

External Impact Assessment VECO Andino v1.2

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Report by NewForesight Consultancy

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Disclaimer: this publication represents the views of the authors in their independent capacity as project impact assessors. In coming to our assessment of the pilot interventions, impact on various levels, structural change agenda and lessons learned, the authors have based themselves on all information which was available at the time of writing.

In assessing impacts, and the degree to which these can be attributed to VECO's activities, we have relied on both quantitative as well as qualitative information obtained through sources such as stakeholder interviews, farmer organization representatives, community leaders, partner organizations, and policy level actors. Insights on the farmer-level situation have been derived from the farmer survey conducted by VECO in 2016. Where data is uncertain, or where lack of data has made it necessary to rely on proxy indicators to draw conclusions, we have highlighted this. Insights and conclusions have been cross-referenced with VECO Andino.

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1. Executive summary

Based on the findings in this report, we have created an overview of the topics analyzed and evaluated. The outcome of the evaluation is shown below, to give a high-level impression. We use the same color code along the report to present the main findings per section.

| | | | | |
|---------|--------------------------|-------------------|-------------------------------------|-----|
| Legend: | Successfully implemented | Under development | Action is needed to achieve success | N/A |
|---------|--------------------------|-------------------|-------------------------------------|-----|

Ecuador: SCA Coffee and Imbabura Pilot

| | | | |
|---------------------------------|---|--|--------------------------|
| Pilot Intervention | Effectiveness | P1: Facilitation of value chain analysis | Under development |
| | | P2: Organization of trainings with FOs | Successfully implemented |
| | | P3: Facilitation of connection with service providers | N/A |
| | | P4: Organization of stakeholder meetings | N/A |
| | | P5: Facilitation of inter-action between chain actors and policy level | Under development |
| | Relevance of activities (farmer-level) | | Successfully implemented |
| Structural Change Agenda | SCA1: Organizational capacity-building for greater market competitiveness, and providing efficiency and sustainability benefit to producers | | Under development |
| | SCA2: Increased resilience to climate change through adaptation and mitigation measures in coffee organizations and the private sector | | Successfully implemented |

Peru: SCA Coffee and Junin Pilot

| | | | |
|---------------------------------|---|--|-------------------------------------|
| Pilot Intervention | Effectiveness | P1: Facilitation of value chain analysis | Successfully implemented |
| | | P2: Organization of trainings with FOs | Successfully implemented |
| | | P3: Facilitation of connection with service providers | Successfully implemented |
| | | P4: Organization of stakeholder meetings | N/A |
| | | P5: Facilitation of inter-action between chain actors and policy level | Successfully implemented |
| | Relevance of activities (farmer-level) | | Successfully implemented |
| Structural Change Agenda | SCA1: Organizational capacity-building for greater market competitiveness, and providing efficiency and sustainability benefit to producers | | Under development |
| | SCA2: Increased resilience to climate change through adaptation and mitigation measures in coffee organizations and the private sector | | Action is needed to achieve success |

a. DGD indicators

i. Ecuador:

| Indicator | Target | 2016 actual |
|--|---|--|
| 1. Number of market chains (pilot chains) in which family farmers (m/f) foresee in their livelihood in a more sustainable way (SSD – IMM) | Increasing income | Baseline USD 1,400, profit margin of 46%. Not achieved (Avg income increased to USD 3,000, but profits fell, due to climate change, pests, disease, in particular Roya/coffee rust) |
| | Strengthen position in the chain | - Partially Achieved |
| | Increased resilience | Baseline dependency on farm income: 85% Partially Achieved (High (98.5%) dependence on coffee remains; reforestation program increases resilience) |
| | More sustainable use of natural resources | - Partially Achieved (Good progress on sustainability; some issues remain) |
| | Improved food security | - Achieved (However only indirectly linked to VECO intervention) |
| 2. The market share of smallholder farmers (m/f) in the local markets has been increased by X% (SSD) | Market share of exported coffee | Baseline 7% Target 15% Not achieved (Final progress: 6%. Limited by low institutionalization of the sector and the 2016 earthquake in the coastal region of Ecuador)* |
| 3. Number of companies that shows through its purchase practice and / or practice that it is more inclusive for family farmers (m/f) (IMM) | # of companies with an inclusive purchase practice / policy | N/A N/A |
| 4. Share (in %) of family farmers (m/f) that is organized in economical farmers' organizations to collectively market their (SSD – IMM) | Small-scale farmers who sell their products together through the economical farmers' organization (as fraction of the total number of small-scale farmers in these districts) | Baseline 10% Target 15% Partially Achieved (Some evidence of increased bundled sales) |
| 5. Number of new and improved institutional environmental factors that stimulate the inclusion of family farmers (m/f) (SSD – IMM) at the level of: 1/ government: by laws and policy texts 2/ service providers: public and private service provision (BDS) | New, adapted or improved policies, laws or regulations | 2 at national level, supporting SSD/IMM Partially achieved (1 at national level (Advisory Council of Coffee). This allows VECO and POs to influence policies and regulations)* |
| | New, adapted or improved services provided by the government and private players | 2 new public/private service providers Achieved (Bank of Loja provides specific credit line to farmers, VECO supported in validating coffee production costs; Conquito provides capacity-building services to farmers, and VECO technically supported this process)* |

* Based on input from VECO

ii. Peru:

| | Indicator | Target | 2016 actual |
|--|---|---|--|
| 1. Number of market chains (pilot chains) in which family farmers (m/f) foresee in their livelihood in a more sustainable way (SSD – IMM) | Increasing income | Baseline: annual income: varied, between USD 1,550 – USD 10,900 | Not achieved (income – avg. \$5,500 – and profits for most farmers fallen due to lower prices and disease. In particular Roya/coffee rust) |
| | Strengthen position in the chain | - | Achieved (strengthened FOs) |
| | Increased resilience | - | Partially achieved (FOs have invested in cultivation of cocoa besides coffee) |
| | More sustainable use of natural resources | Baseline: 43%-46% of production is organic | Achieved (sustainable farming norm for FOs) |
| | Improved food security | - | No change observed |
| 2. The market share of smallholder farmers (m/f) in the local markets has been increased by X% (SSD) | Market share of exported coffee | Baseline 24% Target 35% | Partially achieved (29%. Mainly due to the national program for coffee renewal and facilities implemented by some financial actors. JNC influenced to create a financial product adapted to coffee production cycle)* |
| 3. Number of companies that shows through its purchase practice and / or practice that it is more inclusive for family farmers (m/f) (IMM) | # of companies with an inclusive purchase practice / policy | N/A | N/A |
| 4. Share (in %) of family farmers (m/f) that is organized in economical farmers' organizations to collectively market their produce (SSD – IMM) | Small-scale farmers who sell their products together through the economical farmers' organization (as fraction of the total number of small-scale farmers in these districts) | Baseline 35% Target 45% | Not achieved (Mainly due to coffee rust, low prices in international markets, and a loss of trust of some organic buyers that discouraged collective sales)* |
| 5. Number of new and improved institutional environmental factors that stimulate the inclusion of family farmers (m/f) (SSD – IMM) at the level of: 1/ government: by laws and policy texts 2/ service providers: public and private service provision (BDS) | New, adapted or improved policies, laws or regulations | 2 at national level, supporting SSD/IMM | Partially achieved (1. Development of the Coffee Sector Strategy 2016-2018 in Peru. VECO influenced in this strategy, through its partner, JNC, that developed the "Coffee Agenda", with support of VECO)* |
| | New, adapted or improved services provided by the government and private players | 2 new public/private service providers | Partially achieved (1. JNC, partner of VECO, is promoting an integral management system for cooperatives called "SIC-CAFÉ", with the collaboration of VECO and the SWISS Cooperation in Peru)* |

* Based on input from VECO

b. Summary of conclusions

i. Ecuador:

Pilot intervention:

VECO has most notably supported farmer organization AACRI with increased management skills. The new business plan for the production unit (nursery and fertilizer) and coffee unit (processing) have been well received and can be attributable to VECO's support. Quality has increased in the past three years, likely partially contributable to the improved pre- and post-harvesting techniques introduced with the business plans and VECO subsidies on biological inputs and equipment, and partially contributable to the new members (who are larger and more professional than older members).

VECO primarily supported the FO by connecting them with service provider, however this had a limited impact, as AACRI's own production of bio-fertilizer, bio-pesticides and nursery mean there was a limited pre-existing need for such support. However, the FO has experienced many difficulties in connecting with financial service providers, which has led to a decrease in collective sales (as the FO could not pay for the coffee beans directly due to low working capital). VECO attentively and adequately responded by performing a financial audit of the FO, but this has not yet led to structural financing—a fact that is partly because of the scarcity of available financial resources from the central government as a result of a fiscal crisis (precipitated by the fall in oil prices) which have reduced investments through its public banking system beginning in 2015, and deepening in 2016. In addition the earthquake in Manabí province shook up financial priorities for the government. Given the importance of finance for the FO, VECO could focus on this in the future (especially by using its international and national network to identify financial sources in the private banking).

In relation with climate change mitigation, VECO's main contribution was to fund a regional study on the implementation of measures to adapt and mitigate climate change. However the effect of this was limited, because of the slow speed of translating the insights into practical strategies. At any rate, however, AACRI already sees a high adoption of sustainable practices, ensuring it already has a good starting situation. Another important contribution was the reforestation plan that was actually implemented within farms. As part of this, VECO has identified the use of 3 agroforestry systems: one to increase soil fertility, another to increase farmer's incomes and a third to protect water sources. As part of this reforestation plan, a total of 6,560 forest and fruit trees have been planted.

With regards to youth and women empowerment, VECO has been limitedly successful due to a low adoption. A new organizational model was developed, attributable to VECO. However, this model was hardly adopted – possibly because of high cultural barriers to women's participation, and a lack of financial and human resources to implement it. It is recommended that VECO follows up on the adoption of new practices by supporting AACRI on this topic in the future.

Although improving inclusive business relations was not a primary focus of the pilot intervention, some efforts were made to diversify the amount of clients, away from a few international clients, towards more local clients (in accordance with the business plan). However, this was not successful due to the limited resources available for this. Moreover, the FO generally experienced more issues with obtaining sufficient supply (which decreased due to a lack of working capital), than with obtaining sufficient demand.

Triangulation with farmers on the relevance of VECO's activities gave mixed results. Only some farmers attribute the increased production to VECO's activities, while others attribute it to good weather or luck. It was found that related to the reforestation efforts, which have a strong sustainability impact, VECO (with another partner, BOS Plus) conducted a study to identify the different agro-forestry systems, and also provided related trainings to 25 farmers.

Farmers confirm the lack of improvements on gender and youth empowerment, but do mention improved environmental sustainability practices—although these are rarely, if at all, directly linked to VECO's activities.

Going forward, VECO should seek to provide support to AACRI in those areas where there is most demand. This will likely begin by connecting AACRI to financial partners to ensure it can improve its working capital, rather than expanding its national client base. Although the FO has requested co-funding for the further implementation of the business plan, VECO should critically reflect on the responsibility and self-sustainability of the FO. This means that members could increase their contribution to the organization in order to facilitate services, including working capital.

Key successes include:

- VECO supported strengthened business capacity in FOs and quality improvements through skills development, developing new business plans, and subsidizing inputs and equipment.
- Enhanced high adoption of sustainable practices with a successful reforestation plan
- Successfully facilitated relations between different chain actors
- Helped in construction of public fair trade policies and opening of new market niches for FOs
- Introduced project to encourage youth participation and integration in the APECAP pilot

Opportunities for improvement include:

- Effect of VECO-funded regional study on climate change adaption/mitigation has been limited due to slow speed of translating insights into practical strategies
- New organizational model developed with regards to youth and women empowerment hardly adopted due to cultural gender barriers, and lack of financial and human resources.
- Although efforts made to diversify FO's client base, unsuccessful due to the limited resources, and issue with obtaining sufficient supply.
- VECO still faces challenge of strengthening relations between cooperatives and new financial service providers
- Scaling/carry-over of successful approaches was not effective amongst other organizations

Link between pilot and SCA:

For SCA1: 'Business Innovation of organizational models in the coffee sector', the support of VECO for trainings in organic agriculture, tasting workshops, and baristas, amongst others, has been effective in generating increased confidence amongst producers to engage in collective sales through APECAP. However there is no evidence that the increase in membership amongst coffee sector is due to the replication of the VECO pilot intervention.

For SCA1: 'Plans for the insertion of young people (men and women)', AACRI did not from the outset include the importance of the participation of women and young people in their management model. As a result, no training has been carried out to strengthen their participation by either VECO or AACRI, and this remains a major need.

VECO still faces the challenge of replicating the successful APECAP experience in other organizations such as AACRI.

For SCA1: *'contextual factors that encourage the inclusion of small producers'*, VECO effectively helped connect the services provided by MAGAP, such as pruning and the rehabilitation of orchards; and the provision of fertilizers, kits, seeds, and plants, to the FOs. In terms of financial services, AACRI has requested greater access to credit for cooperatives. VECO still has faces the challenge of strengthening relations between cooperatives and new financial service providers. On the other hand, VECO has contributed in the construction of public policies emphasizing fair trade, which means that organizations such as AACRI have seen new market niches open.

For SCA1: *'public sector proposals to improve economic and social sustainability'*, VECO has developed a coordinating role amongst multiple stakeholders, through organizing meetings with institutions such as MAGAP, MCE, PROECUADOR and others. VECO has also effectively promoted spaces for dialogue with various public and private actors, such as the Coffee Advisory Council (CCC), the Loja coffee table, and the Rural Dialogue Group, which have also included producer organizations such as AACRI.

For SCA2: *'coffee farmers and companies adopt measures for adaptation and / or mitigation to Climate Change'*, VECO has held workshops with ECOPAR for the development of climate change research. The VECO-supported study is highly relevant for the analysis of the coffee value chain. Work has already been undertaken on four AACRI-linked farms, which are in the process of training for the implementation of identified measures to mitigate the effects of climate change. However, the goal of including 5 additional farms in these training has not been met.

For SCA2: *'annual budget of the public sector in agriculture and environment'*, VECO still faces the challenge of strengthening connections between value chain actors and stakeholders at the political level to influence budget allocations in agriculture and environment.

SCA:

The VECO intervention has promoted a number of advances which are evidenced by the improvement of the business capacities of 2 organizations, specifically in terms of enterprise management, and best practice at the harvest and post-harvest level, which help improve the quality of the produce. VECO has also successfully facilitated relations between different chain actors, as well as a project to encourage youth participation and integration in the APECAP pilot. Nevertheless, the scaling or carry-over of these successful approaches was not effective amongst other organizations, likely due to the low institutional strength of coffee sector, which does not converge around a clear, shared vision. All of this had limited impact on the structural change agenda according to its predefined indicators of success.

VECO has played a significant role in establishing the suitable conditions for the development of joint initiatives between private sector and effective public policies, in order to provide benefits to small producers. However, relations with the different actors of the chain have yet to be improved further, in order to improve farmers' living conditions.

Regarding SCA2 for the implementation of mitigation measures to climate change, FOs have developed awareness of the importance of climate change, and VECO has helped to promote their participation in multi-stakeholder spaces in the coffee chain to discuss the issue surrounding it. Currently VECO supports

implementation of measures for the mitigation of climate change in AACRI. However, there is little evidence of progress, so it is advisable to follow up on this SCA.

ii. Peru:

Pilot intervention:

There is a clear difference in effectiveness of VECO's interventions between the two FOs (Satipo and Pangoa). While the interventions at Pangoa have had a positive effect, impact has been limited with Satipo. This lack of impact can be attributed to the organizational disfunctioning of the Satipo farmer organization, which led to a lack of trust from the farmers and partners, limited capacity to coordinate the different interventions (also from other actors), and hence limited capability to utilize the tools, trainings and guidance provided by VECO.

On the other hand, Pangoa, which had a stable organization with trusting members, was able to benefit from the support offered by VECO. A lesson learned for VECO is to in the future work more with stable farmer organizations, or to first provide the necessary organizational capacity building, before offering extended support. In addition, limited resources for pilot interventions could be better invested in only one pilot for each type of organization. Since Pangoa and Satipo are very similar organizations, focusing on only one of them could allow more focus and depth of the intervention, and thus more contribution on SCA objectives.

Looking at the specific interventions, clear improvements are visible with regards to quality and youth empowerment for FO Pangoa. The improvements in quality are attributable to VECO, which successfully supported the FO through the introduction of the integral information systems (improving communication within the FO), trainings in quality control (such as mobile cupping), and trainings in better pre-harvest and post-harvest practices. As support strategies have been well documented, methodologies and manuals can also be shared among other farmer organizations. The improvements to youth empowerment can also be attributable to VECO, who specifically tailored the mobile cupping trainings to young farmers, and hosted a leadership school (which was well received and led to the establishment of youth committees).

With regards to gender equality and sustainable production practices, improvements have been made, but this can only partially be contributed to VECO's activities. Farmer's report the usefulness of VECO's trainings, but also highlight the importance of other organizations, and especially the already existing need to comply with certification standards.

Relevance of VECO's activities was confirmed in the triangulation. Although income decreased and vulnerability increased, this was attributable to external factors (coffee rust and lower prices), and farmers praised the impact of VECO on farm management and quality capabilities.

Limited improvements were made with regards to more inclusive business relationships – but this was also out of the chain intervention focus.

Key successes include:

- For Pangoa FO, improvements in organizational management.
- Most notably, introduction of the integral information systems, trainings in quality control, and trainings in GAPs have improved quality and youth empowerment.
- Farmers reported usefulness of VECO's trainings and VECO contributed towards improvements in gender equality and sustainable production practices.

Opportunities for improvement include:

- Limited impact with regards to Satipo FO attributed to organizational dysfunction, lack of trust, and lack of coordination of interventions – resulting in limited capability to VECO interventions

Link between pilot and SCA:

VECO presented the successful pilots on the integral information system, the quality manual, and mobile cupping methodology to coffee union JNC. There has been a clear link between pilot and SCA as such, as VECO tried to achieve structural change by scaling these successful initiatives.

However, for other activities, such as the support of JNC to tackle coffee rust or the mitigation of climate change, the link with the pilots is less clear. It is however encouraging that VECO is funding a new pilot on agroforestry in 2016 in parallel with a feasibility study, progressing simultaneously on pilot and SCA level.

SCA:

VECO tried to scale the learnings of its pilots on improved business organizations through a partnership with the national coffee union, “La Junta Nacional de Café” (JNC). This has been partially achieved. Most successful has been the scaling-up of the adoption of the integral information system, which leads to better decision making in production and sales. By partially funding a consultant, VECO and JNC have managed to reach 10 more FOs – although full adoption of the system is difficult because of FO capacities (and lack of trained staff). Moreover, VECO has made initial progress on institutionalizing the pilot learnings on quality, by advancing the quality manual to the national level (National Quality Institute), and sharing the methodologies for mobile cupping with JNC. Although there are no effective structural change results to date, VECO expects dissemination the manual and methodologies in the coming years. With regards to youth integration, VECO has managed to give it more prominence in JNC’s strategic planning, but it has proven difficult to translate this in actionable ways to influence legislation.

Outside of the initial planning, VECO also supported JNC with proposal writing and logistics in the dialogue with the local and central government on how to improve the coffee sector. Due to the coffee rust issues, focus has been primarily on battling the coffee rust, rather than advancing VECO’s agenda.

With regards to mitigating climate change, VECO has been unable to create structural change. This is mainly because only very few activities were undertaken in the first two years of the program. Initial steps have been made in 2016, with the introduction of a pilot on multi strata agriculture (agroforestry), and the funding of a related feasibility study.

iii. Key lessons learned

Some specific lessons learned include:

1. Have a more participatory design of interventions with strategic partners to identify specific requirements earlier. In that way VECO Andino will be able to establish more accurate indicators to shape monitoring, accountability and learning processes.
2. VECO Andino at the offset of this phase did not yet have a clear idea of how the interventions at pilot level, fed into the SCA level, in part because the programs were designed starting from the pilots. The

main lesson here is that the design of the intervention should begin from SCA Level, identifying there which are the SCA-level objectives and then design pilots to test and later scale up these learnings.

3. Better formulation of indicators, in particular at the SCA level, where indicators were sometimes difficult to measure, beyond the sphere of influence of VECO, or did not capture the main objective of the SCA.
4. Going forward VECO Andino should consider collaborating with more actors than just JNC in order to influence policy from different directions. By working only with JNC, VECO has little power to influence when agendas are not aligned. (Initial steps were made in 2016)
5. Both the pilot and SCA results illustrate the importance of capacity building within FOs, as a professional FO (with educated personnel), is a requirement for transfer of knowledge. Specific attention could be paid to the migration (once educated) of youth to more lucrative private-sector and government positions.
6. Lastly, it seems VECO has limited resources to spend on its SCA activities, and it should therefore consider applying more focus to the ambitions of the SCA, so it can create more scale or institutional influence on one topic, rather than some results on many topics

Innovations:

- VECO (with another partner, BOS Plus) conducted a study to identify the different agro-forestry systems, and also provided related trainings to 25 farmers.
- Specifically-tailored mobile cupping trainings to young farmers, and hosting of a leadership school, has led to the establishment of youth committees.
- There has been widespread adoption of measures amongst FOs related to climate change mitigation and/or adaption; namely, practices associated with sustainable development, improved agricultural systems and crop diversification. Supported by VECO, FOs have created impact on the public sector, with different sectors of government and private initiatives crafting guidelines and related policies in these areas.



