

FINAL REPORT

Short title of the PPP project: Sustainable Coffee Production in the Upper Catchment Area of the Lempa River, El Salvador

Name of the private company: ICP/NKG

If applicable, name of local partner(s): Comision Trinacional del Plan Trifinio (CTPT)

Intended project term: 01.07.2007 – 30.06.2010

Actual project term: 01.07.2007 – 30.06.2010

Date of report: December 2010

1 Aim of project (acc. to Annex 2 of the PPP Contract of Performance)

The aim of the project is to improve the economic, social and environmental conditions of coffee-farming communities.

Appraisal: Good

Reasons: n.a.

2 Status of performance rendered according to Contract

Results, Indicators, Activities (acc. to Annex 2 of the PPP Contract of Performance)

Result 1	Planned Target	Actual Target
	<p>Average income of the farmers has increased. Productivity and quality have improved. Farmers are familiar with production cost monitoring.</p>	<p>Productive aspects have been analysed with the help of the Farmer Field Book (FFB, see Annex 1 for description of the tool and results). According to FFB results, net income levels increased 142% in 09/10 compared to the baseline study and are expected to further improve. These results were achieved despite strong negative impacts on farms in 09/10 due to wind.</p> <p>Reasons for better income achieved for the following:</p> <ol style="list-style-type: none"> 1. Implementation of improved farm management practices and farm renovation. 2. Costs reductions: <ol style="list-style-type: none"> a. Application of FFB as a management tool. Decisions were taken by the farmers along with the technical team based on production cost analysis and efficiency of the practices implemented in comparison with bench-marks b. Increased amounts of organic matter were used for fertilization. By incorporating organic matter into the soil, its physical and chemical conditions improved, thus making chemical fertilization more efficient. In addition, bio-fermented products, made of mineral salts by the coffee growers themselves, were applied as foliar fertilizers. 3. Better prices were paid for coffee in the zone, which is due to the following factors: <ol style="list-style-type: none"> a. The improvement of the quality of the coffee and the publicity about the coffee of the area by the Salvadorean Coffee Council (Consejo Salvadoreño del Café) and the organization of several negotiation rounds with different

	<p>exporters before the harvest</p> <p>b. Bulk marketing carried out by the cooperatives, which allowed them to market larger volumes, making themselves more attractive for the exporter.</p> <p>c. Participating at the Cup of Excellence with at least three coffee farmers a year, promoting the name of La Palma coffee internationally. Winning the competition has allowed coffee growers from the project to become known at an international level for the quality of the coffee in the zone.</p> <p>d. Visits by foreign coffee buyers, such as Tim Horton's, promoted by the project.</p> <p>e. Strategic alliances made during the course of the project with institutions involved in the development of coffee-growing in the area, such as PROCAFE, CSC, TECHNOSERVE, Plan Trifinio, associations of municipalities and city councils.</p> <p>f. In most of the country, the average price per qq of green coffee paid to the coffee growers has been about \$120, in the area of the project it has been \$135. The project contributed to the good reputation of the coffee in the area.</p>
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Reasons for deviations / Comments on the impact:

By the close of the project, the conditions on the farms had changed radically, compared to those encountered during the determination of the baseline: the **farms are more productive and under a management plan**. The management plan defines the tasks and appropriate technologies for production of coffee for a period of three years in order to be able to establish a roadmap for the farm, with the aim of making the most efficient use of natural, economic and human resources. This more efficient management can be observed in the data in the Farmer Field Book.

Appraisal	(A) Target surpassed (B) Target fulfilled (C) Target partly fulfilled (D) Target not fulfilled (E) Target not possible	B
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Indicators

1	A "Baseline Study" and a "Gap Analysis" is elaborated and updated on a yearly basis.	B – i) Agronomic Baseline finished, ii) Baseline Coffee Quality ("mapping") Assessed
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Reasons for deviations / Comments on consequences:

n.a.

