesoamerica (SEM). SEM is a not-for-profit organization constituted in 1996 under the laws of El Salvador. Its mission includes expanding the experience acquired through the Bank-financed Small Project with EWW in El Salvador to other countries in Central America.

- 3.2 SEM will be responsible for preparing terms of reference, processing the contracting of consultants, and supervising and monitoring the implementation of the Project in each country. SEM will have a project manager who will be in charge of coordinating each cooperative's implementation. It will benefit from economies of scale, based on the increased volume of coffee processed from the three countries utilizing the new environmentally sound technology.
- 3.3 SEM will have a contract with a second-tier cooperative in each country. Three second-tier cooperatives were selected with application of the following criteria: 1) is legally constituted as a second-tier cooperative (excludes not-for-profit organizations or simple associated groups) that is willing to charge fees for services provided; 2) strong business-oriented management with strategies for conquering niche markets; 3) actively engaged in achieving financial self-sufficiency; and 4) common interest in launching a marketing initiative on a regional scale, with emphasis on organic, gourmet and other speciality coffee. The following three cooperatives are aware of their respective commitments under the project and are in the process of finalizing their first year business plans.
- 3.4 **El Salvador:** Unión de Cooperativas de La Reforma Agraria productoras Beneficiadoras y Exportadoras de R.L. de C.V. UCRAPROBEX. This eleven year old institution began operations with 60 agrarian reform cooperatives (collective farms) located in prime coffee growing regions. It now has 60 cooperatives as affiliates, plus 15 associations of producers, which incorporate 15,000 small growers. It also has milling and export capabilities. It has a staff of 24 persons who handle such tasks as finance and accounting and operate a small processing plant. UCRAPROBEX has been aggressive in recent years in introducing innovations in the coffee sector, seeking niche markets and diversification alternatives.
- 3.5 **Honduras:** La Central de Cooperativas Cafetaleras de Honduras (CCCH). CCCH, created in 1997, is a second-tier cooperatives composed of 49 first-tier cooperatives, 37 of which are active and legally constituted first-tier cooperatives and the rest of which are in the process of formation. The majority are cooperatives of small-scale producers. CCCH, which currently has more than 10,000 associates, is aiming at having 70,000 small-size producers by 2005. It is legally capable of directly exporting coffee, and has 28 permanent members in the technical assistance and marketing departments. CCCH needs to strengthen its marketing and financial management. It has not yet generated income from services, although an extensive diagnostic study has been completed.
- 3.6 **Nicaragua:** Promotora de Desarrollo Cooperativo (PRODECOOP). This second-tier cooperative was created in 1993. Since it was constituted as a corporation and then changed its status, its managers are very business-oriented. It has 45 cooperatives as members, with a total of 2,000 small-scale coffee producers in Esteli. PRODECOOP is staffed by 12 persons, 6 of whom are technical officers. The technical team provides assistance and training in the field. Its trading partners, mostly in Holland, include alternative trade organizations. The export and production of organic coffee is increasing and the manager has prepared a detailed business plan for expanding its production.



#### IV. COST AND FINANCING

- 4.1 The total cost of the Project is estimated at US\$2,261,000 for three years. (See Annex V.) MIF will contribute US\$1,579,000, 70% of the total cost. The counterpart will be provided by the participating cooperatives, which can contribute cash, personal services, office space, etc., and may obtain some of their counterpart funding from other donors. It is proposed that expenses incurred after January 1, 1998 for the procurement of services or equipment needed to meet the project's technical requirements, be considered as eligible for counterpart contribution, for an amount not to exceed the equivalent of US\$340,000, provided that they have met all Bank and MIF procurement requirements. The counterpart plan including sources and a schedule of contributions is a condition for first disbursement.
- 4.2 The cost of services will be partially recovered initially through fee income, gradually increasing over the life of the project. This will help ensure financial self-sustainability in the future. Decreases in the subsidy will be important benchmarks of success in the project.