2. Introduction

This report by NewForesight is the external impact assessment of the VECO coffee program in the Andes Region, DGD-funded, 2014-2016, and was commissioned by Vredeseilanden/VECO (hereafter named VECO). NewForesight performed this independent impact assessment from September 2016 to November 2016, looking at the coffee strategies and pilots in Ecuador and Peru in order to assess the regional change strategy to develop and ensure the resilience of the coffee-subsector in the Andes Region. During this period NewForesight performed similar assessments for East Africa (rice), West Africa (rice), DR Congo (rice), Indonesia (cocoa), and Central America (cocoa) – for which separate reports are available.

The report is structured as follows: chapter 3 explains the evaluation method, chapter 4 assesses the effectiveness and relevance of the Imbabura pilot (Ecuador), chapter 5 assesses the Structural Change Agenda for Ecuador, chapter 6 assesses the effectiveness and relevance of the Junin pilot (Peru), and chapter 7 assesses the Structural Change Agenda for Peru.



3. Evaluation method

VECO aims to unlock smallholder potential by creating change across the value chain with a critical mass. Their strategy is to pilot promising interventions across the chain on a small scale (reported in the Chain Intervention Reports - CIR), and identify which lessons learned are to be utilized to influence the institutional environment, in order to create lasting structural change (reported in the Structural Change Agenda Report). We therefore first evaluate the effectiveness and the relevance of the pilot interventions, and then follow this with an evaluation of the structural change agenda, including its link with the pilot interventions.

VECO works with the Theory of Change model (both for pilot interventions and structural change agendas), referred to here as Pathways of Change (PoC), given that there are multiple pathways to achieve the desired impact. We have taken the Pathways of Change as starting point of our analysis – evaluating each pathway separately, before drawing conclusions on the total impact.

VECO focuses its pilot interventions on supporting Farmer Organizations (FOs). For our evaluation we look at the (direct) outcomes at the FO-level, in order to assess the effectiveness of VECO's interventions; followed by the (indirect) impact at the farmer-level, in order to assess the relevance of VECO's interventions.

In order to report a balanced perspective on the obtained impact, we make use of mixed methods evaluation, looking at both quantitative as well as qualitative data. As the data was primarily provided by VECO, we have triangulated the findings with key informant interviews (with FO and community leaders and policy-level partners), and focus groups discussions (with farmers) obtained through field visits in October and November 2016.

For the **pilot interventions** we used the following approach:

1. We requested VECO to define the Pathways of Change (PoCs) for those interventions where it was not yet defined.
2. We extracted the FOs' business capacity indicators from VECO's Chain Intervention Reports, and wrote initial hypotheses on the effectiveness of the interventions.
3. We requested VECO to comment on the initial hypotheses, providing insights and pointing us towards additional explanatory data sources.

4. We extracted quantitative (result indicators) and qualitative observations from the Chain Intervention Reports (CIRs), summarizing the observed evidence.
5. We reformulated the hypotheses and made a list of questions for the key informant interviews and focus group discussions in order to triangulate our findings.
6. We visited the pilot interventions and held key informant interviews and focus group discussions.
7. We evaluated all evidence and wrote main conclusions on the effectiveness of each pathway of the pilot intervention.
8. We analyzed farmer survey data (obtained by VECO with capacity building support by NewForesight), in order to assess the relevance of VECO's interventions.
9. We identify comparable data from the VECO 2013 baseline reports, where possible.
10. We evaluated all evidence (including FGD outcomes) and wrote main conclusions on the relevance of VECO's interventions.
11. We reviewed the findings on effectiveness and relevance, concluding the impact assessment of the pilot.

For the **Structural Chain Agendas (SCAs)** we used the following approach:

1. We requested VECO to define the Pathways of Change (PoCs), for those SCAs where it was not yet defined.
2. We reviewed the relevant progress indicators in the Structural Change Agenda Reports (SCARs), defining initial hypothesis on the effectiveness of the SCA.
3. We extracted the relevant qualitative information from the SCAR.
4. We extracted the relevant qualitative information from the Chain Intervention Reports (CIRs).
5. We reformulated our hypotheses on the effectiveness of the SCA and made a list of questions for key informant interviews.
6. We interviewed key informants from partner organizations.
7. We evaluated all evidence and wrote main conclusions on the effectiveness of the SCA activities
8. We evaluated the link between the pilot interventions and the SCA, assessing VECO's ability to create structural change.
9. We reviewed the findings on the effectiveness of the SCA, and the link between the pilots and the SCA, and concluded the impact assessment of the SCA.

VECO Andino was sent a full draft of this document and had an opportunity to provide comments and feedback.

A note on causality

Throughout the assessment NewForesight has continuously tried to identify to which extent the outcomes can be contributed or attributed to VECO's activities. In some cases this was clear, as for example a partnership was set-up after introduction by VECO. In these cases we explicitly mention the outcomes and impact can be attributed to VECO's activities. In most cases however, VECO's activities were only one of the factors possibly causing the observed change. We have tried to assess to our best ability if the outcome could be contributed to VECO's activities in our focus group discussions and key informant interviews. However, it is important to note that this identification strategy does not allow us to infer causality with certainty – it only provides us with a likelihood of causality. If, in the future, VECO would like to obtain more certainty on the attributable impact of its activities, it should define an identification strategy that measures outcomes of a (preferably randomized) control group.

Sources of input for the assessment:

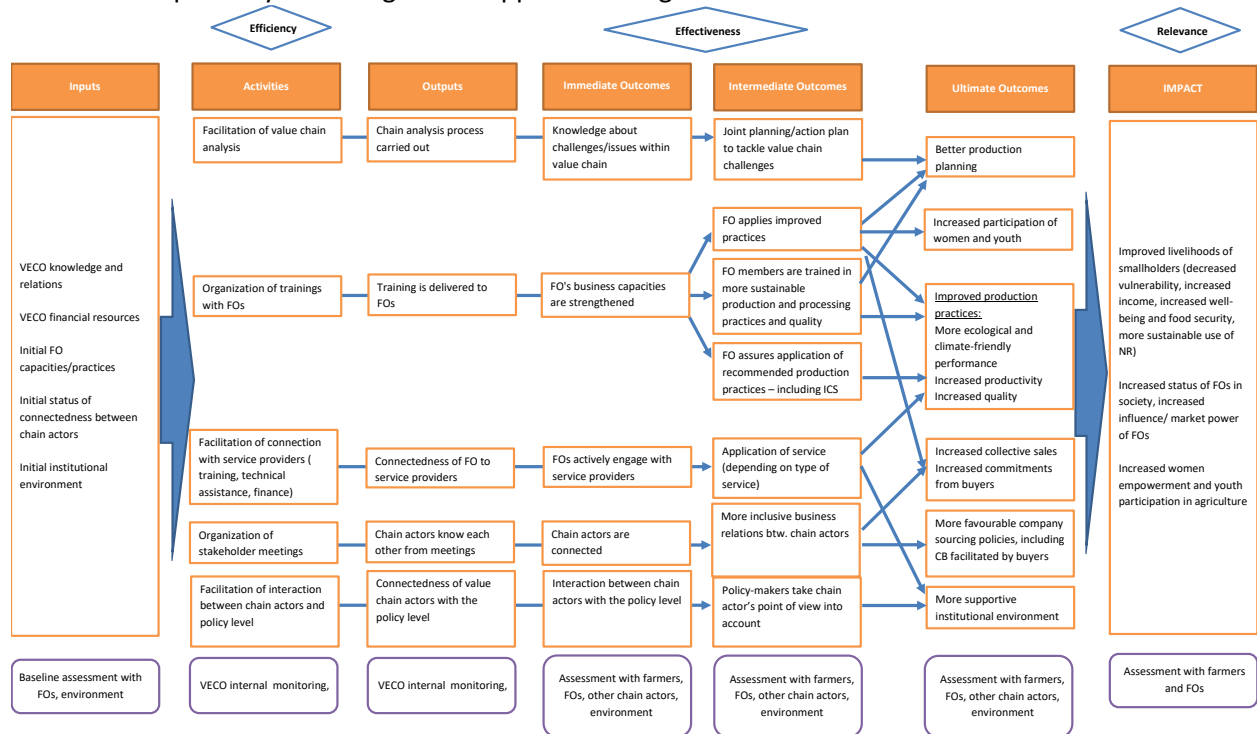
| Level of analysis | Source | Date |
|----------------------------|---|--------------|
| Farmer livelihoods | Farmer Survey | October 2016 |
| | Baseline reports | 2013 |
| | Focus Group Discussions (FGDs) | October 2016 |
| Farmer Organizations (FOs) | Chain Intervention Framework (CIF) | 2014 |
| | Chain Intervention Report (CIR) | 2016 |
| | Key informant interviews | October 2016 |
| Policy level | Structural Change Agenda Framework (SCAF) | 2014 |
| | Structural Change Agenda Report (SCAR) | 2016 |
| | Chain Intervention Report (CIR) | 2016 |
| | Key informant interviews | October 2016 |



4. Imbabura Pilot

a. Pathway of change

There are 5 different ways through which the Imbabura pilot tries to achieve its outcomes and impact. The different pathways of change are mapped in the figure below.



We have performed an assessment of each pathway in order to determine the effectiveness of the activities, i.e. their ability to achieve the intended change.

b. Effectiveness of VECO intervention

i. Pathway 1

| Activities | Outputs | Immediate Outcome | Intermediate Outcome | Ultimate Outcome |
|--------------------------------------|------------------------------------|---|--|--|
| Facilitation of value chain analysis | Chain analysis process carried out | Knowledge about challenges/ issues within value chain | Joint planning/ action plan to tackle value chain challenges | Better production planning and better self and sustainable organizational management |

Main findings

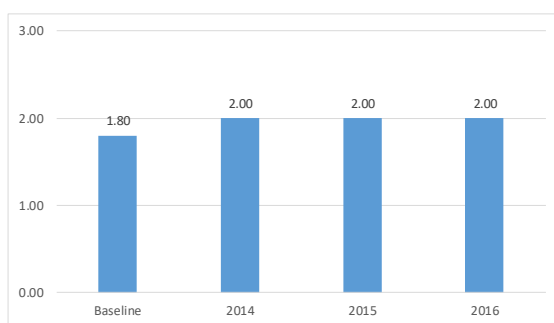
VECO has provided resources and assistance to AACRI to develop a business plans for the productive unit which comprises the production of organic inputs to its members and others, and the coffee unit which

comprises the elaboration of coffee products to the international and national markets. These plans have been considered by the FO as a valid and useful tool to set pathway of actions towards a sustainable organization socially and economically. However, as the business plan is not completely implemented (due to resource constraints), the ultimate outcome is not yet fully achieved.

Observed evidence (source: CIR)

Evidence from business capacity indicators:

| Row Labels | Baseline | 2014 | 2015 | 2016 |
|---|----------|------|------|------|
| ☐ Imbabura | 1.80 | 2.00 | 2.00 | 2.00 |
| ☐ 2. To what extent has the FO acquired business management skills? | 1.67 | 2.00 | 2.00 | 2.00 |
| A good business plan is available and there is budget to implement it | 1.00 | 2.00 | 2.00 | 2.00 |
| The FO has marketing strategies | 2.00 | 2.00 | 2.00 | 2.00 |
| The FO has risk coping strategies | 2.00 | 2.00 | 2.00 | 2.00 |
| ☐ 3. To what extent has the FO acquired marketing skills? | 2.00 | 2.00 | 2.00 | 2.00 |
| The FO keeps records that track their costs, income and profitability and re-invests profits to expand the business | 2.00 | 2.00 | 2.00 | 2.00 |
| The FO successfully engages in collaborative post-harvest management and markets its products collectively | 2.00 | 2.00 | 2.00 | 2.00 |



Compared to the baseline, all categories showed improvement relative to the baseline. In addition, all values peaked at a score of 2, indicating that additional progress is still possible. This indicates that the immediate outcome *knowledge about challenges/issues within value chain* and intermediate outcome *joint planning/action plan to tackle value chain challenges* have likely improved.

Input from VECO:

In this case, the VECO intervention played a significant role in this result, as related with business management skills, for a better and sustainable organizational management. VECO Andino facilitates (and financed) a study named "Innovation of the organizational management model of AACRI" that allows the organization, since 2015, of a new business plan for the Coffee Unit and Production Unit (Nursery and Bio-fertilizers).

Triangulation (source: key informant interviews and FGDs)

The formulation of a new organizational model as well as the detailed business plans was valued as a useful joint action plan that was developed bottom-up, which was largely possible because of VECO funding and technical support. However, its implementation is still incomplete due to limitations in human resources and scarce financial resources. Therefore, intermediate outcomes for this pathway were achieved, but progress remains possible in achieving the ultimate outcomes.

AACRI requested support in the implementation of the strategies formulated in the new organizational model for the next period. The challenge is related with the access to credit so the organization can have working capital and therefore improve their sales by attracting members that preferred to sell coffee to others due to the deferred payments. This financial alleviation can allow AACRI to co-invest in the full implementation of the new organizational model and business plans.

However, the VECO intervention has been proven particularly valuable and timely, because of the internal crisis that AACRI was passing through in the year 2014 in the aftermath of conflicts with the mining sector. Citing transparency issues, half of the board members quit. However, VECO support encouraged them to tackle problems through good supervision at the start of the intervention.

ii. Pathway 2

| Activities | Outputs | Immediate Outcome | Intermediate Outcomes | Ultimate Outcomes |
|------------------------------------|------------------------------|---|--|---|
| Organization of trainings with FOs | Training is delivered to FOs | FO's business capacities are strengthened | FO applies improved practices FO members are trained in more sustainable production practices and quality FO assures application of recommended production practices | Better production planning Increased participation of women and youth Improved production practices: production models that increase the resilience of coffee systems to climate change |

Main findings

Thanks to VECO support, AACRI has strengthened its business capacities by developing new business plans that include strategic planning for its units, the technical processing of coffee beans; organic inputs and plantlets nursery, and the coffee unit. The implementation of these plans has begun, and improvements in getting to the break-even point were accomplished to a large extent. Nonetheless, limitations such as financial difficulties within AACRI as well as a lack of adequate monitoring of activities by VECO staff during the second half of the running period have lowered its efficacy. In addition, a specific need of the organization was satisfied by VECO by executing a financial audit, from which recommendations have been drawn in order to improve transparency and financial oversight.

VECO has been responsible for trainings to the technical staff of AACRI, on topics mainly related to the improvement of coffee quality. As a consequence, AACRI has been able to deliver trainings to its members regarding best practices in the production phase, which mainly comprise organic fertilization and insects control, agroforestry practices, as well as best practices in the harvest and post-harvest phase, which includes a correct picking and drying of beans. In addition, organic inputs and post-harvest materials have been provided to members with the financial support of VECO. On the other hand, however, the increase in quality

of coffee beans delivered by farmers, which has been witnessed through the last three years, could also be explained by the inclusion of new members that are characterized as more efficient at farm management because of a better financial position—members who have chosen AACRI because of its solid reputation as a coffee organization that gathers good quality coffee and pays a fair price to its members.

In relation to the resilience to climate change, VECO has supported AACRI by partially funding a regional study that seeks implementation of measures that could be taken by AACRI farmers in order to adapt and mitigate climate change effects. So far, no significant progress has been made in the practical implementation of these recommendations. However, since the organization has had a strong agro-ecological vision and practices even prior to the VECO intervention, they have implicitly worked on measures such as agroforestry management and reforestation. The latter measures have been reinforced by the VECO partnership with BIO-PLUS, which resulted in a reforestation plan that has been executed.

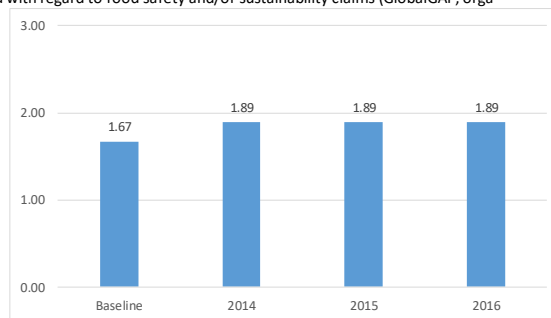
With regards to youth and gender integration, AACRI has developed a new organizational model in which the youth and gender agenda is central—an inclusion for which VECO was directly responsible. However, the level of response from the members has been muted by the end of the second semester of 2016. This could be explained with reference to persistent structural factors which throw up barriers to youth and women integration, such as the educational system (it motivates young people to migrate), cultural issues (machismo), and access to credit among others.

AACRI was requested to keep giving trainings to young members in cupping and toasting of coffee, in order to increase the human capital of the organization, and with it its social sustainability.

Observed evidence (source: CIR)

Evidence from business capacity indicators:

| Row Labels | Baseline | 2014 | 2015 | 2016 |
|--|-------------|-------------|-------------|-------------|
| Imbabura | 1.67 | 1.89 | 1.89 | 1.89 |
| 1. To what extent has the FO acquired group management skills? | 1.00 | 1.67 | 1.67 | 1.67 |
| The FO delivers necessary services to its members | 1.00 | 1.00 | 1.00 | 1.00 |
| The FO gives equal participation opportunities to women and the younger generation. | 1.00 | 2.00 | 2.00 | 2.00 |
| The FO has a written clear vision & mission | 1.00 | 2.00 | 2.00 | 2.00 |
| 2. To what extent has the FO acquired business management skills? | 2.00 | 2.00 | 2.00 | 2.00 |
| The FO has marketing strategies | 2.00 | 2.00 | 2.00 | 2.00 |
| The FO has risk coping strategies | 2.00 | 2.00 | 2.00 | 2.00 |
| 3. To what extent has the FO acquired marketing skills? | 2.00 | 2.00 | 2.00 | 2.00 |
| The FO has systems in place to meet market demand (ICS, appropriate systems and services to members) | 2.00 | 2.00 | 2.00 | 2.00 |
| The FO keeps records that track their costs, income and profitability and re-invests profits to expand the business | 2.00 | 2.00 | 2.00 | 2.00 |
| 4. To what extent the FO promotes sustainable production and natural resource management skills to its members? | 2.00 | 2.00 | 2.00 | 2.00 |
| The FO has collective rules to efficiently and fairly manage their natural resources. | 2.00 | 2.00 | 2.00 | 2.00 |
| The FO has managed to get the members certified with regard to food safety and/or sustainability claims (GlobalGAP, orga | 2.00 | 2.00 | 2.00 | 2.00 |



Remarkably, all values for this intervention, except for group management skills, remained stable from baseline until 2016. Based on these results alone, it would appear that the intervention had limited impact on the second pathway, but that in addition, given the relatively high baseline score, the business capacity of the FO was good to begin with.

Input from VECO:

To assess the ultimate outcome of pathway 2, it is important to highlight the relatively high baseline score in business management, marketing and production and natural resources management skills, so VECO Andino in Imbabura focused its intervention on specific issues in group management skills, specifically to update its management model through a study called: “Innovation of the organizational management model of AACRI”. This does not mean that VECO Andino has not intervened in the other areas, but the progress was not reflected in the business capacities matrix. For example in production and natural resources management skills in 2015, 20 farms were identified where we applied strategies to adapt and mitigate climate change effects (tree planting, improving the soil fertility with the use of local inputs). Also we facilitated and financed a study called: “Potentiality in Coffee Subsector to climate change impacts” which during 2016 is serving to identify more convenient strategies for the Coffee Advisory Council in AACRI.

The result was influenced by the VECO intervention, but also has profited considerably from AACRI’s own strong environmental and social vision, and accordant commitment to produce organically and to improving the quality of life of their members.

Main conclusions from the CIR:

- VECO has provided budget and assistance in order to develop the business plans of its units: technical (organic inputs for fertilization and plagues and disease control, and plantlets nursery) and coffee (Processing of coffees beans). These plans have been partially implemented possibly affected by a lack of strong monitoring from VECO due to changes in technical staff.
- VECO has executed a financial audit to the organization which has led to recommendations to improve the financial management of AACRI.
- AACRI has identified 20 farms that could be used to implement practices to mitigate and adapt to the climate change, that were formulated by a study executed by ECOPAR with the financial support of VECO.
- Youth and women participation has been a central theme within the formulation of the new organizational model executed with the financial and technical support of VECO. However, its efficacy in practice has been limited.
- AACRI staff has been trained in: best manufacturing practices, quality control of coffee, updates of organic certification programs that have strengthened organizational capacities to improve the quality of its products

Triangulation (source: key informant interviews and FGDs)

In relation to quality, VECO has given support through trainings to the technical staff of AACRI in topics related to quality control of coffee and organic certification models, and has also provided technical equipment. In addition, VECO has supported the provision of post-harvest equipment to AACRI’s members that resulted in better farm practices that are evident in the increase in the quality of coffee beans. However, this increment in quality cannot be solely attributed to VECO support, but also owes much to the inclusion of new members that are characterized as more efficient regarding their farm management

because of a better financial position, who have chosen AACRI because of its solid reputation as a coffee organization that gathers good quality coffee and pays a fair price to its members.

The implementation of the recommendations of the Climate Change regional study into identified farms was only partially accomplished; at the time of writing (in November 2016) only 4 farms are actively validating the mentioned recommendations.