Appraisal	(A) Target surpassed (B) Target fulfilled (C) Target partly fulfilled (D) Target not fulfilled (E) Target not possible	B
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2	The ex-/post elaboration of "Quality Maps" shows improvements of cup quality.	Comparing the result of the baseline cup quality with the cup quality at the end of the project, it can be conclude that the cup quality has improved notably and that physical defects were reduced strongly.
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		<p>According to the cupping carried out by the Salvadorian Coffee Council (Consejo Salvadoreño del Café CSC) at the end of the project, compared with the cupping carried out in 2008, a significant improvement has been seen in terms of the average score. In 2008, the average score was 79; in 2010 it is 85, an improvement of 7 percentage points Farmers who received support in the construction of processing lines (“beneficios”), scored especially well in quality (see Annex 2).</p> <p>In terms of the physical shortcomings of the bean, there is reduction in the number of black beans and mouldy beans, but a very significant improvement in the number of reduction of shells (17.55), insect damaged beans (11.97) or broken beans (1.87) compared to the results in year 2008. This fact is due to the application of proper harvest and post-harvesting practices. All of these improvements were achieved through training and good harvesting practices (careful selection of red cherries at harvesting, classification, improved fertilisation), and wet processing of the coffee (depulping, classification, fermentation, washing and drying).</p> <p>The optimum humidity for coffee beans being stored is 12 percent. Humidity less or greater than the acceptable range (11.5 to 12.5 percent) generate permanent damage to the coffee. Upon performing a comparative analysis of humidity, levels in the samples of 2008 varied a lot, with 40% in the acceptable range. In 2010, 73% of all samples were in the acceptable range and the other samples were close to it.</p>
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Reasons for deviations/Comments on the impact

A map of the location of different qualities of coffee was made (Annex 3). However, due to the fact that not all of the producers’ precise locations have been compiled and cuppings have not been taken of the coffee produced by each, the map is not entirely adequate yet. Its limitations are being gradually corrected, with the collection of information following the project.

<p>Appraisal</p>	<p>(A) Target surpassed (B) Target fulfilled (C) Target partly fulfilled (D) Target not fulfilled (E) Target not possible</p>	<p>B</p>
<p>3</p>	<p>The yearly volume of green coffee marketed by the project’s participants has increased by at least 25%. At least 20% of this coffee is sold as supreme quality</p>	<p>Before the project started, only few farmers worked in an organized manner. COOPALMA DE RL was the only coop active in the region, which was badly managed and lost many members. Most farmers in the region worked individually and sold their coffee to intermediaries.</p> <p>The project established seven new organizations of producers with a total of 218 coffee growers. For 2009-2010, five of these organizations sold 50 percent of their coffee in an organized and joint manner: 25 percent of their coffee was traded as future contracts at \$125 per quintal of green coffee</p>

		<p>and 25 percent in the cash market. They committed to selling two years in a row to the same exporter.</p> <p>The quality of the coffee in the area has improved in the course of the three years, so much so that in the last two years coffees produced by farms participating in the project have competed in the Cup of Excellence, winning third and second place in both years, respectively, achieving prices of up to \$8/lb of green coffee, selling a total of 80 quintals.</p> <p>Some coffee growers established a direct relationship with the purchaser overseas with a commitment on the latter's part to purchase the entirety of the farms' production, at an average price of \$300/quintal of green coffee, on the condition that the exporter will be the Cooperative CUSCASHAPA de R.L.</p> <p>Additional investments by the project such as solar dryers and processing equipment, offer coffee growers the opportunity to improve the quality of their coffee. The project in an effort coordinated with TECHNOSERVE, the municipality of La Palma and the cooperative COOPALMA DE RL, built a coffee laboratory to test coffee quality. The laboratory serves all of the beneficiaries of the project and is carrying out quality analyses, training in cupping, and other quality related services.</p> <p>According to the quality analysis done by exporters and the CSC (Consejo Salvadoreño del Café), currently 75% of the coffee is of specialty quality.</p>
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Reasons for deviations / Comments on consequences:

n.a.