Component	MIF (US\$)	LOCAL (US\$)	TOTAL (US\$)
<b>1. Cooperative Management</b>			
a. Institutional Strengthening (based in each country)	360,000	67,500	427,500
b. Technical Assistance at Processing Plants and Quality Control(Based in SEM)	156,000	372,000	528,000
c. Technical Assistance for Environmentally- sound Management(based in SEM)	144,000	12,000	156,000
d. Technical Assistance for Commercialization (based in SEM)	190,000	32,000	222,000
e. Other Management Assistance (based in each country)	180,000	67,500	247,500
Promotion/Dissemination	30,000		30,000
Regional Coordination	174,000		174,000
Project Supervision	100,000	35,000	135,000
Administrative Costs (SEM)		36,000	36,000
<b>2. Regional Coffee Commercialization (El Salvador)</b>	80,000	50,000	130,000
Environmental and Social Impact Assessment and Auditing	35,000	10,000	45,000
Evaluation	50,000		50,000
Contingencies	80,000		80,000
<b>TOTAL</b>	<b>1,579,000</b>	<b>682,000</b>	<b>2,261,000</b>

## **V. SPECIAL CONDITIONS AND EXCEPTION TO BANK POLICY**

- 5.1 Prior to the first disbursement, SEM must contract the regional coordinator and present to the Bank written agreements that the participating cooperatives in three countries will work with SEM. SEM will administer all the project resources.
- 5.2 SEM must present a business plan for the first year of project execution including: 1) description of activities and terms of reference for each project including human resources assigned, performance indicators; 2) plan of counterpart and schedule for disbursement; and 3) pricing plan of fees to be charged, demonstrating how the cooperatives can cover a substantial portion of those costs in the medium term. At the end of each year, SEM will present a business plan for the subsequent year.
- 5.3 The Bank's procedures will be followed for the procurement of goods and the hiring of services including the project coordinator. However, as an exception, SEM will contract EWW for project supervision based on unique technical advantages. As EWW developed the project methodology during the pilot phase in El Salvador, it can ensure its correct application and maintain the integrity of the vision considered key to its past success. This will allow the regional project to take full advantage of the institutional memory of the Salvadoran pilot program, including the transfer of the processing and environmental protection methodology and management know-how, access to their network of consultants and adoption of their customized management information system. Also, EWW will share knowledge acquired by its specialists from other parts of the world where coffee is produced. (See Annex VI.)
- 5.4 An advance of up to the equivalent of 10% of the funding may be granted upon written request.

## **VI. SUSTAINABLE DEVELOPMENT AND GENDER**

- 6.1 In Central America, the traditional handling of coffee begins with de-pulping and continues with the fermentation and washing of the coffee beans. The pulp is discarded and the liquid waste is dumped in rivers or nearby bodies of water. This leads to the growing problem of water pollution and is damaging the already delicate ecological systems in the coffee-growing areas.
- 6.2 The Project will include the introduction of environmentally friendly technologies to address the processing needs of the producers, including solar and biomass dryers. In addition, the Project will emphasize biological treatment of the wastewater and the pulp, which will be used or marketed as organic fertilizer.
- 6.3 Women participate in the handling and processing of coffee during and after harvest. Consequently, as the processing system improves and becomes more productive, the potential for value-added activities performed by women will increase. Women will also benefit from the Project through specific interventions oriented toward them, such as final

processing of coffee and its commercialization. The total participation of women beneficiaries in the Project is expected to be up to 35%. The involvement of women in the industrialization process of coffee will reach up to 45% of the total work force, especially in grading, cleaning and packaging.

## **VII. MONITORING AND EVALUATIONS**

- 7.1 A mid-term evaluation will be conducted when at least 50% of the MIF-funded resources is disbursed. This will entail thorough analysis of environmental and social impact on the communities, including indigenous communities, and will make any appropriate adjustments required in the implementation scheme. A final evaluation will be completed at the end of the project.
- 7.2 In addition, a customized impact tracking system will be adopted by implementing organizations at the beginning of the Project to provide feedback periodically including a complete annual report. This will include benchmarks to gauge progress toward specific objectives as indicated in summary fashion in the attached Logical Framework.

## **VIII. RISKS**

- 8.1 The main risk of the Project is the length of time required for grassroots producer groups to adopt the new technology and establish a lasting commercial relationship without recourse to external assistance. During a short time period, the beneficiary second-tier cooperatives must establish sound organizations that can address the needs of their members on a financially sustainable basis. Local unfamiliarity with the processing technologies and marketing management pose obstacles since small-scale coffee growers are generally slow to adopt new technologies.
- 8.2 To counteract these weaknesses, the regional coordinator to be selected must be an experienced professional with the flexibility to draw on consulting services to redouble efforts in areas lagging behind. The project's comprehensive training and consulting in coffee processing, marketing and management constitute a multi-pronged and mutually reinforcing effort to achieve the desired results.