In relation to production planning, VECO has supported AACRI through the business plans mentioned in conclusion 1, which were formulated as a specific need by the organization. The constant monitoring was a constraint due to changes in VECO technical staff.

The main concern of farmers is the mode of payments, which has changed through the last three years from immediate payment to deferred payment. One issue this throws up, is related to an external client who is not paying in advance any more, discouraging a large fraction of members from delivering its coffee produce to the organization. As such, facilitation of access to working capital in the form of credits to AACRI is very important to improve member’s fidelity, and to achieve growth in productivity and quality throughout the coming period.

Overall, VECO’s role has been recognized as important in setting out a roadmap of specific activities reflecting specific needs of the organization which have begun to be implemented, but the results of this are still to come to fruition in the coming period. Nonetheless, the role of VECO has been considered important, as VECO entered the scene at a difficult time for the organization as a result of developments local politics (conflict with mining sector), internal leadership (half of the board quit due to transparency problems) and environmental conditions (climate change impacted negatively to coffee production)

iii. Pathway 3

| Activities | Outputs | Immediate Outcome | Intermediate Outcome | Ultimate Outcome |
|---|--|--|---|--|
| Facilitation of connection with service providers (e.g. training, finance, inputs, transport) | Connectedness of FO to service providers | FOs actively engage with service providers | Application of service (depending on type of service) | Improved production practices More supportive institutional environment |

Main findings

Note: as the objectives of this pathway were not in the original CIF / planning, it is evaluated here to provide guidance but without a formal fully met / partially met / not met color-coding.

VECO has contributed to improvements on services provided by AACRI to its members through the strengthening of its technical and coffee units, and through the subsidized access to inputs for farmers, which has led to a partial adoption of better production practices (30% in 2016) in relation to the application of

organic inputs. The low adoption could be explained because of old members' discouragement of improving their practices because of financial difficulties brought on to some extent by the deferred payments (up to three months) and due to the lack of working capital of the organization.

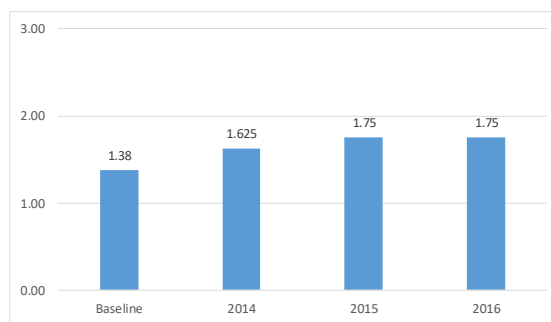
Facilitation of a connection with financial services providers has been approached by VECO through financial audits (2), a ScopeInsight audit, and business plans which strengthen the organization in order to actually provide access to better working capital.

One challenge is to increase member's investments in superior inputs and equipment, contrary to paternalist politics which make farmers used to receiving inputs and equipment for free—a policy which has damaged member's fidelity to the organization, as well as eroding its social sustainability.

Observed evidence (source: CIR)

Evidence from business capacity indicators:

| Row Labels | Baseline | 2014 | 2015 | 2016 |
|--|-------------|-------------|-------------|-------------|
| Imbabura | 1.38 | 1.63 | 1.75 | 1.75 |
| 1. To what extent has the FO acquired group management skills? | 1.00 | 1.00 | 1.00 | 1.00 |
| The FO is a participatory organisation with transparent management & decision-making systems | 1.00 | 1.00 | 1.00 | 1.00 |
| 2. To what extent has the FO acquired business management skills? | 1.20 | 1.60 | 1.80 | 1.80 |
| A good business plan is available and there is budget to implement it | 1.00 | 2.00 | 2.00 | 2.00 |
| The FO has certificates on the quality of operations (HACCP, GMP, ISO...) | 1.00 | 1.00 | 1.00 | 1.00 |
| The FO has record keeping systems and accounting skills | 2.00 | 2.00 | 2.00 | 2.00 |
| The FO has the systems and skills to manage credit systems for working capital and operational costs | 1.00 | 1.00 | 2.00 | 2.00 |
| The FO is able to attract relevant Business Development Services | 1.00 | 2.00 | 2.00 | 2.00 |
| 4. To what extent the FO promotes sustainable production and natural resource management skills to its members? | 2.00 | 2.00 | 2.00 | 2.00 |
| The FO has collective rules to efficiently and fairly manage their natural resources. | 2.00 | 2.00 | 2.00 | 2.00 |
| The FO has managed to get the members certified with regard to food safety and/or sustainability claims (GlobalGAP, orga | 2.00 | 2.00 | 2.00 | 2.00 |



FO has made improvements to the business management skills, but did not show any improvements for group management skills (transparency) or sustainable production. The small improvements which there were, were achieved in 2014 and 2015, as there was no improvement in 2016. The intervention appears to have had only limited impact.

Input from VECO:

For group management skills, in terms of transparency, there is information to add that is not reflected yet in the 2016 score (since the 2016 CIR covers just the achievements of the first semester). Moreover, for sustainable production, it is good to mention that there is a high baseline score, as the organization has a strong vision on producing under organic standards, which means they produce their own bio-fertilizers

and bio-pesticides, have their own nursery (plants), and that at a farm level they produce in agroforestry systems. In this case, there is no real necessity for AACRI to connect to inputs providers.

For a more participatory organization with transparent management and decision making systems, it could be added that VECO has made an assessment using the SCOPEInsight tool, and that the results of this diagnosis will facilitate the connection with service providers, specifically financial ones. One point identified during this assessment is that it is required to clarify some financial indicators so that a financial audit was conducted during the second semester to also facilitate the access of AACRI to other financial services.

Main conclusions from the CIR

- Access to financial services has been provided by the organization itself; VECO has contributed in facilitating access to technical assistance services.
- According to the analysis of Business Capabilities for the period 2014-2016, the FO has basic knowledge and has developed some initial skills to provide the necessary services to its members.
- According to the analysis of Business Capabilities for the period 2014-2016, the FO has developed a good level of skills, but can still improve to attract business development services.
- VECO channels public and private sector initiatives to facilitate organizational support, technical assistance and marketing services in order to improve FO capabilities and livelihood conditions for their farmers.

Triangulation (source: key informant interviews and FGDs)

The provision of services such as technical trainings and assistance has been provided by AACRI to its members continuously as part of their organizational model. VECO has contributed in expanding their offer of services to members and non-members, such as coffee quality analysis, plantlets nurseries and the manufacture of processed coffee. Nevertheless, adoption of better production practices among old members has been limited due to the fact that most of farmers are, on average, 55 years old. This older generation tends to consider coffee as a traditional crop which does not consume inputs and in most of the cases is not managed as an enterprise. Other factors such as limited participation of members in the trainings because of deferred payments of their coffee deliveries (up to three months), have made it difficult for members to invest in order to improve the production practices at their farm, which could explain the reportedly low adoption of such better production practices.

However, as pointed out by AACRI staff, the critical point in adopting better practices is the capability of getting new inputs, therefore organic inputs produced by AACRI's technical unit were available for members. VECO supported this through a subsidy to an organic kit of inputs as well as a subsidy for drying basic equipment, all of which has been received by 30-50 members in the last year (30% of the total), and consequently has improved production practices to some extent.

As for financial services, VECO has contributed through financial audits, a ScopeInsight audit, the business plans, to improve the chances to access of credit by AACRI so they can make advance payments to farmers and give them the opportunity to invest in better practices, amongst other improvements.

VECO's role in this particular pathway was to support AACRI in improving their technical capabilities and assistance services to its members, as well as preparing them for accessing additional working capital through credit. Constraints related to legislation on the sort of organization that AACRI is registered as,

has limited the access to formal credits from commercial banks and others. AACRI has requested more budget for board members so they can permanently mobilize and try to improve the organization’s relations with financial service providers.

One challenge is to increase member’s investments in superior inputs and equipment, contrary to paternalist politics which make farmers used to receiving inputs and equipment for free—a policy which has damaged member’s fidelity to the organization, as well as eroding its social sustainability.

iv. Pathway 4

| Activities | Outputs | Immediate Outcome | Intermediate Outcome | Ultimate Outcome |
|--------------------------------------|--|----------------------------|---|---|
| Organization of stakeholder meetings | Chain actors know each other from meetings | Chain actors are connected | More inclusive business relations btw. chain actors | Increased collective sales Increased number of long-term sales agreements More favorable company sourcing policies More supportive institutional environment |

Main findings

Note: as the objectives of this pathway were not in the original CIF / planning, it is evaluated here to provide guidance but without a formal fully met / partially met / not met color-coding.

AACRI already had strong business relations with the international markets based on a high demand for Imbabura’s coffee. As for the national markets, VECO has contributed to expanding niche markets in Ecuador by promoting the coffee products of AACRI at national events, funding showcases, and increasing agro-tourism. These activities were undertaken in order to increase the demand for AACRI’s brand of toasted and grounded coffee in the national market. In addition, multi-actor platforms were set up in order to diversify AACRI’s clients, however this activity proved ineffective.

The collective sales of AACRI to its clients have increased, which can be attributed to the increase in total productivity, which in turn is due to the increase of individual productivity of old members (as a result of VECO support), as well as due to the inclusion of new members throughout the last four years who already possessed larger production capacities and entrepreneurial vision. However, in relation to the total farm production, collective sales are not 92 % in 2016 due to the lack of working capital of AACRI which has pushed the small members to sell some of their produce to other buyers. Therefore, the decrease in collective sales measured as percentage of the production delivered from farmers to AACRI (75% in 2016) is not related to a lack of demand for coffee from upstream chain actors. In fact, the high demand has pushed AACRI in some

period of the year to buy coffee from neighboring regions, because insufficient coffee is available from AACRI's own members.

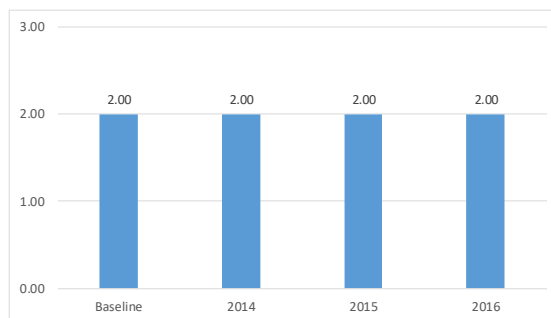
Based on the previous considerations it can be concluded that AACRI's needs do not include an increased number of long-term agreements, but actually revolve around a higher compromise with its members to deliver coffee and to expand their production through improvements in productivity (there is at present still a large distribution in productivity levels amongst members), and to recover the members (around 300) which previously moved to the mining sector.

AACRI argues that the main strategy for the Ecuadorian coffee sector, and the most effective way to increase its long-term sales, should be the growth in the domestic demand for Ecuadorian organic coffee.

Observed evidence (source: CIR)

Evidence from business capacity indicators:

| Row Labels | Baseline | 2014 | 2015 | 2016 |
|--|-------------|-------------|-------------|-------------|
| Imbabura | 2.00 | 2.00 | 2.00 | 2.00 |
| 3. To what extent has the FO acquired marketing skills? | 2.00 | 2.00 | 2.00 | 2.00 |
| The FO knows how to identify and analyse profitable market opportunities or customers | 2.00 | 2.00 | 2.00 | 2.00 |
| 5. To what extent does the FO builds up and maintains external relations? | 2.00 | 2.00 | 2.00 | 2.00 |
| The FO has the capacities to relate and communicate with other entities and municipalities | 2.00 | 2.00 | 2.00 | 2.00 |
| The FO is an active member in a higher-level (farmer) organization and/or commodity organisation | 2.00 | 2.00 | 2.00 | 2.00 |



There have been no improvements for this pathway for Imbabura, but baseline scores were high to begin with (2 on all indicators).

Input from VECO:

It is relevant to consider that the Imbabura project was planned as a pilot for a Subsector Development (SSD) Intervention. As such there were no specific results planned for more inclusive business relations, nor were there any specific results planned for increasing the number of long term agreements, or more favorable company sourcing policies. Nonetheless, the update of the Business Plan and the organizational model of AACRI have had a positive influence on collective sales. Finally, it is relevant to consider that for more than 10 years, AACRI has cultivated strong business relations with international clients like Organic Coffee in Japan, Quijote Kaffe in Germany and Solalter in France.

Main conclusions from CIR:

- The FO maintains high levels of influence in Intag's coffee chain development.

- During 2014 and 2016, FO has promoted inter-institutional alliances with the various governmental and non-governmental actors involved in the development of the Coffee Sector for the learning and exchange of knowledge and experiences.
- It is necessary to reinforce the strategies of relationship with multi-stakeholder to generate sustainable solutions for the FO.
- According to the analysis of Business Capabilities for the period 2014-2016, FO has developed a good level of skills but can still improve to successfully market their products collectively.

Triangulation (source: key informant interviews and FGDs)

According to the business plan, the diversification of markets towards the national organic one was prioritized, since only three major clients absorb the majority of their production. However, the implementation of the business plan was limited by lack of human resources, liquid funds to mobilization, marketing funds.

In addition, VECO created a multi-actor platform in order to connect AACRI with new clients especially in the national coffee market; however this activity proved ineffective. AACRI argues that the main strategy for the Ecuadorian coffee sector, and the most effective way to increase its long-term sales, should be the growth in the domestic demand for Ecuadorian organic coffee, and the organization requests that the next program with VECO focus on co-funding the implementation of business plans, since the formulation of these plans alone are not enough to achieve ultimate outcomes because of financial limitations of AACRI.

v. Pathway 5

| Activities | Outputs | Immediate Outcome | Intermediate Outcome | Ultimate Outcome |
|---|--|---|---|---|
| Facilitation of interaction between chain actors and policy level | Connectedness of value chain actors and the policy level | Interaction between chain actors and the policy level | Policy-makers take chain actor’s point of view into account | More supportive institutional environment |

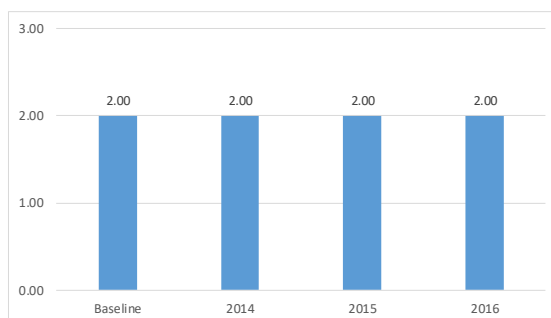
Main findings

Thanks in part to the support of VECO, but mainly on the strength of its own reputation, AACRI was involved as a member of the coffee advisory council. The council has exerted influence on the program for the reactivation of the coffee sector, which aims to respond to the El Niño climate phenomenon, and to the coffee rust disease. This program has included the provision of organic inputs to farmers by the Ministry of Agriculture—an intervention which was in fact evaluated as negative by AACRI, since it contained inputs which did not live up to the organic certification they ostensibly held. As a result of this, the organic certification of almost 40 farmers was revoked.

Observed evidence (source: CIR)

Evidence from business capacity indicators:

| Row Labels | Baseline | 2014 | 2015 | 2016 |
|--|----------|------|------|------|
| Imbabura | 2.00 | 2.00 | 2.00 | 2.00 |
| 5. To what extent does the FO builds up and maintains external relations? | 2.00 | 2.00 | 2.00 | 2.00 |
| The FO has the capacities to relate and communicate with other entities and municipalities | 2.00 | 2.00 | 2.00 | 2.00 |
| The FO is an active member in a higher-level (farmer) organization and/or commodity organisation | 2.00 | 2.00 | 2.00 | 2.00 |



As in pathway 4, there have been no improvements for this pathway for Imbabura, but baseline scores were high to begin with (2 on all indicators).

Input from VECO:

One result of the VECO intervention with AACRI has been to develop niche markets for specialty coffees at the local level. In this sense, the pilot is encouraging local consumption of quality coffees within the intervention area, and strengthening AACRI's capacities to communicate with other entities and municipalities. AACRI is part of the "Coffee Advisory Council", an entity legalized by the Agriculture Ministry as a dialogue space to address the problems in the coffee sector. In that sense the experience of AACRI in organic production of coffee allows them to influence policy, so that it may rally government assistance to combat "roya" ('coffee rust'), and ensure there also exist inputs for organic producers and not only conventional ones. Accordingly, these results are due to the VECO intervention, but also build on AACRI's capacity building.

Main conclusions from CIR:

- Through the government program "Reactivación de café y cacao fino de Aroma", the FO has been linked with MAGAP to renew the coffee plantations of FO members under the framework of public policies and improve the post-harvest practices.
- The FO has been involved in discussion spaces in the "Coffee Advisory council", to contribute in strategic guidelines for the coffee sector with public actors.

Since 2014, FO organizes its activities based on the organizational management model that integrates spaces for the exchange of knowledge and learning, as well as spaces for interinstitutional negotiation.

Triangulation (source: key informant interviews and FGDs)

The level of consolidation of the Coffee Advisory Council is still limited and their vision and strategic plan for the coffee sector is still unclear. Nevertheless, VECO has supported the discussion among the actors of the value chain, which eventually would lead to a better institutional environment.

c. Relevance of VECO intervention

In this section we evaluate the relevance of VECO's interventions by looking at the farmer-level impact. We investigate whether the VECO interventions at the FO-level have also created notable differences (positive or negative) on the farmer impact level. This is done in two ways: by reviewing the results of the focus group discussions, and by comparing the farmer survey (2016) with baseline data (2013). It must be noted that comparison is difficult at times, as indicators differ significantly over time.

Main conclusion of focus group discussions (FGD) with farmers

By discussing the organizational performance in relation to farmer's interests, respondents pointed out that AACRI pays a good price to its members, and that procedures to evaluate the quality of their coffee are fair enough. As such they trust that AACRI does not unfairly reject their production but will value it according to its quality (physical and organoleptic). They strongly request to receive their payments the moment they deliver the coffee (providing them with working capital), otherwise they are pushed to sell their coffee to the middlemen. In this particular issue, farmers did not perceive that VECO had any role or action.

4 out of 6 respondents argued that their vulnerability has worsened, due to early rains and prolonged summers, amongst other things. They recognized that the effects of climate change on farm productivity are responsible for this increased volatility and their increased vulnerability. Measures that could be seen as mitigating the effects of climate change on coffee production, such as biological pest (broca) and disease control (roya), both of which were supported directly by VECO, were not generally considered sufficient, in the experience of farmers. Nevertheless, farmers appreciate that reforestation programs have been implemented, and that this is a valuable measure to preserve water in their farms. This reforestation plan was possible because of the partnership of VECO and BOS-plus, however farmers were not always aware of this information, suggesting a low participation rate of these particular farmers in the decisions that are taken at the management level.

Half of the respondents (3/6) replied that their income level has been stable due to good weather, 2 argued that it increased due to productivity gains, and one partner argued it mostly depended on luck. The intervention of VECO was not strongly identified as a main contributing factor by the respondents who had seen their productivity increase; they argue that the climate has a major role in their superior productivity in those years that were good, perceiving only a limited contribution from the biological inputs facilitated by VECO. Nevertheless, the increase in quality was attributed to better harvest- and post-harvest practices, such as picking, as well as new equipment for drying beans, all of which have been promoted by the technical staff of AACRI and facilitated through subsidy by VECO. Farmers seem to be relatively uninterested who is behind specific improvements, as illustrated by their limited active participation in meetings on the organization.

4 out of 6 partners responded that their ability to feed themselves has increased because they have diversified planting with new crops and have more income. Partners who maintain their ability to feed themselves argue that they have always fed well. They do not identify improvements due to VECO intervention directly, but primarily link these back to trainings delivered by AACRI.

4 out of 6 partners responded that their soil and water conservation practices have been improved by planting trees and caring for water sources. The other partners argue that their practices have been maintained through the continuous use of high quality biological fertilizers thanks to the organization’s technical unit. Again, VECO’s role is not clear to AACRI’s members (despite the fact that VECO supported the technical unit).

4 out of 6 partners responded that there has been no improvement in the empowerment of women in the organization, due to low participation—which they attribute either to of fear or shyness. The other partners argue that female participation has declined because it remains a cultural issue. This findings shows that the new organizational model on which gender equality has a specific agenda did not have a practical impact in the organization.

5 out of 6 members responded that there has been a decline in the participation of young people in the organization, because they have not received the emotional and economic support of their parents, or because there is little interest amongst young people, or because many youth prefer to migrate to the cities to earn their own income and gain economic independence.

As a final conclusion, the majority of farmers that participate in the focus group discussion did not know that improvements in the last three years within the organization were achieved because of VECO support, although those improvements are important. Farmers are mostly at the age of 55, and seems to be relatively apathetic to the inner workings and operations of the organization—apparently because of the issue around the deferred payments. Regarding improvements at the individual level, no major changes were undertaken in the last three years as a result of the VECO intervention, except from improvements in their equipment for drying beans, which was attributed to VECO support.