Appraisal	(A) Target surpassed (B) Target fulfilled (C) Target partly fulfilled (D) Target not fulfilled (E) Target not possible	A
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4	Production cost monitoring systems have been installed in at least 10 pilot plantations (Farmer Field Book approach)	<p>30 coffee producers are keeping the Farmer Field Book. All of the promoters (a total of 8) keep field books. Online access to enter data and the data base facilitate the flow of information as well as the uniform analysis of the data collected.</p> <p>With the help of the FFB tool, practices can be monitored and recommendations be made on how to best reduce costs and use resources in the best possible way. In terms of business development, this is key because the farmer can obtain detailed information about production costs, and on the basis of this, the organisations make the decision to sell their coffee at an appropriate price.</p>
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Reasons for deviations / Comments on consequences:

Appraisal	(A) Target surpassed (B) Target fulfilled	B
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	(C) Target partly fulfilled (D) Target not fulfilled (E) Target not possible	
5	An analysis of the project's impact on farmer's income is elaborated containing general income data (ex-/post-analysis) and three selected case studies	The coffee growers obtained positive results by applying innovative technologies that they learned from the technical team and from the community promoters. Most farms became more profitable, leading to more investments in the renovation and planting of new areas (see Annex 4 with 5 case studies).
Reasons for deviations / Comments on consequences: n.a.		
Appraisal	(A) Target surpassed (B) Target fulfilled (C) Target partly fulfilled (D) Target not fulfilled (E) Target not possible	A

Result 2	Planned Target	Actual Target
	Know-how and technology was successfully transferred. Cultivation techniques, coffee practices and processing equipment have been improved.	<p>30 Farmers from each community participated in a training of trainers course for one year in a course organized between the project and PROCAFE (Fundación Salvadoreña Para Investigaciones de Café). The farm promoters are organizing practical workshops in their communities to transmit the knowledge to the producers. Also, intensive courses and consultations in de-pulping were conducted. As a result, plans for five medium-size wet processing facilities with modern technology were designed and implemented. Over 95 percent of the cost of the facilities was paid by the producers.</p> <p>One of the principal problems of the coffee growers in the area continues to be the lack of adequate infrastructure to dry coffee. Therefore, during the project, the use of technologies such as solar tunnel driers were encouraged; five such solar driers were built as a model in a 50/50 cost split between project and producers. Each drier is capable of drying 10 quintals of wet parchment coffee in 9 days, in a more sanitary manner than it is usually possible, given that these driers do not allow contact between the coffee and animals, soil and dust, etc. The usual drying process in the "drying patios" takes 12-14 days, depending on the humidity levels. Total drying time was reduced by up to four days; the coffee is also cleaner, because it does not come into contact with external agents.</p> <p>At the level of each farm, various new technologies were introduced at the request of the farmers (organic fertilization to reduce</p>

	<p>costs, traps to catch coffee berry borers and natural entomophagatogens (<i>Beauveria Bassiana</i>) to control the coffee berry borer, etc.).</p> <p>The incidence of coffee berry borer fell from 14 percent to 2 percent - a level at which the pest no longer constitutes an economic damage to the crop. This was achieved solely by the application of Integrated Pest Management practices, without any need to apply agrochemicals.</p> <p>In terms of the improvement of small processing units, by 2009-2010 48 coffee-growers were supported; they were also trained in the handling and maintenance of the processing machinery (pulping machines, etc.). Initially, community promoters were trained; at the end, one of them participated directly in the repair and replacement of 48 damaged pulping machine parts at the different cooperatives, including the machinery at COOPALMA's central processing facility.</p> <p>With the implementation of sustainable coffee production practices, coffee growers now establish, handle and process the coffee crop appropriately, using technologies that are economically profitable, socially acceptable and environmentally-friendly.</p>
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Reasons for deviations / Comments on consequences:

Appraisal	(A) Target surpassed (B) Target fulfilled (C) Target partly fulfilled (D) Target not fulfilled (E) Target not possible	B
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Indicators

1	Farmer field schools curriculum and structures have been set-up	<p>A training of trainer programme was conducted in cooperation with PROCAFE. An agricultural outreach team of community promoters with a clear practical approach (farmer-to-farmer) on the demonstration farms has been established.</p> <p>A guide has been designed to orient the training that the community promoters or provide to each one of the members of each cooperative, highlighting the manner in which to address the topic, key points for training, recommendations and participation of the entire group in the search for the best practices (see Annex 5).</p> <p>A guide about successful practices implemented during project implementation was prepared. Positive experiences and practiced are documented by the majority of the coffee growers in the area are compiled.</p>
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Reasons for deviations / Comments on consequences:
n.a.