## SIMPLIFIED LOGICAL FRAMEWORK AND PROGRAM PERFORMANCE INDICATORS

OVERALL PROGRAM OBJECTIVES	VERIFIABLE INDICATORS BY PROGRAM COMPLETION	MEANS OF VERIFICATION	ASSUMPTIONS
Improve productivity and competitiveness of small-scale coffee producers in El Salvador, Honduras and Nicaragua by helping them integrate vertically into processing and marketing	Cooperatives in the three countries marketing higher quality coffee, for better prices, while protecting the environment	Average premiums (over world market prices) received by members of participating cooperatives	The project is largely responsible for increases in average premiums
<b>COMPONENT I: IMPROVEMENT OF COOPERATIVES' MANAGEMENT</b>			
Strengthen cooperatives and provide technical assistance in processing and quality control, environmental management and marketing	Second-tier and selected first-tier cooperatives better managed and equipped for environmentally benign coffee processing and marketing	Evaluations of technical assistance and training programs and inspections of processing plants	Managers of participating cooperatives will recognize their need for technical assistance and training
Activities:  Provide consulting and training to improve management and business skills in second-tier cooperatives	<u>Products:</u>  Managers of second-tier cooperatives trained in planning, finance, cost accounting, information systems and general administration	Evaluations of individual interventions and discussions with managers of cooperatives	None
Provide technical assistance and training in coffee processing and quality control to second and to some first-tier cooperatives	Dry and wet processing plants improved and better equipped, plant managers more qualified to run them efficiently and produce high quality coffee	Evaluations of interventions, inspections of processing plants and discussions with their managers, average premiums for the coffee	None
Transfer environmentally sound technologies of processing to selected first-tier cooperatives	Selected wet processing plants altered and equipped, and managers more qualified to run them so they are benign to the environment	Inspections of the processing plants and the areas around them, and discussions with plant managers	Markets will be available for the processed coffee husks (to use as organic fertilizer)

Develop marketing capability with emphasis on specialty coffee in second-tier and selected first-tier cooperatives	Second-tier and selected first-tier cooperatives more knowledgeable regarding coffee markets, marketing and information systems and better equipped to use information systems	Evaluations of interventions, use of information systems in the cooperatives, and analyses of data provided by cooperatives to their members	None
Provide technical and management training to managers of selected first-tier cooperatives	Managers of selected first-tier cooperatives better trained in coffee processing and marketing and in business management	Evaluations of interventions, lower management turnover and higher member satisfaction in the first-tier cooperatives	Project funds will be sufficient to beyond second-tier cooperatives and help some of their member organizations
<b>COMPONENT II: PILOT INITIATIVE FOR REGIONAL COFFEE MARKETING</b>			
Support establishment of a marketing cooperative owned by second-tier cooperatives in 3 countries	COMERCAFE converted to an appropriate legal entity and effectively marketing coffee from participating second-tier cooperatives and other producers' organizations	Conversion of COMERCAFE to an appropriate legal entity, quantity of coffee it markets for members and non-members, and price premiums it obtains	The laws of El Salvador permit establishing a cooperative business owned by second-tier cooperatives, some of which are located in other countries

PROPOSED RESOLUTION

REGIONAL. NONREIMBURSABLE TECHNICAL COOPERATION FOR A REGIONAL  
INITIATIVE FOR THE INTEGRATION OF SMALL-SCALE COFFEE COOPERATIVES  
IN PROCESSING AND MARKETING

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 Multilateral Investment Fund, to enter into such agreements as may be necessary with the Servicios Empresariales de Mesoamérica, and to take such additional measures as may be pertinent for the execution of the project memorandum referred to in Document MIF/AT-\_\_\_\_\_ with respect to a technical cooperation program for a regional initiative for the integration of small-scale coffee cooperatives in processing and marketing.

2. That up to the amount of US\$1,579,000, or its equivalent in other convertible currencies, is authorized for the purpose of this resolution, chargeable to the 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.