Comparison of baseline and 2016 farmer survey

*Note: in this section, data from the 2016 farmer survey is compared with data from the baseline study conducted at the end of 2013. As these sources of information are different and do not use the same indicators, this analysis has **limited comparability**.*

| 1a. Income | |
|---|---|
| Baseline | 2016 |
| Average data per hectare: <ul style="list-style-type: none"> • Annual income is 1,400 USD • Costs. 750 USD • Profit: 650 USD • Profit margin: 46% | According to farmer survey data, farmers received a return on investment of ~13%, with production cost per ton of \$201 and selling price per ton of \$229. High variance between farmers was observed. Avg gross income appears increased, at 3,000 USD, however profits appear decreased |
| Discussion <ul style="list-style-type: none"> • Most of farmers have not noticed any significant change in incomes in the last three years. They argue that climate change make their productivity results highly variable from one year to the next despite the adoption of better practices supported by VECO. However they highlight the fact that AACRI pays a good price compared to other buyers. | |

1b. Resilience (diversity of income sources)

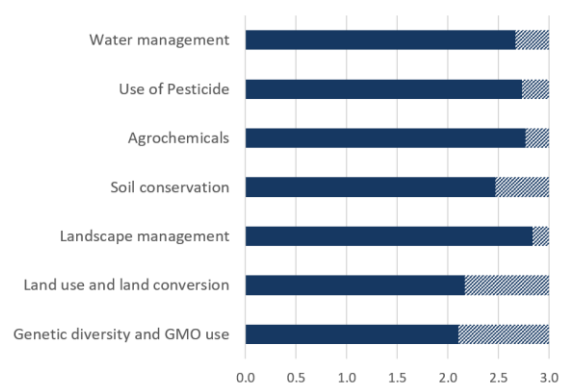
| Baseline | 2016 | | | | | | | | | | |
|---|---|---------------|----------------------|---------------------------|-------|--|-----|--|-------|---|-----|
| <ul style="list-style-type: none"> • 15% of the incomes come from activities outside the farm; • 95% of the members own their land; | <p>The graph below provides average % dependence on different income sources for farmers in the pilot intervention.</p> <table border="1"> <caption>Average % dependence on different income sources</caption> <thead> <tr> <th>Income Source</th> <th>Average % Dependence</th> </tr> </thead> <tbody> <tr> <td>Income from other sources</td> <td>~1.5%</td> </tr> <tr> <td>Income from Other own business (e.g. shop)</td> <td>~0%</td> </tr> <tr> <td>Income from Agri production (own farm)</td> <td>98.5%</td> </tr> <tr> <td>Income from Agri employment (working on somebody else's farm)</td> <td>~0%</td> </tr> </tbody> </table> | Income Source | Average % Dependence | Income from other sources | ~1.5% | Income from Other own business (e.g. shop) | ~0% | Income from Agri production (own farm) | 98.5% | Income from Agri employment (working on somebody else's farm) | ~0% |
| Income Source | Average % Dependence | | | | | | | | | | |
| Income from other sources | ~1.5% | | | | | | | | | | |
| Income from Other own business (e.g. shop) | ~0% | | | | | | | | | | |
| Income from Agri production (own farm) | 98.5% | | | | | | | | | | |
| Income from Agri employment (working on somebody else's farm) | ~0% | | | | | | | | | | |

Discussion

- Incomes from sources other than farmers' own farms are negligible: there is a 98.5% reliance on own farms
- It was confirmed that most of the farmers depend on income from their farms. Other sources of income outside of farming are growing fast in the region, specifically in the form of the mining industry. This means that young men are leaving agriculture to enter mines, which directly affects the availability of labor for coffee farms as well as its social sustainability in the long run. Given that farmers are very vulnerable, VECO noted that AACRI was created with the intention to give local farmers an alternative to mining
- Other source of income related to coffee farms might be extended and scaled, such as agro-ecological tourism, considering the region's high biodiversity, good weather, and proximity to Otavalo (a major tourist attraction in Ecuador)
- Therefore, to strengthen the income to sources related to farms and tourist services is crucial to avoid switching from high farm's dependence to high mining sector dependence, the latter being negative in terms of preserving natural resources.

1c. More sustainable use of natural resources

| Baseline | 2016 |
|---|--|
| <ul style="list-style-type: none"> • Given the proximity to protected land (Cotacachi Cayapas), there is a strong focus on sustainable practices, such as the use of biological fertilizers. • There is also use of agroforestry systems to preserve biodiversity | <p>The below chart indicates results from the farmer survey on multiple sustainability indicators. For each, farmers were asked to provide a score of 0-3.</p> |



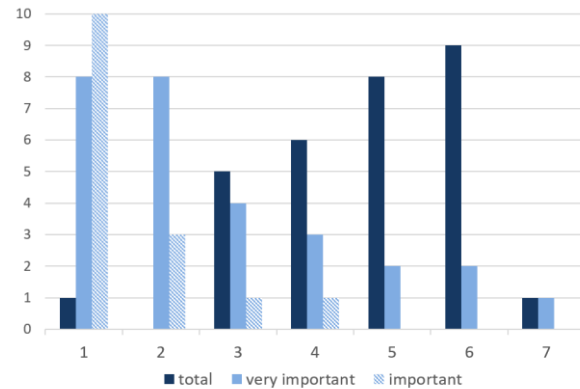
Discussion

- Sustainable resource management appears to be the norm for this pilot intervention, with four out of seven areas scoring very high, particularly in landscape management
- Slightly lower scores for land use and land conversion as well as genetic diversity and GMO use indicate an intensification of agricultural practices at the cost of ecosystem integrity;
- Some farmers identified the results of VECO intervention with the increment in the usage of organic inputs. However, most of sustainable practices were already adopted because of the strong focus of AACRI as an agro-ecological organization, and their organic certification. This sort of coffee organization is not the rule in the region (Imbabura and Pichincha provinces)
- The environmental conditions in the region where AACRI is located (Intag Valley) has an irregular topography that generates micro-climates providing high biodiversity with also a lot of water sheds. These conditions generates favorable conditions to produce under agroforestry systems. This allows AACRI to have a relatively strong focus on producing with highly sustainable production practices
- VECO intervention was seeking to strengthen an organization that was threatened because of the mining industry and political conflicts, providing AACRI with technical trainings and subsidized inputs to improve their already high performance in sustainable practices, which differentiates them among the coffee sector in the region.

1d. Diversity of crops and livestock

| Baseline | 2016 |
|---|--|
| <p>The income is:</p> <ul style="list-style-type: none"> • 35% coffee • 16% beans and other crops • 6% maize • 2% plantain and naranjilla • Other activities (livestock): 27% • Other income (handcraft): 2% • Other activities: 13% | <p>The chart below indicates the number of farmers surveyed who receive 1-7 different sources of on-farm income.</p> <p>In the survey, farmers were given a choice of indicating the importance of each source of income. As the below chart shows, a large proportion of farmers had 6 or more crops or livestock on their farms. In addition, a high number of respondents indicated having 2 or</p> |

more sources of income that were very important for farmer livelihoods.



Discussion

- The majority of farmers have four or more income sources;
- Typically, one primary crop or type of livestock is considered important or very important. Combined with the finding that most of the income comes from the farm (1b), this indicates a relatively vulnerable position of farmers, as they are quite vulnerable to shocks specific to the main crop (coffee);

2. Increased status of FOs

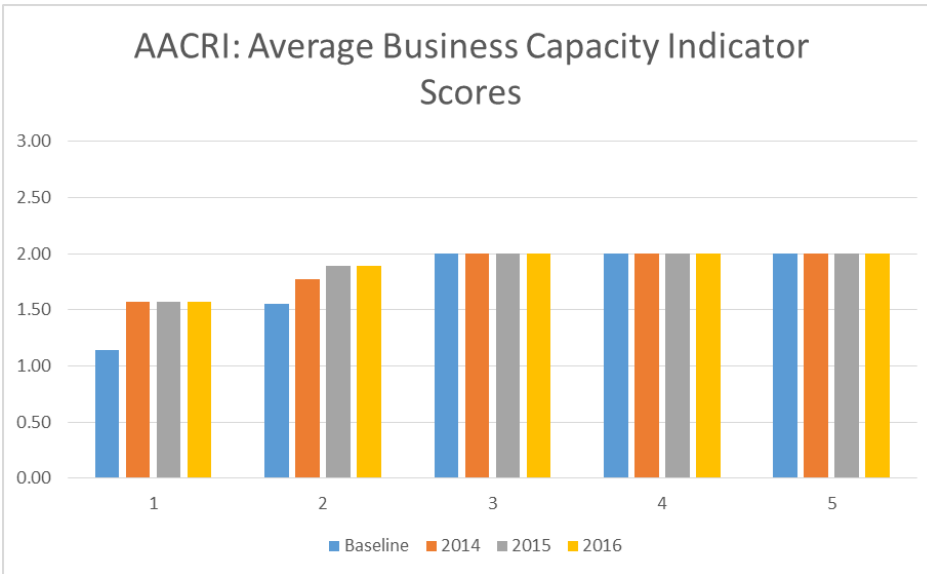
Baseline

2016

- The organization has a solid relation with its buyers;
- The organization collects the coffee and sells it on, being able to access market niches that put a premium on quality;
- 86% of the 20 interviewed members have an active political career, which results in community leadership;
- 62% of the members have had access to commercial loans;

Analysis of FO business capacity indicators shows varying improvement for the FOs across business capacity categories. A more detailed analysis can be found in the previous section, however below a summary is presented. The 5 categories are:

1. *To what extent has the FO acquired group management skills?*
2. *To what extent has the FO acquired business management skills?*
3. *To what extent has the FO acquired marketing skills?*
4. *To what extent the FO promotes sustainable production and natural resource management skills to its members?*
5. *To what extent does the FO builds up and maintains external relations?*



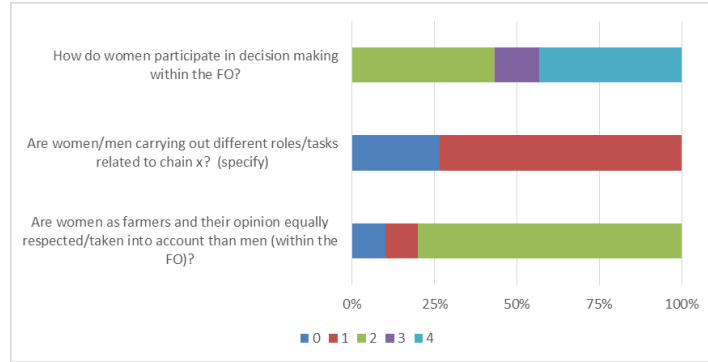
Discussion

- A detailed analysis of impact at the FO level can be found in the previous section.
- Business capacities indicators did not increase greatly, because the organization already had good business capacities and the intervention was conducted to satisfy specific needs of the organization. For instance, financial audits, better quality control equipment, and trainings in quality control to technical staff strengthened the FO.
- Although farmers appreciate the fair prices, and the technical services that AACRI provides them, the lack of working capital discourage farmers from delivering their coffee to the organization. The lack of working capital could have been a major focus in the VECO intervention, since that was the major constraint on the fidelity and trust of farmers in the organization, which also had the greatest potential to impact their lives positively.
- There were political conflicts (government lobbying for the development of a large mining sector on top of the agricultural sector) between the organization and the central government, which might limited the efficacy of the intervention regarding facilitating financial services, since the central government controls the credit and regulation entities of the small farming sector. In addition to that, an important fiscal crisis (linked to a fall in oil prices) limited the availability of financial resources to productive sectors to a large extent.

3a. Women's status and empowerment

| Baseline | 2016 |
|--|---|
| <ul style="list-style-type: none"> • 11% of FO members are women • Only 10% of the lands are owned by female members | <p>In the below chart, scores are shown for 3 questions.</p> <ul style="list-style-type: none"> • Question 1: increasing scale from 0-4 • Question 2: 0-no, 1-yes |

• Question 3: 0-a little, 1-equally, 2-a lot



Discussion

- While direct comparison is challenging because of different data points—specifically, the baseline study has no information about women’s role in FOs— the role of women in FOs in 2016 appears quite positive. Women’s opinions are taken into account, and to a slightly lesser extent women have good participation in decision-making.
- On the other hand, FOs recognized a low participation of women in the decision-making process, meaning low participation in the actual board. Regarding women’s participation in the general assembly, traditional perceptions of women’s roles have constrained their ability to actively participate.

3b. Youth status and empowerment

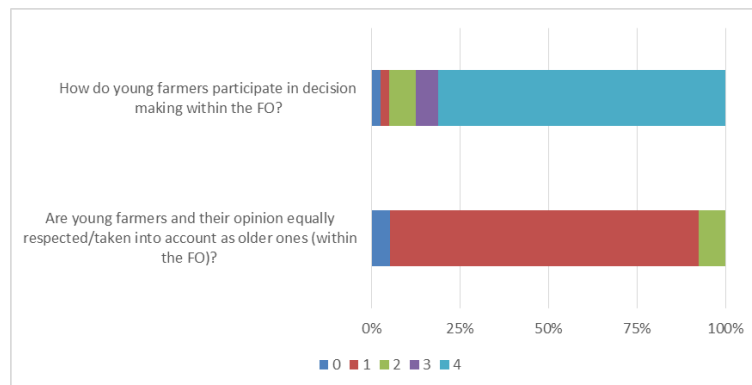
Baseline

2016

• There is no information in the baseline regarding youth

In the below chart, scores are shown for 3 questions.

- Question 1: increasing scale from 0-4
- Question 2: 0-a little, 1-equally, 2-a lot



Discussion

- While it is not possible to compare against the baseline, respondents in 2016 indicated that youth had a good degree of influence in FOs, in terms of opinions taken into account and participation in decision-making activities.
 - The FGD confirms this view. Youth has strong tendency to migrate to cities due to structural factors in the educational system, and the lack of opportunities to find independence within the family farm. The organization has not been effective in implementing strategies to counteract this strong tendency.
-



5. Structural Change Agenda - Ecuador

a. Background

The following information provides a high-level overview of the current landscape in the coffee production and trade in Ecuador:

| | |
|------------------------|--|
| International trade: | <ul style="list-style-type: none">• Brazil, Vietnam, Indonesia, Colombia and Peru are leading producers of coffee;• Global coffee consumption increased by 2.3% in the period 2013-2014;• Coffee production worldwide and in Ecuador decreased by 3.3% and 3.2%, respectively;• The European Union is the leading coffee buyer in the world (77%);• The main buyers of Ecuadorian coffee are: Colombia (26.3%), Germany (19.7%), Poland (18.6%), Russia (13.6%) and the United Kingdom (6.4%); |
| Production: | <ul style="list-style-type: none">• Coffee production in Ecuador has a poor performance record due to the aging of the plants, lack of credit, lack of training and technical transfer;• Ecuador mainly produces two types of coffee: Arabica (63%) and robust (37%);• In Ecuador, there are 88 coffee organizations and 4 associative marketers that mobilize 10% of the national volume and satisfy 7% of the export demand. The problem in organizations is that they have not developed a business model; |
| Value chain: | <ul style="list-style-type: none">• Inefficient management of coffee organizations, limited ability to innovate and search for value-added markets. |
| Policy and government: | <ul style="list-style-type: none">• The Ecuadorian government has promoted the program of 'coffee reactivation'. The Ministry of Agriculture provides technical assistance, inputs and materials to producers |

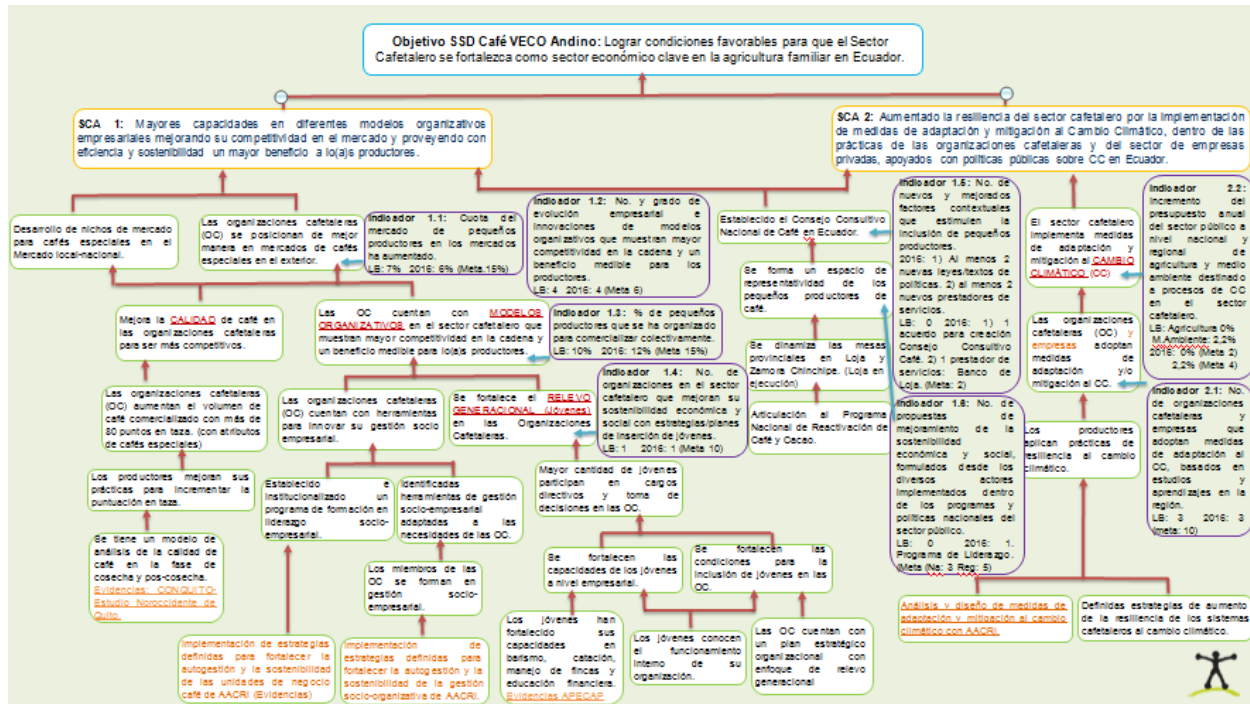
Link to pilots:

- Pilot in Imbabura

This pilot aimed to create evidence to be scaled up related to 2 aspects: practices to improve the business performance of FOs (improving AACRI's business organizational model); and the resilience of coffee sector in Ecuador, as the region where AACRI is located is very vulnerable to the effects of climate change, due to its location in a transition zone between the Andean and the sub-tropic regions. For this it was developed a study, financed by VECO, called "Potential Resilience in Coffee subsector to the impacts of CC" and also it was developed the project with BOS plus in Agroforestry Systems.

For more information see the VECO SCAF Ecuador and VECO SCAR Ecuador

b. Pathway of change



The sub-SCAs are:

1. Organizational capacity-building for greater market competitiveness, and providing efficiency and sustainability benefit to producers Resilience of coffee sector by implementing measures to adapt and mitigate climate change.

c. Observed changes in outcomes at SCA level

Main conclusion SCA1:

Organizational capacity-building for greater market competitiveness, and providing efficiency and sustainability benefit to producers

The VECO intervention has promoted a number of advances which are evidenced by the improvement of the business capacities of 2 organizations, specifically in terms of enterprise management, and best practice at the harvest and post-harvest level, which have helped improve the quality of the produce. VECO has also successfully facilitated relations between different chain actors, as well as a project to encourage youth participation and integration in the APECAP pilot.

Nevertheless, the scaling or carry-over of these successful approaches was not effective amongst other organizations, likely due to the low institutional strength of the coffee sector, which does not converge around a clear, shared vision. All of this had limited impact on the structural change agenda, according to its predefined indicators of success.

VECO has played a significant role in establishing the suitable conditions for the development of joint initiatives between private sector and effective public policies, in order to provide benefits to small producers. However, relations with the different actors of the chain have yet to be improved further, in order to improve farmers' living conditions.

Main conclusion SCA2:
Increased resilience to climate change through adaptation and mitigation measures in coffee organizations and the private sector

FOs have developed greater awareness about the importance of climate change, and VECO has helped to promote their participation in multi-stakeholder spaces in the coffee chain to discuss the issues surrounding it. Currently VECO supports implementation of measures for the mitigation of climate change in AACRI.