Appraisal	(A) Target surpassed (B) Target fulfilled	B
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	(C) Target partly fulfilled (D) Target not fulfilled (E) Target not possible	
2	At least 10 farm promoters have been identified and trained (Training of Trainers)	<p>30 coffee growers specialized through theoretical-practical training in the sustainable handling of the coffee crop, in coordination with PROCAFE. 10 of them were chosen by their coffee grower organizations to be community promoters, due to their leadership qualities and their exemplary management of their farms.</p> <p>The community promoters played a very important role in the successful execution of the project, given that they were the ones who, through monthly planning in coordination with the project's technical team, developed and transmitted the knowledge being acquired to the rest of the coffee growers, taking advantage of tools such as demonstration plots.</p> <p>Each training session was monitored by the technical team and community promoters to see each coffee grower's progress in the development of the farm management plan.</p> <p>The promoters have acquired sufficient knowledge to be able to provide assistance to their neighbours and the other members of the organization also in the future.</p>
Reasons for deviations / Comments on consequences:		
Appraisal	(A) Target surpassed (B) Target fulfilled (C) Target partly fulfilled (D) Target not fulfilled (E) Target not possible	A
3	At least 2 demonstration plots have been implemented	<p>In the course of the project, the demonstration plots were established in the farms of the community promoters in order to serve as centres for studying, validating and transferring technologies to the rest of the coffee growers. The demonstration plots are used by the community promoters as tools to carry out training and demonstrations of methods and adequate practices. Priority was given to new technologies and practices promoted to tackle the most common management problems.</p> <p>Each community promoter takes care of two demonstration plots in which he and the rest of their group carry out training sessions, making a total of 21 plots where practices of soil conservation, the waste water treatment, reuse of the pulp, integrated pest management and the use of organic farming practices were established.</p> <p>The records of the production costs and amount and quality of production is obtained by producers allowing them to share, compare and analyse results in order to be able to decide</p>

		whether to adopt techniques based on the results of the joint analysis.
Reasons for deviations / Comments on consequences:		
Appraisal	(A) Target surpassed (B) Target fulfilled (C) Target partly fulfilled (D) Target not fulfilled (E) Target not possible	B
4	At least 20 one-day training seminars have been carried out in which all the projects participants have participated at least one time.	The training of the community has been carried out on an ongoing basis by the project and PROCAFE, as well as by the promoters in monthly workshops. A total of 1.600 training contacts was reached between by the technical team and farmers directly, replicating trainings sessions on a monthly basis led by the promoters in agronomical management and coffee quality, a total of 1,500 training contacts were reached.
Reasons for deviations / Comments on consequences: n.a.		
Appraisal	(A) Target surpassed (B) Target fulfilled (C) Target partly fulfilled (D) Target not fulfilled (E) Target not possible	B

Result 3	Planned Target	Actual Target
	Sustainable structures are established. Farmers work together in producers' association. Comisión Trifinio is involved in communicating the project results to other farmers in the Trifinio region.	7 producers' organizations have been established and obtained legal status. They have been trained intensively and are currently formulating projects, keeping all needed administrative records, selling coffee in bulk, and purchasing inputs in bulk. At the same time, work has been promoted with a gender perspective through the formation of women's committees. Women are actively involved in coffee roasting and the production of handy crafts. Cooperation agreements have been signed between the project, Trifinio and organizations like PROCAFE, TECHNOSERVE and a series of projects in the Trifinio region. The Trifinio Commission, through a quarterly information bulletin , publishes the most important activities carried out by the commission's different projects. As well, a quarterly meeting is held with all the projects in order to present their advances and results.
Reasons for deviations / Comments on consequences: n.a.		
Appraisal	(A) Target surpassed (B) Target fulfilled (C) Target partly fulfilled	B

(D) Target not fulfilled
(E) Target not possible

Indicators

1	Cooperation agreements have been signed by ICP and the participants of the project.	The cooperation agreement between EDE Consulting and Trifinio constitutes the basis for other cooperation agreement in the Trifinio region. Cooperation agreements with PROCAFE, TECHNOSERVE, and a number of projects with PREVDA, PAES, and Mancomunidad of the Cayaguanca municipalities executed in the Trifinio network were signed.
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Reasons for deviations / Comments on consequences:
n.a.

Appraisal

(A) Target surpassed
(B) Target fulfilled
(C) Target partly fulfilled
(D) Target not fulfilled
(E) Target not possible

B

2	At least 200 (80%) participants market their products in producers' associations.	5 of 7 organizations sell their coffee in bulk, with the involvement of 50 percent of the coffee growers. At the end of the project, the organizations entered into contracts for future sales and also sold coffee based on the local prices for this cash crop. Farmer organizations have marketing committees, which are in charge of establishing contacts with the exporters, as well as for determining the prices and the conditions for selling green coffee.
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Reasons for deviations / Comments on consequences:

ACOPAMON Cooperative did not sell coffee in bulk because coffee is sold as cherry. The project has managed to establish a small pulping facility with the Municipality of Metapán so that in the future, this organization will also be able to sell parchment coffee. The municipality provided the infrastructure and land; the project provided the machinery and technical assistance.

Appraisal

(A) Target surpassed
(B) Target fulfilled
(C) Target partly fulfilled
(D) Target not fulfilled
(E) Target not possible

C

3	Quality control systems have been implemented at the processing stations.	The only wet processing facility that existed at the beginning of the project was the one owned by the La Palma Cooperative. The pulping machine was fixed and measures to supervise the flow of coffee from reception to storage were implemented, thus safeguarding the quality. A quality lab has been implemented in coordination with TECHNOSERVE, providing services for coffee quality checks for all coffee farmers in the region.
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Reasons for deviations / Comments on consequences:

Appraisal

(A) Target surpassed
(B) Target fulfilled
(C) Target partly fulfilled

B

	(D) Target not fulfilled (E) Target not possible	
4	Comisión Trifinio has organized at least 3 workshops in Honduras and Guatemala, each, where project results are presented to cooperatives and/or individual farmers	Trifinio has organized workshops in Honduras and Guatemala to promote the coffee initiative. In November 2008 and in March 2010 , meetings with the three Vice-Presidents of Honduras, Guatemala and El Salvador to present the coffee initiatives as a crucial element in the Trifinio strategy especially because of the private sector involvement.
Reasons for deviations / Comments on consequences: n.a.		
Appraisal	(A) Target surpassed (B) Target fulfilled (C) Target partly fulfilled (D) Target not fulfilled (E) Target not possible	B

Result 4	Planned Target	Actual Target
	Environmental performance has improved. Farmers are aware of environmental issues of coffee farming. The generation of waste water from pulp washing has been controlled and reduced.	Water remains the main subject of the work of Trifinio. Processing and washing of coffee consumes a lot of water as well generates waste water. All medium sized processing lines in the project area are equipped with a water recycling system, reducing both water usage as well as waste water generation. All processing installations have facilities to store and treat waste water. The small coffee growers have oxidation pits where the waste water is deposited for the process of oxidation and sedimentation of the waters. By using these pits, the waters are not deposited in the aquifers and therefore the latter do not become contaminated.
Reasons for deviations / Comments on consequences: n.a.		
Appraisal	(A) Target surpassed (B) Target fulfilled (C) Target partly fulfilled (D) Target not fulfilled (E) Target not possible	B