Observed evidence from indicators (source: SCAR)

SCAR result indicators

| SCA ECUADOR | 2013 (baseline) | 2016 (target) | Comments from SCAR | Result |
|---|--------------------|------------------|---|----------|
| SCA1: Organizational capacity-building for greater market competitiveness, and providing efficiency and sustainability benefit to producers | | | | |
| 1.1 Number and level of business development and innovative organizational models in the coffee sector, to increase the competitiveness of the value chain for measurable benefit to the producers. | #4 | #6 | In 2014, coffee organizations such as FAPECAFES and AACRI developed a process of innovation and institutional strengthening; AACRI did so through the methodology developed by CATIE and PRODEL, and FAPECAFES did so through the "Systems Management Improvement of Competitiveness" (SGMC). In 2015, AACRI had a management model and business plans for marketing units and technical unit. | Achieved |

| | | | | |
|---|---|--|---|----------|
| <p>1.2 Number of farmers' organizations in the coffee sector that improve their economic and social sustainability by designing strategies for integrating young people (men and women) in business management</p> | #1 | #10 | <p>VECO Andino, working with APECAP, implemented a project in which generational change opportunities were identified, and trained 75 young people so they could become members of the organization. Likewise, 37 youth were chosen to be trained in the productive management of their farms, based on the interests of young people in attaining better standards of productivity and quality in their coffee farms.</p> <p>One result of this intervention has been that two young trainees reached the 5th and 6th place in the Cup Bracamoros contest measuring cup quality coffee in the southern region of the country.</p> <p>Other organizations (AACRI, APECAEL, PROCAM, and AAPROCNOP), seek to strengthen proposals for the integration of young people to ensure the (social) sustainability of the organization. Through the socialization of APECAP's generational change project, multistakeholder events and spaces (e.g. the Coffee Advisory Council, Dialogue Group Rural, and coffee tables) have created interest in the role of youth in the sustainability of the country's agricultural sector.</p> <p>VECO notes that only AACRI was explicitly designed as intervention; with other organizations, actions were more dispersed.</p> | Achieved |
| <p>1.3 Number of proposals for improving economic and social sustainability, formulated by the various stakeholders in the coffee sector, and implemented within regional and national programs and policies in the public sector</p> | <p>Regional and national programs: #0</p> | <p>National programs: #3 Regional programs: #5</p> | <p>The dialogues from the Coffee Advisory Council (CCC) has allowed the stakeholders to better articulate the benefits for small coffee producers: mitigating the effects of climate change; developing manuals for acquiring public and private credit, and getting access to providers of farm inputs and technical assistance, amongst others.</p> | Achieved |

VECO Andino, with the contribution of TRIAS, RIMISP, the Catholic University and the ESPOCH, has helped coordinate a leadership training program for 31 producers representing 13 producer organizations. This course will improve the economic and social sustainability of organizations, and strengthen their association. Such capacity-building can help producers take decisions and negotiate with other actors. VECO expects this program, which was tailored to surveys of farmer needs, to be institutionalized and recognized by the Ministry of Education.

SCA2: Increased resilience of coffee sector by implementing measures to adapt to- and mitigate climate change, within the coffee organizations and the private business sector, supported by public policies in Climate Change in Ecuador and Peru

| | | | | |
|---|-----------|------------|--|---------------------------|
| <p>2.1 Number of coffee organizations and businesses adopting measures for adaptation and / or mitigation to climate change, based on studies and learning in the region.</p> | <p>#3</p> | <p>#10</p> | <p>ECOPAR presented the results of the study <i>“Advances and potentialities of resilience in the coffee sub-sector against the impacts of Climate Change (CC) and technical support in implementation processes”</i>, which was based on a mapping of the geospatial distribution of coffee plantations in Ecuador, contrasted with the bioclimatic map projecting the exposure of Ecuador to climate change in the period leading up to 2050.</p> <p>The climate trends were corroborated with the perceptions of producers (based on interviews and discussions with experts) focused on climate change. On this basis, the study proposed the following strategies for adapting to climate change:</p> <ul style="list-style-type: none"> • Shade canopy management • Implementation of irrigation techniques • Roya (‘rust’) management with compounds that maintain organic certification • Renovation of coffee plantations with resistant species <p>Until the end of 2016, these measures will be implemented in 9 AACRI farms; these adaptation strategies are</p> | <p>Partially achieved</p> |
|---|-----------|------------|--|---------------------------|

| | | | | |
|--|--|---|---|----------|
| | | | subsequently to reach 20 farms, serving as models to be emulated by other organizations. However, this intervention ultimately had a limited outcome. One reason for this is the scarcity of experts capable of providing relevant services related to climate change adaptation and mitigation. This has limited the progress of SCA 2. However, the study conducted by ECOPAR will provide validated best practices to producers that are supported by VECO interventions, as the field findings will be available by the end of the year. | |
| 2.2 Increase of the percentage of the annual governmental budget (at national and regional level) allocated to agriculture and the environment, which is used in processes for mitigating and adapting to the impact of climate change on the coffee sector. | Agriculture: 0% Environment : 2,2 % | Agriculture: 2%, Environment: 4% | The experience with the study of ECOPAR was shared in the XVIII Latin American Seminar " <i>Climate Change and Value Chains</i> " organized by the Intercooperation Latin America (ASOCAM) Foundation in November 2016, an event for knowledge sharing on Climate Change, and involving representatives of the SDC-Nicaragua, GIZ, IICA, CRS, CIP and the Zamorano Agricultural School. This seminar is expected to generate an evidence base on which to influence the government to increase the annual budget for climate change. At the time of writing, the outcomes of this seminar are not yet known. | Achieved |

Support Strategies:

| Support Strategy | Summary of activities | Achieved |
|--|---|----------|
| NURTURING THE DEBATE & AGENDA SETTING | | |
| Formulate multi-stakeholder subject-matter spaces | Insertion to multi-stakeholder space such as the Rural Dialogue Group, Proecuador, and MAGAP's Coffee Program, on issues related to the coffee chain. | Yes |
| Promote the involvement of small coffee producers in areas of political advocacy | Linkage and strategic support to coffee organizations as part of the dialogue facilitated by the Consultative Council of the Coffee chain as the 1st dialogue on the specialty coffee sector. Held in June 2015 | Yes |

| | | |
|---|--|----------------|
| BUILDING EVIDENCE | | |
| Systematize initiatives and interventions with coffee organizations | Preparation of the Report of the forum of dialogue of the coffee sector and knowledge-sharing with the actors participating in the event, as well as non-participants. Collaboration with CONQUITO in the study of the influence of coffee processing on the organoleptic quality of the cup, with an emphasis on proposing improvements in harvest and post-harvest practices. | Yes |
| EXTERNAL COMMUNICATION (MARKET WHAT WE DO) | | |
| EXPANDING AND USING OR NETWORK | | |
| Promote the exchange of experiences between different actors and strategic allies. | No exchange of experiences between key actors from the countries of Peru and Ecuador on the promotion of successful organizational models and the subject of Climate Change is specified. | Not in Report. |
| LEARNING & KNOWLEDGE SHARING | | |
| Strengthen both practical and theoretical knowledge of actors in the coffee sector, around the theme of Climate Change. | Alliances with public actors and universities on adaptation issues of Climate Change are not specified. | Not in Report. |
| Promote the involvement of young people and generational change in the coffee sector. | No specific actions are specified on the development of young leaders to give impetus to new approaches or generational change in the coffee sector. | Not in Report. |
| OTHER | | |
| Advise in the search of funds and financing both public and private. | No actions are specified for obtaining funds and the establishment of alternative funding mechanisms for the "Climate Change" axis and for the strengthening of organizational models. | Not in Report. |

Observed evidence (Source: SCAR)

VECO has oriented its work towards strengthening the organizational and business models of the FOs, which has allowed producers to gain increased confidence and willingness to engage in collective sales. Furthermore, farmer organizations in the coffee sector such as AACRI, APECAEL, PROCAMPROCAM and APROCNOP have strengthened proposals for greater youth inclusion. APECAP is a particularly successful case, where VECO has helped to embed 150 young men and women into the productive processes.

Contextual conditions were favorable to the development of SCA1. VECO has contributed through facilitating links between-, and discussion amongst organizations and public institutions such as MAGAP, IEPS, MCE, PROECUADOR, and the Provincial Governments of Pichincha, Loja and Zamora . The articulation of different actors mainly was reached by a multi-stakeholder space called Rural Dialogue Group (*Dialogo Rural*), at which VECO Andino gave insights to help convey farmer organizations' requirements to other actors participating in that space. In addition to facilitation, VECO financed these meetings.

For SCA2, one of the most important activities undertaken by VECO was the co-financing, with AACRI, of the research project "*Advances and potentialities of resilience in the coffee sub-sector against the impacts of Climate Change (CC) and technical support in implementation processes*". On the basis of the insights in this study, AACRI is currently in the process of implementing the recommended measures to mitigate the effects of climate change, though any results of this will only become apparent in the long term.

Observed evidence (Source: CIR)

- **In 2014: For SCA 1**, in this year, the break-even point of the coffee business unit was exceeded by 25% for the storage and sales level, from 800 to 1000 pieces of coffee. By 2015, 1,213 were sold and by 2016 sales increased to 1245 packages. In addition there are two local coffee shops to promote local consumption. There is no evidence that this increase in sales volume is due to VECO.
- **2015: For SCA 1**, Tours were made to link the young people to the organization; there was an increase in the participation of women and young people in the socio - organizational as well as the business field activities. There are 23 women out of 150 members in AACRI; however AACRI hires temporary staff for the selection of coffee mainly to women. There is no evidence that the participation of women and young people is due to VECO in AACRI.
- **2016: For SCA 1**, AACRI with the support of VECO developed business plans of its units: technical (organic inputs for fertilization and plagues and disease control, and plantlets nursery) and coffee (processing of coffees beans). Practices and learnings can be applied in other organizations.
- **In 2015: For SCA 1**, AACRI with the support of VECO have carried out activities of exchange and learning of knowledge and experiences with actors of the coffee chain to create strategic alliances.
- **In 2016: For SCA 1**, According to the Business Capabilities analysis, AACRI successfully marketed its products collectively in the last 3 years but can still improve. Veco helped to give Innovation corporate image: advertising material, work material, signage. This contributed in generating trust in the partners to sell their product through AACRI.
- **In 2015: For SCA 2**, AACRI has improved its sustainable production practices through production of both liquid and solid organic fertilizers, fungi for pest and disease control and prevention as a proposal to increase resilience to climate change. VECO has contributed technical assistance on these issues. In additional, 6500 tree and fruit trees were planted as measures to mitigate climate change and diversify incomes. VECO support negotiation with the Belgian ONG BOS + to incorporate trees into their production systems. As for the central government budget, support has been concentrated in areas affected by the earthquake, reducing the budget available for other sectors.

In general, the strategies developed by VECO at pilot level have been consistent with the demands of AACRI. But follow-up of the implementation of the activities was necessary to comply with the process in the AACRI.

Evidence from partners (Source: key informant interviews)

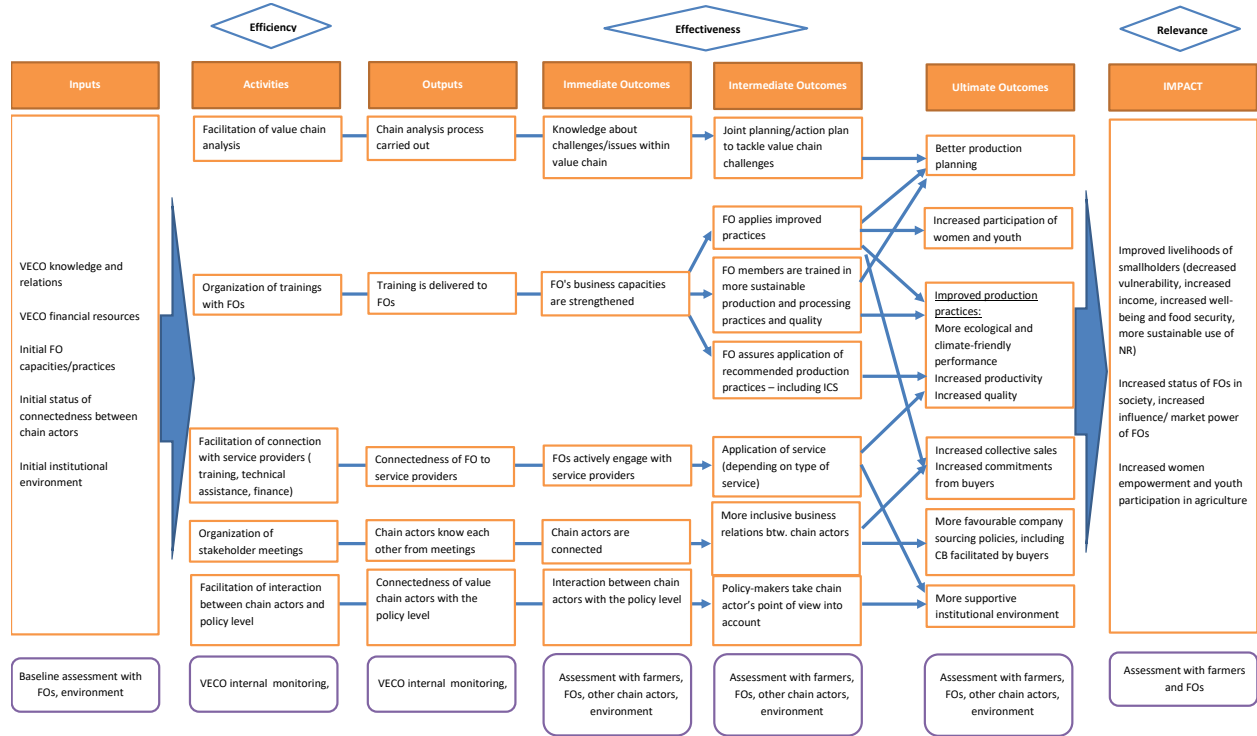
- Interview of FAPECAFES, on SCA1 (Higher capacities in business organizational models): In mid-2015, the FAPECAFES board decided to suspend the SGMC project (which had been undertaken in collaboration with VECO), because costs were high and no evaluation processes were evident. At the early stage, SGMC contributed through the establishment of governance methodologies within the grassroots groups; however, the collective marketing methods were not improved, which was another main reason for suspending the project. This has meant a challenge for the subsequent work of VECO with FAPECAFES.
- Interview of CONQUITO, on SCA1 (Higher capacities in business organizational models): The contribution of VECO with CONQUITO has enabled producers to recognize the organoleptic characteristics of coffee, in order to increase best practices in production. This has indirectly helped by prompting new producers to join organizations. VECO has made small tastings with producers and has included international experts in tasting processes; VECO has also contributed in barista trainings. VECO still faces the challenge of continuing the work of rural assistance without neglecting its participation in urban and peri-urban areas.
- Interview of MAGAP, on SCA1 (Higher capacities in business organizational models): VECO supports the management of the “Reactivation of coffee and cocoa”-project, led by MAGAP. The project is made up of a service platform which contributes to the formulation of proposals to improve the economic and social sustainability of coffee and cocoa organizations. VECO facilitated sets of services related to crop management, climate change mitigation and youth inclusion.
- Interview of APECAP, on SCA1 (Higher capacities in business organizational models): VECO has contributed to APECAP in Palanda, through a youth integration project. This project has allowed evidence of achievement, as the organization has a committee of young people with responsibility shared between men and women. In its processes, it consists of: 1) the creation of a group of young producers, 2) providing them with leadership- and empowerment training; 3) designing a work plan for the space of half a hectare with each producer, and 4) execute the work plan. VECO should enlarge its equipment for a wider intervention to replicate successful processes, such as the APECAP cooperation, in other areas.
- Interview of CAFÉ VÉLEZ- Private Company, on SCA1 (Higher capacities in business organizational models): Café Vélez has not been concerned with increasing the number of partners or increasing its collection capacity, but with the quality and consistency of production; that is, to maintain the quality of coffee, harvest after harvest. This has allowed the producers themselves to monitor the quality of their production with the help of VECO, which has been reflected in increased sales. Café Vélez largely acquires coffee from organizations supported by VECO, especially in the Northwest of Pichincha. VECO has contributed to improving the quality of coffee, such as with regards to sample preparation; it has also coordinated with the organizations of Pichincha and

Galapagos to make specific buyers' relations with Café Vélez. The support of VECO has been effective, though it could improve the commercial management of their organization by socializing the sensorial analyzes that it performs periodically, thus the buyers would have access to information of the profiles of its suppliers.

- Interview of Ministry of Foreign Trade (MCE) & PROECUADOR, on SCA1 (Higher capacities in business organizational models): Since 2012, VECO has been involved with MCE & PROECUADOR to strengthen access to markets for FOs through public fair trade policy. VECO has participated in two phases: 1) the development of the Fair Trade Public Policy document, 2) the implementation of public policy based on a Road Map; the second phase of this is still in progress, so far with satisfactory results in terms of establishing inclusive businesses. VECO has contributed to the formation of technical working groups which include public, private and producer institutions. The contribution of VECO to PROECUADOR is very important, because it helps identify new organizations with export and certification potential to generate added value such as APECAP, UNOPROCAE and AACRI.
- Interview of RIMISP, on SCA1 (Higher capacities in business organizational models): VECO has contributed to the formation of rural dialogues to generate influence in political actors that allows generating proposals such as the "Flavors of Ecuador" project, which was funded by VECO. However, VECO is faced with the challenge of replicating the successful processes of the coffee and cocoa sectors in other productive chains.
- Interview of ECOPAR, on SCA2 (Resilience of coffee sector by implementing measures to adapt and mitigate climate change): VECO funded the research project "*Advances and potentialities of resilience in the coffee sub-sector against the impacts of Climate Change (CC) and technical support in implementation processes*". This project had 3 phases: 1) determination of the vulnerability of different zones, 2) identification of trends in climate change, and 3) recommendations for the implementation of mitigation measures. VECO provided technical assistance to AACRI, in order to analyze the specific conditions of each farm. So far it has worked with 4 farms, however the budget is too limited to carry out all the implementation activities. The progress of the research has been reviewed by VECO, in order to execute appropriate adjustments. According to ECOPAR, efforts should be extended, because the sample of farms so far is not representative, and each farm has complex particularities that are not fully captured or considered in the research, yet.

6. Junin Pilot

a. Pathway of change



b. Effectiveness of VECO intervention

i. Pathway 1

| Activities | Outputs | Immediate Outcome | Intermediate Outcome | Ultimate Outcome |
|--------------------------------------|------------------------------------|---|--|---|
| Facilitation of value chain analysis | Chain analysis process carried out | Knowledge about challenges/ issues within value chain | Joint planning/ action plan to tackle value chain challenges | Better production planning and better commercial management to improve FOs articulation with specialty coffees and fine cocoa markets |

Main findings

The contribution of VECO to these improvements consisted primarily of a strong focus on improving the quality of their members' production. In this particular pathway, the adoption of the integral information system funded by VECO has facilitated the marketing of specialty coffees, by monitoring and recommending

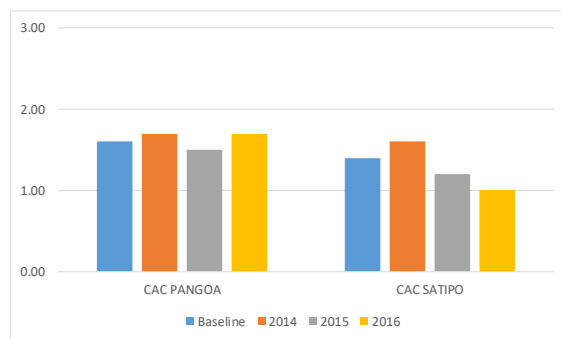
improvements in the quality of produce of each farmer, related to each committee (organization substructure located in each sub-region among PANGOYA territory). Other activities designed and funded by VECO such as quality competitions were reported to be effective in improving the quality amongst members.

The role of VECO in achieving outcomes in both pilots can be characterized as revolving around providing management tools; but good results largely depended on the existing management capacities of each organization—these capacities (and as such the results) were strong for PANGOYA, but limited for SATIPO.

Observed evidence (source: CIR)

Evidence from business capacity indicators:

| Row Labels | Baseline | 2014 | 2015 | 2016 |
|---|----------|------|------|------|
| Junin | 1.60 | 1.70 | 1.50 | 1.70 |
| CAC PANGOYA | 1.80 | 1.80 | 1.80 | 2.40 |
| 2. To what extent has the FO acquired business management skills? | 1.67 | 1.67 | 1.67 | 2.00 |
| 3. To what extent has the FO acquired marketing skills? | 2.00 | 2.00 | 2.00 | 3.00 |
| CAC SATIPO | 1.40 | 1.60 | 1.20 | 1.00 |
| 2. To what extent has the FO acquired business management skills? | 1.33 | 1.67 | 1.33 | 1.00 |
| 3. To what extent has the FO acquired marketing skills? | 1.50 | 1.50 | 1.00 | 1.00 |



Junin - Pangoa: There were no results in 2014 and 2015, but a significant improvement in 2016, especially in marketing skills (reaching the highest score). The intervention seems to have resulted in the desired result for this pathway.

Input from VECO:

This outcome could be caused by some values of sales. Pangoa, exported a volume of 14.928 quintals in the following qualities:

- 1) 2 containers with 83.4 points in cup sold to Harvest y Coop Coffees.
- 2) 2 containers with 84 points in cup sold to Level Ground.
- 3) 11 containers with 83 and 84 point in cup.
- 4) 1 container of coffee produced by young farmers.

CAC Pangoa (2.4) has a higher score than AACRI in Imbabura (2). In this case, CAC Pangoa is a strong cooperative with experience, knowledge and good governance (in the form of a capable manager), allowing it to take full advantage of VECO support. This support consist mainly of improving the quality of

product management (through the inclusion of youth in cupping), through studies of business plans, and through advice for ways to update their supply capacity.

It should be taken into account that documents (business plan) were not advanced in 2014 - 2015, but there was support for representatives of organizations to participate in trade fairs. That helped them expand the number of customers (that year the first young coffee containers were sold (CAC Pangoa). In the second year, emphasis is placed on the plans commercial and marketing skills

Junin – Satipo: FO showed small improvements in 2014 compared to the baseline, but scores declined in 2015 and 2016. Farmer organization's business management skills and marketing skills markedly declined in 2016 when compared to the baseline. The intervention seems to have had a negative effect on value chain analysis and production planning, though it is also possible there are other, external factors influencing this.

Input from VECO:

It is important to point out that since 2014, that CAC Satipo has been going through an organizational crisis, and as such there have been a lot of changes in direction and management positions. Another factor to consider is that CAC Satipo has 7 different projects from other NGOs as well as government programs, each of them supporting parallel process, with no coordination between them. This has fed into a loss of effective governance.

Although the results are not encouraging, due mainly to its organizational crisis, contributions to achieve a better commercial management of CAC Satipo, were made by processes that have been implemented, such as:

- 1) Internships and visits to other organizations.*
- 2) Implementation of information systems that improve communication between the different areas of the cooperative.*
- 3) Mobile cuppings, a methodology that has improved the quality of the coffee delivered by the farmers to the organization, as they are more conscious about the importance of cupping process. (This methodology has been used successfully by other organizations in Junin Region)*
- 4) Training in leadership succession, another strategy used to form the new leaders of the cooperative (in process).*

This intervention has been less successful than the one in Imbabura, mainly because of the organizational crisis of CAC Satipo, as previously discussed. In addition, this result was highly influenced by internal organizational factors, which were outside of VECO control.

Main conclusions from CIR:

- In 2014, through chain studies to identify the profitability of the producer, it was determined that organic production generates higher and better incomes than conventional crops.
- Starting in 2014, modules and training materials for business ventures related to coffee and cocoa chains have been designed, which has improved marketing management. The modules have been implemented for 20% to 2016.
- Since 2016, Pangoa has started the installation of nurseries of the Creole variety, using as an input the study carried out by the project "*Diagnostico situacional y propuestas tecnológicas para mejorar los aspectos productivos en el cultivo de cacao*" to improve product production and quality. The study developed by Xocium "*Desgobierno y crisis Socio – Económico* " in 2014 has

improved the management and administration processes through other projects in CAC Satipo from 2015.

- The study to optimize strategic planning and management processes in 2014 contributed to improving production planning and business management, as well as youth participation , in CAC Pangoa.

Triangulation (source: key informant interviews and FGDs)

SATIPO’s crisis, which was precipitated by the coffee rust epidemic in the years 2013-2014, revealed a series of wrong management decisions which had been made in the past without transparency and democratic accountability. This provoked a deep financial crisis that led to problems at various levels. First, it resulted in members distrusting the organization, and failing to return as active members. Secondly, the contracts with international clients were not met, and the reimbursement of credit brought the organization to the brink of bankruptcy. Thirdly, the management positions were changed, and this negatively affected the relations with VECO staff. Other projects actually created parallel process regarding joint planning, which made it difficult to articulate actions effectively in order to tackle the big challenges that the organization faced.

PANGOA, on the other hand, was also affected by coffee rust, but it did not created a major crisis. In fact, the coffee rust created an opportunity to improve production planning by renewing the plantations and improving the pre-harvest and post-harvest practices, all of which has resulted in increased sales of special coffees. The role of VECO in facilitating these improvements consisted mainly in its strong focus on improving the quality of their members’ production. In this particular pathway, the adoption of the integral information system funded by VECO has facilitated the marketing of special coffees by monitoring and recommending improvements in the quality of produce of each farmer related to each committee (organization substructure located in each sub-region among PANGOA territory). Other activities designed and funded by VECO such as quality competitions were reported to be effective in improving the quality among members.

The role of VECO in achieving outcomes in both pilots can be characterized as providing management tools; the actual results of these tools, however, depended on the pre-existing management capacities of the organisations.

ii. Pathway 2

| Activities | Outputs | Immediate Outcome | Intermediate Outcomes | Ultimate Outcomes |
|------------------------------------|------------------------------|---|--|---|
| Organization of trainings with FOs | Training is delivered to FOs | FO's business capacities are strengthened | FO applies improved practices FO members are trained in more sustainable production practices and quality FO assures application of recommended production practices | Better production planning Increased participation of women and youth: that acquired leadership and management capacities. Improved production practices: FOs have improved their ability |

to offer specialty coffees and fine cocoa with emphasis of young integration.

Main findings

Achieving the ultimate outcome related to improving the FO ability to provide specialty coffees and fine cocoa was possible thanks to the VECO intervention, both in terms of boosting sales of quality coffee, and with regards to efficacy of trainings. This efficacy was variable: in Pangoa the support by VECO through trainings was better than in Satipo, due to the differences in initial management capabilities of both organizations.

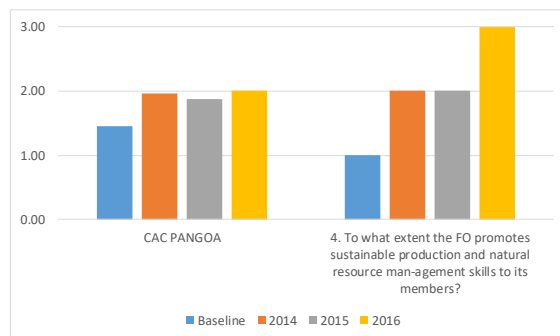
The VECO contribution to this process was very important since it funded the trainings for technical staff and farmers, produced and distributed manuals, and introduced the mobile cuppings. The later was reported to be a powerful way to increase transparency on how the quality is assessed, therefore how the price is determined for each farmer. As such it builds trust and, significantly, provides insights regarding how farmers can increase quality by improving pre-harvest and post-harvest practices with a proven methodology.

Youth and women integration was highly promoted by the VECO intervention, and progress was primarily visible for youth. It was reported that young participation increased, and during triangulation young farmers claimed that efforts undertaken by VECO, such as offering leadership courses to youth of both organizations, as well as quality control trainings, have increased the chance that youth integration could be successful, because young new leaders (male and female) are motivated and already occupy certain leaderships positions in youth- and sub-regional committees. The challenge is to keep the new skilled young people within the organization since there is a tendency for talented youth to move to other companies and entities which offer it's a higher income in comparison to what the organizations or farm revenues could offer them.

Observed evidence (source: CIR)

Evidence from business capacity indicators:

| Row Labels | Baseline | 2014 | 2015 | 2016 |
|--|----------|------|------|------|
| Junin | 1.46 | 1.96 | 1.88 | 2.00 |
| CAC PANGO | 1.67 | 2.17 | 2.42 | 2.58 |
| 1. To what extent has the FO acquired group management skills? | 2.00 | 2.40 | 2.80 | 2.80 |
| 2. To what extent has the FO acquired business management skills? | 1.67 | 2.00 | 2.33 | 2.00 |
| 3. To what extent has the FO acquired marketing skills? | 1.50 | 2.00 | 2.00 | 2.50 |
| 4. To what extent the FO promotes sustainable production and natural resource man-agement skills to its members? | 1.00 | 2.00 | 2.00 | 3.00 |
| CAC SATIPO | 1.25 | 1.75 | 1.33 | 1.42 |
| 1. To what extent has the FO acquired group management skills? | 1.40 | 1.80 | 1.40 | 1.60 |
| 2. To what extent has the FO acquired business management skills? | 1.33 | 1.33 | 1.33 | 1.00 |
| 3. To what extent has the FO acquired marketing skills? | 1.00 | 2.00 | 1.00 | 1.00 |
| 4. To what extent the FO promotes sustainable production and natural resource man-agement skills to its members? | 1.00 | 2.00 | 1.50 | 2.00 |



Junin - Pangoa: The indicators demonstrated strong improvements on all indicators compared to the baseline, suggesting the trainings were successful. Regarding sustainable production the FO even reached the highest score for 2016.

Input from VECO:

It may be useful to note that as a result of the trainings, there are now several manuals available, these being:

- 1) Quality Manual for Coffee.
- 2) Methodological Guide for “Mobile Cupping”.
- 3) Cupping results formats delivered to farmers.
- 4) Farm administration

In all these trainings, special attention was reserved for young people, and in this case, the result was primarily because of the VECO intervention.

Relevant for both FOs: It is worth to clarify that the first year the results of work with young people was not satisfactory and according to the goals that have been had. This was because there was a different team in the project that did not work the logic that the project considered. It is only the second year that we have changed the team and changed the way of approaching the issue of young people and so they are achieving the evidence of progress.

Junin – Satipo: The results indicate that there has been little improvement achieved in 3 years compared to the baseline. Group management skills hardly increased, business management skills declined, and marketing skills remained stable. Only sustainable production significantly improved.

Input from VECO:

Sustainable production significantly increased in 2014, but since then the values have remained the same. This result was highly influenced by the organizational crisis of CAC Satipo, which was outside of VECO control.

Main conclusions from CIR:

- Since 2014, FO's young people participate in informative spaces such as training and various activities in the formation of committees, some of the activities are related in the areas of Cupping, Collection and Marketing. In 2015 the participation of young people in the cooperatives and business organization increased more than 65%. For the first half of 2016, the participation of young people in business levels and governing bodies has increased by an average of 19% over 2015.
- In the period 2014-2016, young people have adopted technical knowledge and tools to improve the admission of their farms, consolidate their business ideas, and public investment projects to be inserted in the coffee and cocoa production chain.
- In 2015 the number of female members was low in both cooperatives in relation to the number of male members, 19% in CAC Pangoa and 25% in CAC Satipo.
- The meetings held in the Operational Committee and the Steering Committee of CAC Satipo promoted by VECO Andino have made it possible to evaluate progress and decision making regarding the execution of activities and budget execution.
- Satipo has basic knowledge and has developed some initial skills in collaborative post-harvest management and in the collective marketing of its products in the last 3 years.

Triangulation (source: key informant interviews and FGDs)

The formation of committees among each sub-region allowed the PANGOYA and, to a lesser extent, SATIPO CACs to train farmers in farm management skills (planning of activities, costs accounting), sustainable production practices (organic inputs, soil and water conservation, agroforestry practices), roles and functions of the organization structure, cupping procedures and quality related recommendations. SATIPO was less effective because of difficulty to access to all sub regions and mainly members were exhausted of too much training delivered by several projects simultaneously in action. Additionally, SATIPO members conditioned their participation to receiving or not some sort of free input.

VECO contribution to this process was very important since it funded the trainings to technical staff and farmers, produced and distributed manuals, and introduced the mobile cuppings. The later was reported to be a powerful way to increase transparency on how the quality is assessed, therefore the price determined to each farmer, and importantly, it gives the answers of how to increase quality by improving pre-harvest and post-harvest practices with a proven methodology.

Youth and women participation in management level was promoted strongly by VECO. Trainings in cupping to young people are funded by VECO as well as a leadership school, available for young members of the organization that is highly valued. The challenge in this respect is to keep the young trained people within the organization and discourage them to work for other companies or entities immediately after they finish their trainings because of better income offers than the organization can give. In addition, strengthen youth committees by providing them a budget (only in the case of Pangoa) within the organization was also reported as a good strategy implemented by the organization and supported by VECO intervention. In Satipo changes in statutes regarding minimum requirements were identified by the board as a necessary measure to integrate young people to the board of managers, however not implemented.

iii. Pathway 3

| Activities | Outputs | Immediate Outcome | Intermediate Outcome | Ultimate Outcome |
|---|--|--|---|-------------------------------|
| Facilitation of connection with service providers (e.g. training, finance, inputs, transport) | Connectedness of FO to service providers | FOs actively engage with service providers | Application of service (depending on type of service) | Improved production practices |

Main findings

Observable evidence demonstrates that Pangoa was able to actively engage with service providers that enable investments in infrastructure, equipment and technological innovation to open new lines of business. It is worth mentioning that this was in part due to their initial good business management skills.

Although Satipo was able to attract many projects, this did not translate to significant improvements in relation to better production practices. According to the triangulation, some overlapping of actions indeed complicate the governance problem and the result of this was a low efficacy in improving production practices. In addition, the financial crisis faced by the FO, caused by coffee rust, strongly affected both the organization as well as farmers. The FO preferred projects that provide to a large extent non-refundable equipment or inputs; this complicates comparison to other projects (by VECO and other actors) that focused on supporting strengthening capacities.

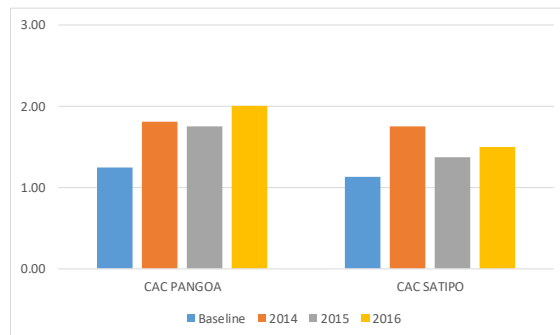
Similar to pathways 1 and 2, VECO support strategies such as provision of integral information systems (accounting, quality records, credit records), funding trainings in quality control (certified cupping for technical staff), and trainings in better pre-harvest and post-harvest resulted in better production practices.

There was some variance between FOs. Pangoa used the services facilitated by VECO funding to a larger extent than Satipo because of its initial position regarding group management skills (mainly transparency), and business management skills (smart integration of business development services meaning projects). In other words, VECO was more successful in achieving outcomes depending on the sort of leadership that channel services (offered by VECO and other projects) effectively or not, under the same context (same region, same external factors affecting their members). In effect, it was found that the degree to which the FOs were open to the support offered by VECO greatly impacted the up-take and impact.

Observed evidence (source: CIR)

Evidence from business capacity indicators:

| Row Labels | Baseline | 2014 | 2015 | 2016 |
|---|----------|------|------|------|
| Junin | 1.25 | 1.81 | 1.75 | 2.00 |
| CAC PANGOA | 1.38 | 1.88 | 2.13 | 2.50 |
| 1. To what extent has the FO acquired group management skills? | 2.00 | 2.00 | 3.00 | 3.00 |
| 2. To what extent has the FO acquired business management skills? | 1.40 | 1.80 | 2.00 | 2.20 |
| 4. To what extent the FO promotes sustainable production and natural resource management skills to its members? | 1.00 | 2.00 | 2.00 | 3.00 |
| CAC SATIPO | 1.13 | 1.75 | 1.38 | 1.50 |
| 1. To what extent has the FO acquired group management skills? | 1.00 | 1.00 | 1.00 | 1.00 |
| 2. To what extent has the FO acquired business management skills? | 1.20 | 1.80 | 1.40 | 1.40 |
| 4. To what extent the FO promotes sustainable production and natural resource management skills to its members? | 1.00 | 2.00 | 1.50 | 2.00 |



Junin - Pangoa: Connectedness with service providers increased greatly for Pangoa. All indicators increased, with group management skills and sustainable production even reaching the highest score of 3.

Input from VECO:

This result is mainly because of VECO intervention in line with the necessities of CAC Pangoa. In some process like use of information system and leadership there is collaboration with ROOT Capital.

Junin – Satipo: The FO showed hardly any increases with regard to connectedness with service providers. Group management skills remained stable, business management skills only improved slightly (only better certificates on quality). Sustainable production improved from 1 to 2, but overall improvements are limited.

Input from VECO:

For a better production planning and supportive institutional environment, the organizational crisis of CAC Satipo, also was a strong factor to have limited improvements. The organization has 7 other projects with other NGOs and government that show that CAC Satipo is able to attract services, but there is a dispersion and overlapping of actions of these interventions, which have complicate more the governance problem within the organization.

Main conclusions from CIR:

- According to the analysis of Business Capabilities for the period 2014-2016, Satipo and Pangoa have developed a good level of skills to attract business development services in the last 3 years, but it can still be improved. 2014, Satipo financed 60% of its working capital with international solidarity banks, but since 2015 it has not been able to access credit due to internal indebtedness and conditions of the FO.
- Satipo has agreements with Fondam, Fondo Empleo, DAS, Sierra Exportadora, Concytec, JNC and other allies with whom it has been implementing productive projects and through them it finances its technical equipment;

- Pangoa has been able to attract investments through several public and private investors in the Drying Plant, centralized warehouses, infrastructure for production centers of new lines of business and transport units. Also in Technological Innovation in the processing of organic fertilizers.
- As a lesson learned, the shortage of non-financial service providers delays the execution of consulting activities in both FOs.

Triangulation (source: key informant interviews and FGDs)

According to the Pangoa vice-president, the integral information system which consists of a number of modules including quality records, credit records, farmers and farm characteristics, have been an important step to providing better services to members (quality reports and technical recommendations) and improving its business capacities in relation with decision making regarding planning sales. This was possible by the support of VECO in collaboration with Root Capital.

According to Satipo’s new president, the financial crisis faced by the FO, which was caused by wrong decisions regarding investments and coffee rust, affected directly the relations between farmers and the organization in two ways: firstly, farmers were indebted and could not respond to their credits from the organization, making them reluctant to return to the organization, and secondly, member’s distrust in the managers and board provoke changes. These challenged affected the efficacy of VECO’s intervention. Farmers were reluctant to participate and technical staff funded by VECO were dismissed by new administration meaning a weak performance of the integral information system and quality control unit.

iv. Pathway 4

| Activities | Outputs | Immediate Outcome | Intermediate Outcome | Ultimate Outcome |
|--------------------------------------|--|----------------------------|---|---|
| Organization of stakeholder meetings | Chain actors know each other from meetings | Chain actors are connected | More inclusive business relations btw. chain actors | Increased collective sales Increased number of long-term sales agreements More favorable company sourcing policies More supportive institutional environment |

Main findings

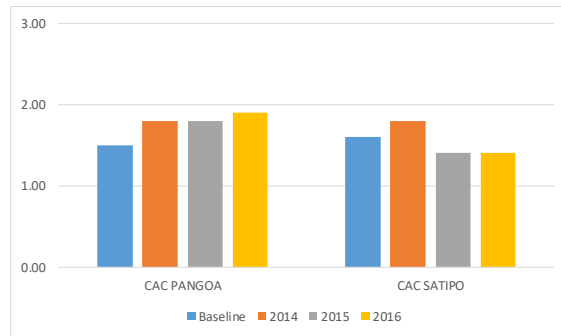
Note: as the objectives of this pathway were not in the original CIF / planning, it is evaluated here to provide guidance but without a formal fully met / partially met / not met color-coding.

As confirmed by FOs, VECO has supported making the FOs present in national and international events (“Mistura” international fair, “Expocafe”, “Chocolate saloon”). This has led to positive results in increasing the base of international clients.

Observed evidence (source: CIR)

Evidence from business capacity indicators:

| Row Labels | Baseline | 2014 | 2015 | 2016 |
|---|----------|------|------|------|
| Junin | 1.50 | 1.80 | 1.80 | 1.90 |
| CAC PANGOA | 1.40 | 1.80 | 2.20 | 2.40 |
| 2. To what extent has the FO acquired business management skills? | 1.00 | 1.00 | 1.00 | 2.00 |
| 3. To what extent has the FO acquired marketing skills? | 1.50 | 2.00 | 3.00 | 2.00 |
| 5. To what extent does the FO builds up and maintains external relations? | 1.50 | 2.00 | 2.00 | 3.00 |
| CAC SATIPO | 1.60 | 1.80 | 1.40 | 1.40 |
| 2. To what extent has the FO acquired business management skills? | 1.00 | 2.00 | 0.00 | 1.00 |
| 3. To what extent has the FO acquired marketing skills? | 1.50 | 1.50 | 1.50 | 1.00 |
| 5. To what extent does the FO builds up and maintains external relations? | 2.00 | 2.00 | 2.00 | 2.00 |



Junin - Pangoa: The FO shows strong improvements compared to the baseline on all indicators. In 2016 the FO scores 2 or 3 on all indicators, suggesting the stakeholder meetings have had a positive impact.

Input from VECO:

Only consider that this project (Junin) was planned as a pilot for Subsector Development (SSD) Intervention. So there were no specific results planned for increased number of long term agreements and more favorable company sourcing policies, but there were results to improve FOs articulation with specialty coffee markets.

Mainly by VECO, but also because some clients that fortalice the organization like: OBOLo and Twin.

Junin – Satipo: The FO shows a small decline when comparing 2016 with the baseline. Especially marketing skills have deteriorated, while the rest has remained stable. Stakeholder meetings seem to **not** have a positive effect.

Input from VECO:

Only consider that this project (Junin) was planned as a pilot for Subsector Development (SSD) Intervention. So there were no specific results planned for more inclusive business relations. It is also relevant to consider the actual crisis of CAC Satipo, they are not able to comply their commitments leading to create distrust between other actors of the chain. Finally, this project (Junin) was planned as a pilot for Subsector Development (SSD) Intervention. As such, there were no specific results planned for increased number of

long term agreements and more favorable company sourcing policies, but there were results to improve FOs articulation with specialty coffee markets.

This result was highly influenced by the organizational crisis of CAC Satipo, which was outside of VECO’s control.

Main conclusions from CIR:

- CAC Pangoa commercializes its products collectively and successfully, working with partners and managers on improvements in organic production and coffee quality. VECO designed Pangoa participation in fairs with Managers and key leaders.