Indicators		
1	A guideline for best environmental practices has been developed and distributed to the project's participants.	A guideline for best environmental practices has been created , in order to orient the community promoters and coffee growers to handle the natural resources (water, soil, flora and fauna) efficiently and sustainably Annex 6) Additional activities were carried out in coordination with the PREVDA project in which two campaigns to clean up the farms and the community were carried out. Collection bins for the containers of agrochemicals were placed on each farm. The containers were later treated in an incinerator under conditions meeting the country's legal

		requirements with the support of each municipal government and the APA (Association of Agricultural Providers).
Reasons for deviations / Comments on consequences: n.a.		
Appraisal	(A) Target surpassed (B) Target fulfilled (C) Target partly fulfilled (D) Target not fulfilled (E) Target not possible	A
2	At least 3 environmentally friendly pilot washing stations have been established.	Four new environmental friendly processing facilities (pilot facilities) with water treatment and recycling were installed. Two pulping machines have been renovated/overhauled and in five waste treatment installations setup. It is important to mention that more than 50% of the investment was made by the farmers themselves.
Reasons for deviations / Comments on consequences:		
Appraisal	(A) Target surpassed (B) Target fulfilled (C) Target partly fulfilled (D) Target not fulfilled (E) Target not possible	A
3	The amount of waste water discharged into rivers has been reduced by an average of at least 30%.	All waste water produced within the project region is captured in treatment basins, treated and applied as organic foliar to plantations or used as input for bokashi (organic fertilizer). All the cooperatives are working on the transformation of the pulp and waste water into organic products to be used as a complement to chemical fertilization. In 2010, 30% of the coffee growers were using the waste and waste water to make the above-mentioned products , thus reducing significantly the impact on the water resource by preventing these waste waters from being deposited in streams, headwaters or rivers.
Reasons for deviations / Comments on consequences: The exact figure is difficult to measure, however, the impact can be deemed significant.		
Appraisal	(A) Target surpassed (B) Target fulfilled (C) Target partly fulfilled (D) Target not fulfilled (E) Target not possible	B

4 Appraisal of project targets achieved

The objectives of the Sustainable Coffee Project were achieved, and the manner in which the project was carried out was well accepted by farmers.

Key advances are:

- a. The legal establishment of seven producers' groups in the project region, which allowed for bulk sales and improved access to financing. Currently, IBERO EL SALVADOR and the

producers' groups are in the process of agreeing on the terms of sales for the coffee for the crop 2010/11.

- b. The active participation of the coffee growers.
- c. The strategic alliance with Plan Trifinio.
- d. The generation of human capital through the training of community promoters.
- e. The adoption by the coffee growers of key techniques—such as the integrated management of the coffee berry borer, desuckering, rejuvenation, pruning, and adequate nutrition of the crop—learned through the project.

Various US and European import companies visited the project region and showed interest in the high quality of the coffee. A program of intensive training—“shaping those who shape others”—has been carried out under the guidance of PROCAFE (Salvadorean Foundation for coffee research.)

Cooperation with the Trifinio Commission is excellent, and many multiplier effects have already been achieved due to being integrated into these structures. The project activities generate a lot of political attention for being a PPP project. The project activities also generate interest on the part of other private companies in participating in the promotion of sustainable coffee production in Trifinio.

5 Prospects

As a result of the good results, ICP decided to enter into a new 5 year program, widening activities to Honduras and Guatemala. Another new and important partner in the Trifinio initiative for coffee will be KfW:

<http://www.sica.int/busqueda/Noticias.aspx?IDItem=43189&IDCat=3&IdEnt=140&Idm=1&IdmStyle=1>)

Within this initiative, the conservation of natural resources and especially forest are in the centre of activities, where the experience of the ICP/DEG project will play an important role. Many other initiatives such as the system of farm promoters and Farmer Field Schools will be taken over now by other projects, such as initiatives also for other crops by CATIE.

The inclusion of new groups and new coffee growers in the organizational process will be further pushed. As a long term objective, a tri-national coffee organization is envisaged to be hosted at the Trifinio Commission.

A key issue that must be dealt with will be the financing for the further improvement of the farms as well as for providing working capital to farmer organizations. Remaining funds of the project will be used to establish a revolving fund in the region. Managers of the fund will be a commission of Trifinio Commission, farmers and the project staff of ICP. The seed money provided to the fund will be important to attract also other potential donors and partners to engage into the process.

5 Enclosures

1. Annex
2. photos to be found under <http://picasaweb.google.com/coffeeprojects/ICPDEGEISalvador>