Triangulation (source: key informant interviews and FGDs)

VECO supported the promotion of organizations in international and national fairs which was positive for getting new clients for special coffees. However, the impact was limited since this pathway was not part of the initial pilot planning.

v. Pathway 5

| Activities | Outputs | Immediate Outcome | Intermediate Outcome | Ultimate Outcome |
|---|--|---|---|---|
| Facilitation of interaction between chain actors and policy level | Connectedness of value chain actors and the policy level | Interaction between chain actors and the policy level | Policy-makers take chain actor’s point of view into account | More supportive institutional environment |

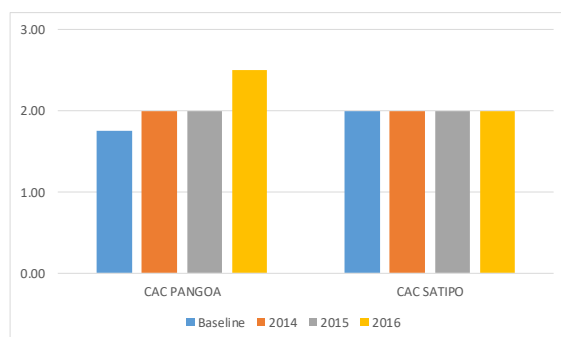
Main findings

VECO has facilitated interaction between chain actors, in particular in relation to the youth agenda. The sharing of good examples of integration of young men within the FOs coincides with a more supportive institutional environment. Pangoa and Satipo have participated in the regional office of JNC. VECO has participated actively through the SCA intervention in the strategic planning for the coffee sector including advocating topics of youth and women integration to the coffee sector agenda, primarily by sharing and scaling up success stories.

Observed evidence (source: CIR)

Evidence from business capacity indicators:

| Row Labels | Baseline | 2014 | 2015 | 2016 |
|---|----------|------|------|------|
| Junin | 1.75 | 2.00 | 2.00 | 2.50 |
| CAC PANGOA | 1.50 | 2.00 | 2.00 | 3.00 |
| 5. To what extent does the FO builds up and maintains external relations? | 1.50 | 2.00 | 2.00 | 3.00 |
| CAC SATIPO | 2.00 | 2.00 | 2.00 | 2.00 |
| 5. To what extent does the FO builds up and maintains external relations? | 2.00 | 2.00 | 2.00 | 2.00 |



Junin - Pangoa: Pangoa FO shows strong increases in building and maintaining external relationships, scoring the full score in 2016. Interaction between chain-actors seems to have significantly improved.

Input from VECO: A big extent is because of VECO intervention but also by the good positioning of CAC Pangoa with other actors. The organization is also part of “La Junta Nacional de Café” (JNC), a union that represents coffee cooperatives in Peru. Within this union, CAC Pangoa takes part in the Coffee Agenda of Junin Region.

Junin – Satipo: Satipo FO shows no changes in building and remaining external relationships. The interventions seem not to have worked.

Input from VECO:

It is important to emphasize that the organizational crisis of CAC Satipo influenced in a negative way VECO intervention. The result was highly influenced by the organizational crisis of CAC Satipo that is outside VECO control. The organization is also part of “La Junta Nacional de Café” (JNC), but as CAC Satipo is not able to comply their commitments is perceived at a not reliable member.

Main conclusions from CIR:

- FOs through government programs, promoted by the JNC and various international cooperation projects, coffee plantations, agronomic management practices and crop diversification have been renewed.
- Since 2014, Pangoa has been an active member of the JNC and has established strategic alliances between cooperatives and other organizations (Café Peru, JNC, Central Coffee and Cocoa). The relationship with local and regional government has been weak because concrete results have not been achieved.
- Since 2016, the " Consejo de Desarrollo del distrito de Pangoa" has been set up with representatives of different production sectors such as coffee (CAC Pangoa), cocoa, pineapple, etc. for the development of agricultural policies at the local level.

Triangulation (source: key informant interviews and FGDs)

VECO's pilot and SCA interventions supported the interaction of Pangoa and Satipo with the JNC regional office, and other organizations, in relation with setting the agenda through a strategic planning for the coffee sector in which young integration was a central topic. Ultimate outcome were perceived to have limited progress but the reasons scape VECO's control such as governance interaction at regional and national level. However, it was valued as positive the relations established with the new central government for the future.

The achievements of getting renewed plantations and diversification was not a result of pilot VECO interventions, but a big demand of the sector.

c. Relevance of VECO intervention

In this section we evaluate the relevance of VECO's interventions by looking at the farmer-level impact. We investigate whether the VECO interventions at the FO-level have also created notable differences (positive or negative) on the famer impact level. This is done in two ways: by reviewing the results of the focus group discussions, and by comparing the farmer survey (2016) with baseline data (2013). It must be noted that comparison is difficult at times, as indicators differ significantly over time.

Main conclusion of focus group discussions (FGD) with farmers

Most members have experienced a reduction of income and an increase in vulnerability, which is mainly related with the effects of coffee rust and low prices that had a huge impact in productivity of farms. However, most of them foreseen a significant recovery for the next year, since the plantations have been renewed and the farm management practices improved thanks to the combined intervention of several projects highlighting the significance of VECO intervention through building farm management capacities and focus in quality practices.

As for food security, farmers reported no changes despite of the fact that income has decreased in the last three years. This was explained as a result of traditional family crops that support their access to food.

As of sustainable production practices nearly half of the members have improved it via trainings brought by VECO and other projects (ex: living barriers, reforestation, application of organic inputs) and half of them have said that has remain equal since their certifications obliges them to preserve natural resources and that was done before VECO intervention.

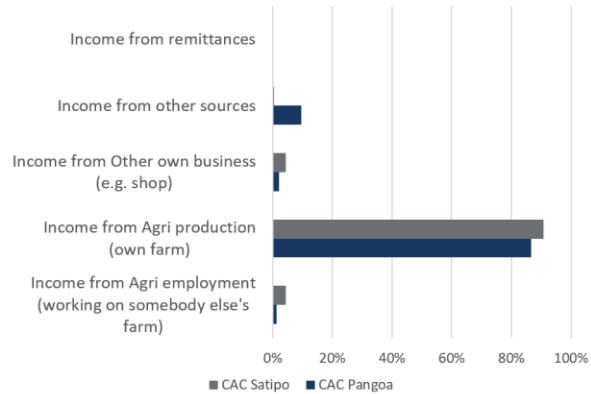
As of women empowerment 64% has reported to be better since VECO intervention thanks to motivational trainings and the school of leaders, not only attributed to it but to other projects or certification of fair trade , for instance SOCODEVI project has had a major role in integrating women at the statutes level. The other 36% considered that low educational levels as well as cultural issues keep the women empowerment the same.

As of youth empowerment, all of the farmers interviewed considered that has been improvements via establishment of youth committees thanks to organization's efforts and the strong focus of VECO intervention via leader's schools. Other project has also contributed: TWIN.

Comparison of baseline and 2016 farmer survey

| 1a. Income | | | | | | | | | | | | | | | |
|--|------------|------------|--------------|-----|-----------|-----|-------|-----|------------|-----|--------------|----|---------|----|---|
| Baseline | 2016 | | | | | | | | | | | | | | |
| <p>2 types of farmers have been identified:</p> <ul style="list-style-type: none"> Type 1: with 5 ha of coffee, producing 8 quintals (460 kg/ha) annually Type 2: with 10 ha of coffee, producing 15 quintals per hectare (862.5 kg/ha) under organic production <p>Annual income:</p> <ul style="list-style-type: none"> Type 1: 1,550 USD (1USD=S/2.750) Type 2: 10,900 USD <p>Profit margin:</p> <ul style="list-style-type: none"> Type 1: 23% Type 2: 40% <p>Household expenses:</p> <table border="1"> <caption>Household Expenses Data</caption> <thead> <tr> <th>Category</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Alimentación</td> <td>44%</td> </tr> <tr> <td>Educación</td> <td>19%</td> </tr> <tr> <td>Salud</td> <td>11%</td> </tr> <tr> <td>Transporte</td> <td>12%</td> </tr> <tr> <td>Festividades</td> <td>7%</td> </tr> <tr> <td>Vestido</td> <td>7%</td> </tr> </tbody> </table> | Category | Percentage | Alimentación | 44% | Educación | 19% | Salud | 11% | Transporte | 12% | Festividades | 7% | Vestido | 7% | <p>Farmers received a return on investment on average of ~26%, with production costs of \$95 and sales price of \$121 per ton</p> <p>Average gross income of USD 5,200, however very large variability, with most farmers seeing significantly lower than average results</p> <p>Simplified gross margin of ~19%, however also very high variability, and many farmers with very low or even negative results</p> |
| Category | Percentage | | | | | | | | | | | | | | |
| Alimentación | 44% | | | | | | | | | | | | | | |
| Educación | 19% | | | | | | | | | | | | | | |
| Salud | 11% | | | | | | | | | | | | | | |
| Transporte | 12% | | | | | | | | | | | | | | |
| Festividades | 7% | | | | | | | | | | | | | | |
| Vestido | 7% | | | | | | | | | | | | | | |
| <p>Discussion</p> <ul style="list-style-type: none"> Reduction of income mainly due to the loss of plantations by the coffee rust and lower prices | | | | | | | | | | | | | | | |

| 1b. Resilience (diversity of income sources) | |
|--|---|
| Baseline | 2016 |
| <p>The baseline did not include data on the diversity of income sources beyond the farm, but rather focused on the proposed of income received from different on-farm activities</p> | <p>The graph below provides average % dependence on different income sources for farmers in the pilot intervention.</p> |



Discussion

- Farmers appear very (86-90%) reliant on income from their own farms, indicating very limited diversity of income sources – and therefore high vulnerability to shocks to their farm
- “Other” income sources almost non-existent in Satipo, whereas these constitute 9% in Pangoa
- Same results were found in the focus group discussion. In addition to that, it was reported that as a consequence of coffee rust, many farmers from Satipo organization have migrated to cities because of debts. Others claimed that coffee rust pushed them to diversify their farm income and that was considered positive for them. Finally, the region has also a potential for agro ecological tourism, which can be pursued in order to reduce their vulnerability and high dependence on farm income.

1c. More sustainable use of natural resources

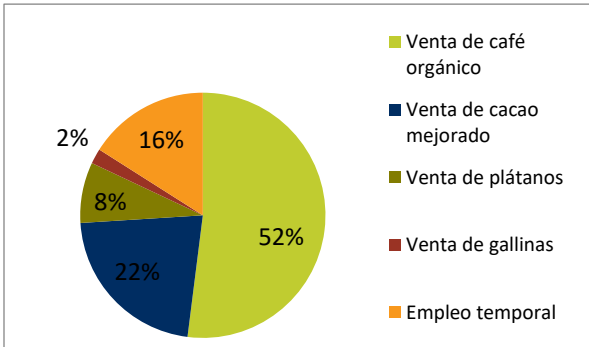
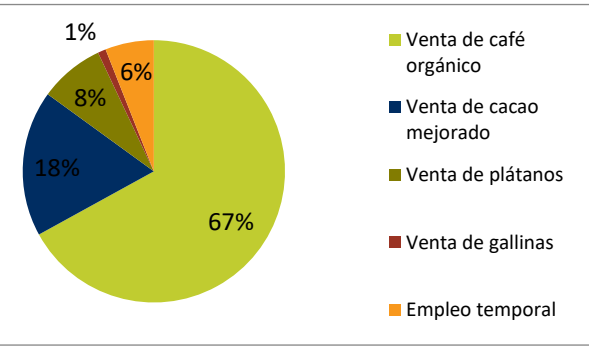
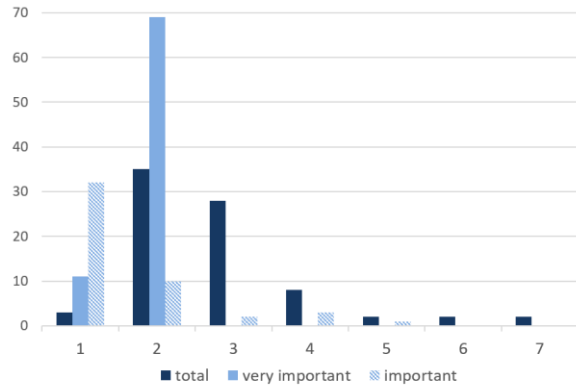
| Baseline | 2016 | | | | | | | | | | | | | | | | | | | | | | | | |
|---|--|--------------------|--------------------|--------------------|------------------|------|------|------------------|------|------|---------------|------|------|-------------------|------|------|----------------------|------|------|------------------------------|------|------|-------------------------------|------|------|
| <ul style="list-style-type: none"> • Coffee production has been affected by the roya amarilla, resulting in a 35% decrease. Actions undertaken include crop diversification (honey, cocoa, plantain). • There is reforestation project to replant 1 million plants in 2013 • 43%-46% of the production is organic, although 50% of the members are organic certified | <p>The below chart indicates results from the farmer survey on multiple sustainability indicators. For each, farmers were asked to provide a score of 0-3.</p> <table border="1"> <thead> <tr> <th>Indicator</th> <th>CAC Pangoa (Score)</th> <th>CAC Satipo (Score)</th> </tr> </thead> <tbody> <tr> <td>Water management</td> <td>~2.8</td> <td>~2.8</td> </tr> <tr> <td>Use of Pesticide</td> <td>~2.8</td> <td>~2.8</td> </tr> <tr> <td>Agrochemicals</td> <td>~2.8</td> <td>~2.8</td> </tr> <tr> <td>Soil conservation</td> <td>~2.3</td> <td>~2.3</td> </tr> <tr> <td>Landscape management</td> <td>~2.8</td> <td>~2.8</td> </tr> <tr> <td>Land use and land conversion</td> <td>~1.5</td> <td>~1.5</td> </tr> <tr> <td>Genetic diversity and GMO use</td> <td>~2.8</td> <td>~2.8</td> </tr> </tbody> </table> | Indicator | CAC Pangoa (Score) | CAC Satipo (Score) | Water management | ~2.8 | ~2.8 | Use of Pesticide | ~2.8 | ~2.8 | Agrochemicals | ~2.8 | ~2.8 | Soil conservation | ~2.3 | ~2.3 | Landscape management | ~2.8 | ~2.8 | Land use and land conversion | ~1.5 | ~1.5 | Genetic diversity and GMO use | ~2.8 | ~2.8 |
| Indicator | CAC Pangoa (Score) | CAC Satipo (Score) | | | | | | | | | | | | | | | | | | | | | | | |
| Water management | ~2.8 | ~2.8 | | | | | | | | | | | | | | | | | | | | | | | |
| Use of Pesticide | ~2.8 | ~2.8 | | | | | | | | | | | | | | | | | | | | | | | |
| Agrochemicals | ~2.8 | ~2.8 | | | | | | | | | | | | | | | | | | | | | | | |
| Soil conservation | ~2.3 | ~2.3 | | | | | | | | | | | | | | | | | | | | | | | |
| Landscape management | ~2.8 | ~2.8 | | | | | | | | | | | | | | | | | | | | | | | |
| Land use and land conversion | ~1.5 | ~1.5 | | | | | | | | | | | | | | | | | | | | | | | |
| Genetic diversity and GMO use | ~2.8 | ~2.8 | | | | | | | | | | | | | | | | | | | | | | | |

Discussion

- Only for land use and land conservation (the poorest scoring category overall) do the scores diverge significantly between the two FOs
- In general, application of sustainable farming practices appears to be the norm in both FOs

- It was confirmed that most of the farmers had specific knowledge in sustainable practices due to the fact that they have organic certifications. Others also attribute improvements in the last three years due to various projects including VECO, however it could not be verified clearly. Answers from the FGDs were very similar for different farmers, suggesting that answers were aimed at maintaining VECO support since this was highly valued.

1d. Diversity of crops and livestock

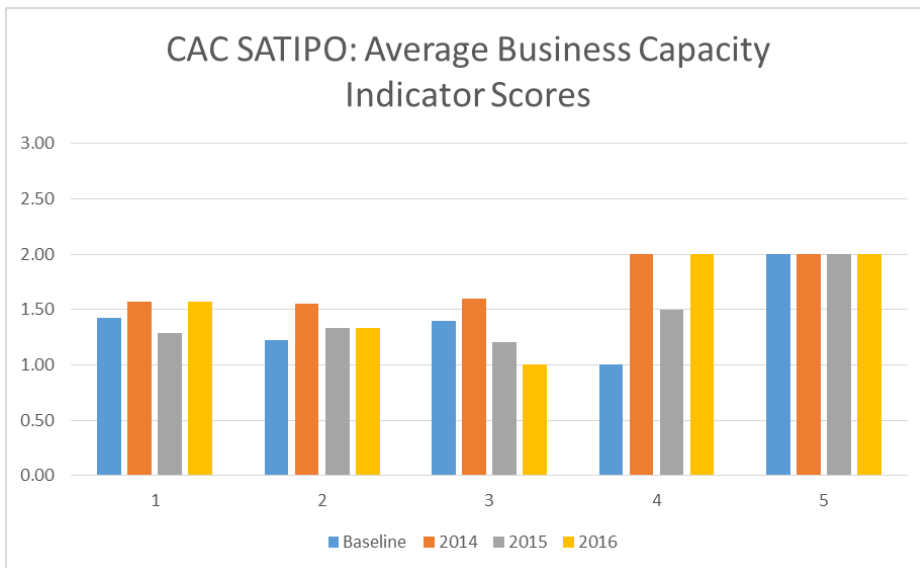
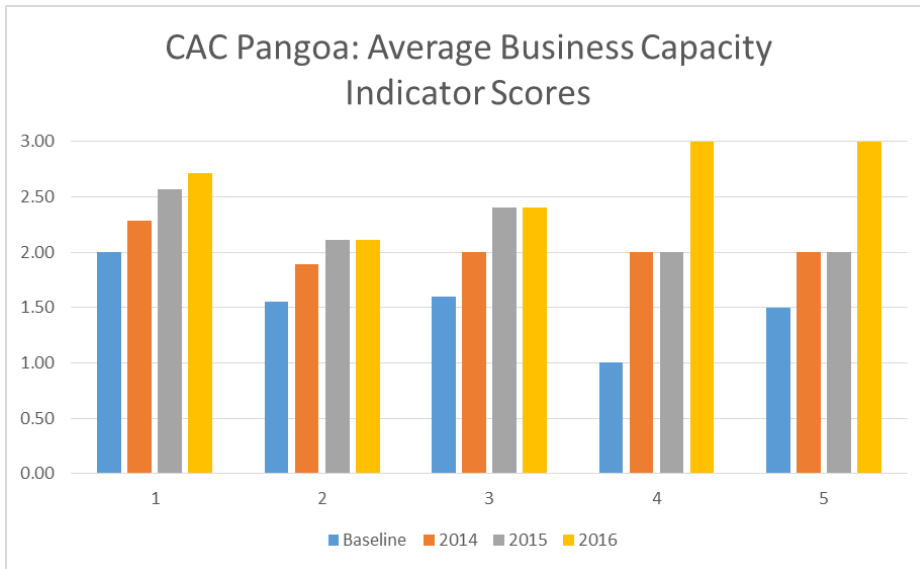
| Baseline | 2016 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|------------|----------------|------------------------|-----|-------------------------|-----|-----------------|-----|-------------------|----|-------------------|----|--------|------------|------------------------|-----|-------------------------|-----|-----------------|----|-------------------|----|-------------------|----|---|-------------------|-------|----------------|-----------|---|----|-----|-----|---|-----|-----|-----|---|-----|----|----|---|----|----|----|---|----|----|----|---|----|---|---|---|----|---|---|
| <p>Type 1:</p>  <table border="1" style="margin-top: 10px; font-size: small;"> <caption>Data for Type 1 Pie Chart</caption> <thead> <tr> <th>Source</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Venta de café orgánico</td> <td>52%</td> </tr> <tr> <td>Venta de cacao mejorado</td> <td>22%</td> </tr> <tr> <td>Empleo temporal</td> <td>16%</td> </tr> <tr> <td>Venta de plátanos</td> <td>8%</td> </tr> <tr> <td>Venta de gallinas</td> <td>2%</td> </tr> </tbody> </table> <p>Productor 2:</p>  <table border="1" style="margin-top: 10px; font-size: small;"> <caption>Data for Productor 2 Pie Chart</caption> <thead> <tr> <th>Source</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Venta de café orgánico</td> <td>67%</td> </tr> <tr> <td>Venta de cacao mejorado</td> <td>18%</td> </tr> <tr> <td>Empleo temporal</td> <td>6%</td> </tr> <tr> <td>Venta de plátanos</td> <td>8%</td> </tr> <tr> <td>Venta de gallinas</td> <td>1%</td> </tr> </tbody> </table> | Source | Percentage | Venta de café orgánico | 52% | Venta de cacao mejorado | 22% | Empleo temporal | 16% | Venta de plátanos | 8% | Venta de gallinas | 2% | Source | Percentage | Venta de café orgánico | 67% | Venta de cacao mejorado | 18% | Empleo temporal | 6% | Venta de plátanos | 8% | Venta de gallinas | 1% | <p>The chart below indicates the number of farmers surveyed who receive 1-7 different sources of on-farm income.</p> <p>In the survey, farmers were given a choice of indicating the importance of each source of income. As the below chart shows, a large proportion of farmers had 6 or more crops or livestock on their farms. In addition, a high number of respondents indicated having 2 or more sources of income that were very important for farmer livelihoods.</p>  <table border="1" style="margin-top: 10px; font-size: small;"> <caption>Data for Income Sources Bar Chart</caption> <thead> <tr> <th>Number of Sources</th> <th>Total</th> <th>Very Important</th> <th>Important</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>~3</td> <td>~12</td> <td>~32</td> </tr> <tr> <td>2</td> <td>~35</td> <td>~68</td> <td>~10</td> </tr> <tr> <td>3</td> <td>~28</td> <td>~2</td> <td>~2</td> </tr> <tr> <td>4</td> <td>~8</td> <td>~2</td> <td>~2</td> </tr> <tr> <td>5</td> <td>~2</td> <td>~1</td> <td>~1</td> </tr> <tr> <td>6</td> <td>~2</td> <td>0</td> <td>0</td> </tr> <tr> <td>7</td> <td>~2</td> <td>0</td> <td>0</td> </tr> </tbody> </table> | Number of Sources | Total | Very Important | Important | 1 | ~3 | ~12 | ~32 | 2 | ~35 | ~68 | ~10 | 3 | ~28 | ~2 | ~2 | 4 | ~8 | ~2 | ~2 | 5 | ~2 | ~1 | ~1 | 6 | ~2 | 0 | 0 | 7 | ~2 | 0 | 0 |
| Source | Percentage | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Venta de café orgánico | 52% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Venta de cacao mejorado | 22% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Empleo temporal | 16% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Venta de plátanos | 8% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Venta de gallinas | 2% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Source | Percentage | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Venta de café orgánico | 67% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Venta de cacao mejorado | 18% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Empleo temporal | 6% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Venta de plátanos | 8% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Venta de gallinas | 1% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Number of Sources | Total | Very Important | Important | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1 | ~3 | ~12 | ~32 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2 | ~35 | ~68 | ~10 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3 | ~28 | ~2 | ~2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4 | ~8 | ~2 | ~2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5 | ~2 | ~1 | ~1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 6 | ~2 | 0 | 0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 7 | ~2 | 0 | 0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>Discussion</p> <ul style="list-style-type: none"> • More than two thirds of farmers rely on only two or three types of crop or livestock • Direct comparison not possible due to scarcity of specific baseline data; however, in the baseline, and still in 2016, farmers appear to still have very concentrated sources of income; this can generally be seen as a sign of low resilience, as farmers are more susceptible to shocks within any particular commodity market (e.g., shocks to price, demand, weather, pests); • Farmers reported to have diversified their crops due to the big losses related with coffee rust | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

2. Increased status of FOs

| Baseline | 2016 |
|----------|------|
|----------|------|

Analysis of FO business capacity indicators shows varying improvement for the FOs across business capacity categories. A more detailed analysis can be found in the previous section, however below a summary is presented. The 5 categories are:

1. To what extent has the FO acquired group management skills?
2. To what extent has the FO acquired business management skills?
3. To what extent has the FO acquired marketing skills?
4. To what extent the FO promotes sustainable production and natural resource management skills to its members?
5. To what extent does the FO builds up and maintains external relations?



Discussion

- A detailed analysis of impact at the FO level can be found in the previous section. In summary, it appears that good improvement was achieved across all business capacity indicators for Pangoa, but rather limited for Satipo. The difference in the initial management skills of their leaders as well as the excess of projects in SATIPO can explain that difference. The deep financial crisis experienced by SATIPO negatively affected the organization as explained in pathway 1.
- Farmers have benefit to a large extent from PANGOA improvements specifically in improving their practices related to quality. In the case of SATIPO, despite the lack of improvements on their organization capacities, farmers highly appreciate the approach of VECO intervention of building their capacities which make them motivated to improve their individual conditions. As also explained above, relations between farmers and the FO were negatively impacted by the FO's financial crisis and mismanagement.

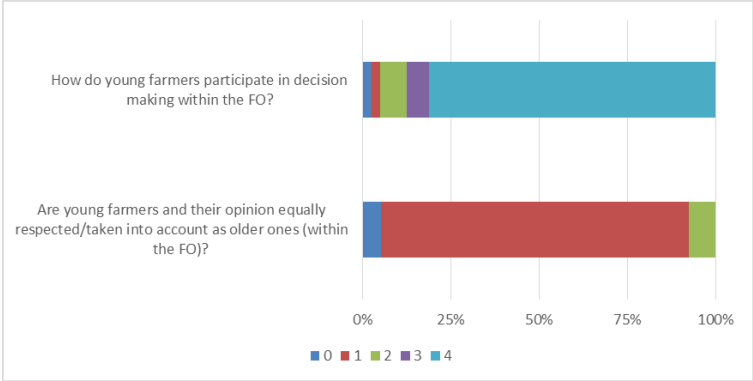
3a. Women's status and empowerment

| Baseline | 2016 | | | | | | | | | | | | | | | | | | | | | | | | |
|--|---|----------|---------|---------|---------|---------|---------|--|----|----|------|-----|------|--|------|------|----|----|----|---|-----|------|-----|----|----|
| <ul style="list-style-type: none"> • The CAC has a Women's & Youth Committee, with assigned budgets for activities. Representatives of both committees have been appointed in the Management Council; | <p>In the below chart, scores are shown for 3 questions.</p> <ul style="list-style-type: none"> • Question 1: increasing scale from 0-4 • Question 2: 0-no, 1-yes • Question 3: 0-a little, 1-equally, 2-a lot <table border="1"> <caption>Data from the stacked bar chart</caption> <thead> <tr> <th>Question</th> <th>Score 0</th> <th>Score 1</th> <th>Score 2</th> <th>Score 3</th> <th>Score 4</th> </tr> </thead> <tbody> <tr> <td>How do women participate in decision making within the FO?</td> <td>0%</td> <td>0%</td> <td>~10%</td> <td>~5%</td> <td>~80%</td> </tr> <tr> <td>Are women/men carrying out different roles/tasks related to chain x? (specify)</td> <td>~25%</td> <td>~75%</td> <td>0%</td> <td>0%</td> <td>0%</td> </tr> <tr> <td>Are women as farmers and their opinion equally respected/taken into account than men (within the FO)?</td> <td>~2%</td> <td>~95%</td> <td>~3%</td> <td>0%</td> <td>0%</td> </tr> </tbody> </table> | Question | Score 0 | Score 1 | Score 2 | Score 3 | Score 4 | How do women participate in decision making within the FO? | 0% | 0% | ~10% | ~5% | ~80% | Are women/men carrying out different roles/tasks related to chain x? (specify) | ~25% | ~75% | 0% | 0% | 0% | Are women as farmers and their opinion equally respected/taken into account than men (within the FO)? | ~2% | ~95% | ~3% | 0% | 0% |
| Question | Score 0 | Score 1 | Score 2 | Score 3 | Score 4 | | | | | | | | | | | | | | | | | | | | |
| How do women participate in decision making within the FO? | 0% | 0% | ~10% | ~5% | ~80% | | | | | | | | | | | | | | | | | | | | |
| Are women/men carrying out different roles/tasks related to chain x? (specify) | ~25% | ~75% | 0% | 0% | 0% | | | | | | | | | | | | | | | | | | | | |
| Are women as farmers and their opinion equally respected/taken into account than men (within the FO)? | ~2% | ~95% | ~3% | 0% | 0% | | | | | | | | | | | | | | | | | | | | |

Discussion

- While direct comparison is challenging because of different data points, it appears from the farmer survey that women have a good decision-making role in the FO
- According to FGD, on the other hand, women's participation in decision making is limited. Reasons for that were reported to be structural, for instance, it is hard for a wife to receive support from her husband when she decides to participate in the leadership school, because of the "risk of having affairs". Other suggested that the lower level of education of women is a barrier at the personal level, which means that women within the organization first need to be motivated at the personal level in order to initiate participation. For this reason, interviewees high valued motivational talks

that VECO conducted in order to persuade women to participate in sub-regional administration positions.

| 3b. Youth status and empowerment | | | | | | | | | | | | | | | | | | | |
|--|--|----------|---------|---------|---------|---------|---------|--|----|-----|-----|-----|------|---|-----|------|------|----|----|
| Baseline | 2016 | | | | | | | | | | | | | | | | | | |
| <ul style="list-style-type: none"> • There is a policy to support the inclusion of young farmers, to participate and for capacity building • The CAC has a Women’s & Youth Committee, with assigned budgets for activities. Representatives of both committees have been appointed in the Management Council | <p>In the below chart, scores are shown for 3 questions.</p> <ul style="list-style-type: none"> • Question 1: increasing scale from 0-4 • Question 2: 0-a little, 1-equally, 2-a lot  <table border="1"> <caption>Approximate data from the stacked bar chart</caption> <thead> <tr> <th>Question</th> <th>Score 0</th> <th>Score 1</th> <th>Score 2</th> <th>Score 3</th> <th>Score 4</th> </tr> </thead> <tbody> <tr> <td>How do young farmers participate in decision making within the FO?</td> <td>0%</td> <td>~2%</td> <td>~3%</td> <td>~5%</td> <td>~89%</td> </tr> <tr> <td>Are young farmers and their opinion equally respected/taken into account as older ones (within the FO)?</td> <td>~5%</td> <td>~85%</td> <td>~10%</td> <td>0%</td> <td>0%</td> </tr> </tbody> </table> | Question | Score 0 | Score 1 | Score 2 | Score 3 | Score 4 | How do young farmers participate in decision making within the FO? | 0% | ~2% | ~3% | ~5% | ~89% | Are young farmers and their opinion equally respected/taken into account as older ones (within the FO)? | ~5% | ~85% | ~10% | 0% | 0% |
| Question | Score 0 | Score 1 | Score 2 | Score 3 | Score 4 | | | | | | | | | | | | | | |
| How do young farmers participate in decision making within the FO? | 0% | ~2% | ~3% | ~5% | ~89% | | | | | | | | | | | | | | |
| Are young farmers and their opinion equally respected/taken into account as older ones (within the FO)? | ~5% | ~85% | ~10% | 0% | 0% | | | | | | | | | | | | | | |
| Discussion | | | | | | | | | | | | | | | | | | | |

- While it is not possible to compare against the baseline, respondents in 2016 indicated that youth had a good degree of influence in FOs, decent in terms of opinions taken into account and strong participation in decision-making activities



7. Structural Change Agenda - Peru

a. Background

The following information provides a high-level overview of the current landscape in the coffee production and trade in Peru:

| | |
|------------------------|--|
| International trade: | <ul style="list-style-type: none">• Peru is the 5th coffee exporter in the world• Peru is the 2nd exporter of organic coffee• The countries that buy most Peruvian coffee are Germany (27.4%), the United States (23%), Belgium (10.8%) and Korea (6%) |
| Production: | <ul style="list-style-type: none">• Peru has 145,000 ha certified organic coffee, which represents 36% of the total area produced, 85% of production is produced by small producers.• “Junta Nacional de Café” has strengthened relations with producers and has positioned Peruvian coffee in the world.• “Junta Nacional de Café” works with a business management approach. |
| Value chain: | <ul style="list-style-type: none">• The coffee production in Peru contributes with 25% of the agricultural incomes.• The association of producers has promoted the commercialization of coffee.• Pests (Roya Amarilla) have been the biggest problem for producers |
| Policy and government: | <ul style="list-style-type: none">• Public institutions support and promote irrigation programs, training, technical assistance, land rehabilitation, positioning of Peruvian coffee. |

Link to pilots:

- Pilot in Junin

For more information see the VECO SCAF Peru and VECO SCAR Peru

b. Pathway of change

The sub-SCAs are:

1. Higher capacities in various business organizational models to improve its market competitiveness and sustainability efficiently and providing greater benefit to producers
2. Increased resilience of coffee sector by implementing measures to adapt and mitigate climate change, within the coffee organizations and the private business sector, supported by public policies in Climate Change in Ecuador and Peru

c. Observed changes in outcomes at SCA level

Main conclusion SCA1:
Organizational capacity-building for greater market competitiveness, and providing efficiency and sustainability benefit to producers

VECO tried to scale the learnings of its pilots on improved business organizations through a partnership with the national coffee union, “La Junta Nacional de Café” (JNC). This has been partially achieved.

The most successful component of the intervention has been the scaling-up of the implementation of an integral information system, which leads to better decision making in production and sales. VECO partially funded a consultant who reviewed the successful pilot for JNC, and advised other FOs on implementation, reaching 10 different organizations by 2016. This has been a good example of how VECO disseminated the learnings from the pilots to create structural change. A barrier to the knowledge transfer has been the professionalism of FOs, which have struggled with finding qualified personnel, or retaining them once they are trained internally, as staff often leaves for better paid coffee-related positions in the government or private sector.

Another success has been the institutionalization of the pilot learnings on quality. The coffee manual, tested in the Junin pilot, was locally presented to partners JNC and SCAN (sustainable coffee), which decided to advance it to the national level. The manual is now being revised with backing of the important National Quality Institute, who will endorse it for national distribution. In parallel, the methodologies for mobile cupping from the pilots were shared with JNC, which aims to distribute the successful approach to other FOs, so they can train their staff and improve the quality.

With regards to the integration of young people, it has been difficult to influence the legislation. VECO has wanted JNC to give youth integration a more prominent role in its policies, and by supporting the strategic planning of JNC, it was able to include youth integration in JNC’s planning. However, JNC has not made much progress with influencing legislation, partially because it face internal resistance from older farmers who fear being replaced. Also, the pilot learnings from VECO mostly give approaches to include youth in the FOs, but do not give clear legislative advice.

Outside of the initial planning, VECO also supported JNC with proposal writing and logistics in the dialogue with the local and central government on how to improve the coffee sector. This has been a good opportunity for VECO to influence the policy level and push its agenda on the integration of smallholder famers, although JNC was primarily occupied with battling coffee rust, negotiating with the government on how to support the sector through for example

subsidized inputs, coffee rust control programs, plantation renewals, coffee consumption promotion.

Overall, VECO has made some progress on achieving structural change and there has been a clear link with the pilot interventions. Going forward VECO should consider collaborating with more actors than just JNC in order to influence policy from different directions. By working only with JNC, VECO has little power to influence when agendas are not aligned (in 2016 VECO already made some initial improvements by engaging with IICA and tightening relationships with SCAN). Moreover, the SCA results illustrate the importance of capacity building within FOs, as a professional FO (with educated personnel), is a requirement for transfer of knowledge. Lastly, it seems VECO has limited resources to spend on its SCA activities, and it should therefore consider applying more focus to the ambitions of the SCA, so it can create more scale or institutional influence on one topic, rather than some results on many topics.

Main conclusion SCA2:
Increased resilience of coffee sector by implementing measures to adapt and mitigate climate change, within the coffee organizations and the private business sector, supported by public policies in Climate Change in Ecuador and Peru

With regards to mitigating climate change, VECO has been unable to create structural change. This is mainly because only very few activities were undertaken in the first two years of the program.

VECO initially aimed to partner with CONDENSAN, but this partnership was cancelled in 2015. VECO therefore decided to partner with JNC for SCA 2 as well. In 2016 VECO has made initial progress on this by introducing a pilot of multi strata agriculture (agroforestry) with FO Pangoa. Simultaneously, VECO partially funded a financial feasibility study on agroforestry. As both initiatives started in 2016, there are no results yet.

VECO also funded JNC to participate in the PROMCAFE platform, discussing how to reduce the carbon footprint in the coffee sector. Although JNC indicates it has learned from this meeting, it cannot be linked to any direct impact.

All in all, VECO's aim to influence regional or national policy on the mitigation of climate change in the coffee sector have been unsuccessful up to this date. In the future, VECO should consider spending more resources on this topic, should it really want to have an impact, and ensure there is clearer link with VECO's pilot interventions. VECO could also consider focusing more on influencing standards and certification to include climate change mitigation measures, rather than lobbying at regional or local governments.

Observed evidence from indicators (source: SCAR)

SCAR result indicators

| SCA | 2013 (baseline) | 2016 (target) | Comments | Result |
|--|--|--|--|--|
| SCA1: Organizational capacity-building for greater market competitiveness, and providing efficiency and sustainability benefit to producers. | | | | |
| 1.1. Number and level of business development and innovative organizational models in the coffee sector, to increase the competitiveness of the value chain for measurable benefit to the producers. | #8 | #16 | JNC have been promoting interventions on cooperatives to improve enterprise management and technological innovation ITC. In the first half of 2016, there are more than 10 relevant organizations with significant exports. | #10 |
| 1.2. Number of farmers' organizations in the coffee sector that improve their economic and social sustainability by designing strategies for integrating young people (men and women) in business management | #20 | #35 | In 2014 and 2015 economic sustainability of the subsidiaries of JNC is maintained through the installed capacity through investments in warehouse stocks, laboratory quality, plant fertilizers, wet plant processing, plant nurseries, plant drying mechanisms, and funding for renewal. In 2015 it was reported that exports totaled 41.2% of the total production of 218,500 MT. With regard to the inclusion of women and youth in management, in the baseline (2014), 55.3% of the members of the JNC had a women's committee, and 14.9% had a youth committee. 2015 saw improvement in terms of inclusion of young people in the work of the cooperative, and its strengthening of group dynamics. In the first half of 2016, 16 organizations have chosen to include the youth committee in their organizational model, and have developed leadership training programs with participation rates of 20%-30% of young people. | #16 |
| 1.3. Number of proposals for improving economic and social sustainability, formulated by the various stakeholders in the coffee sector, and implemented within | National programs: #2 Regional programs: #1 | National program s: #3 Regional program s: #6 | In 2014, 1) The Incentive Fund for Technology Adoption (AGROIDEAS) has approved resources aimed at 3 areas—Technology, Management and Association. 2) The Ministry of Agriculture and Irrigation (MINAGRI) has developed a project to renovate | National Programs : #4 Regional programs : #3 |

regional and national programs and policies in the public sector

- 80,000 hectares of old coffee trees ravaged by yellow rust;
- 3) The JNC proposed a plan for the renovation of coffee plantations with agroforestry systems, which was handed over to MINAGRI.
 - 4) The JNC presented a project proposal to CONCYTEC, the main objective of which is to develop technical capabilities, infrastructure and equipment for the mass production of coffee plants through somatic embryogenesis.

In 2015,

- 1) The World Coffee Research (WCR), in partnership with PROMECAFE, CIRAD, ECOM, EMBRAPA and other entities, ran the "Revitalizing the sector coffee" project in Central America, the Caribbean and Peru, after the crisis caused by coffee rust in 2012.
- 2) the JNC, with financial support from partners such as HIVOS, IDB MIF, FONDECYT, PROMECAFE and WCR, have developed the following: (a). Certification of experienced producers in the production of coffee seedlings; (b). Development of a proposed Standard for Seed Production for coffee plantlets; (c). Definition of the minimum criteria for the production of coffee seedlings and the training of technical staff in their implementation, through the partnership with Root Capital.

SCA2: Increased resilience of coffee sector by implementing measures to adapt and mitigate climate change, within the coffee organizations and the private business sector, supported by public policies in Climate Change in Ecuador and Peru

| | | | | |
|---|-----|-----|--|----|
| 2.1 Number of coffee organizations and businesses adopting measures for adaptation and / or mitigation to climate | #14 | #25 | By 2014, 6 coffee organizations (the cooperatives affiliated with the JNC) adopted measures for adaptation to, and mitigation of the effects of climate change. This effort progressed further in 2015, as VECCO stepped up support for the JNC to enable it to create an impact on the public sector. | #8 |
|---|-----|-----|--|----|

change, based on studies and learning in the region.

From 2014 to 2016, they grew by 2 organizations. The different sectors of government and private initiatives have been developing guidelines and policies in the context of sustainable development, climate risk management, greenhouse gas reduction, and improvement of agricultural systems in order to contribute to food security and crop diversification.

| | | | |
|---|---|--|--|
| <p>2.2 Increase in the percentage of the annual governmental budget (at national and regional level) allocated to agriculture and the environment, which is used in processes for mitigating and adapting to the impact of climate change on the coffee sector.</p> | <p>Agricultural budget: 9%, Environmental Budget: 0%</p> <p>Agricultural budget: 12% Environmental Budget: 5%</p> | <p>In 2014, MINAGRI had allocated 27 million Soles, specifically for the program of coffee rust mitigation.</p> <p>For 2015, MINAGRI budgeted a total of 1.989 million Soles in its agricultural budget, of which 100 million Soles were allocated to the coffee sector.</p> <p>For the 2016 budget, MINAGRI allocated a total of 2.503 million Soles to the Ministry of Environment—an increase of 522 million Soles. These resources are allocated to programs for sustainable management of natural resources and biodiversity, reducing degradation, risk management and adaptation to climate change, amongst others.</p> | <p>Agricultural Budget: 1,81% Climate change Budget: 0,38%</p> |
|---|---|--|--|

Support Strategies:

| Support Strategy | Summary of activities | Achieved |
|--|--|------------|
| NURTURING THE DEBATE & AGENDA SETTING | | |
| <p>Formulate multi-stakeholder thematic spaces</p> | <p>Generation of links with XOCIUM, a consulting company which works on the assessment and strengthening of organizations</p> <p>Articulation, with ROOT CAPITAL, of credit institutions and services for organizational capacity building.</p> <p>In the second half of 2015, the debate around the use of ICT tools has begun to contribute to the quality of management in the organizations, and to aid in the traceability of the product.</p> <p>In 2016, VECO approached the SCAN platform.</p> | <p>Yes</p> |
| <p>Promoting the involvement of smallholder coffee producers in positions of political influence</p> | <p>Undertook support for the creation of spaces of dialogue with small producers in Cusco, Cajamarca, Puno, San Martín, Piura, Lambayeque and Junín for</p> | <p>Yes</p> |

| | | |
|---|--|-----|
| | <p>pronouncement, and requested the Central Government for the installation of a multisectorial platform in order to generate strategies to mitigate the impacts of climate change affecting producers and their families.</p> <p>Supported and participated in meetings of the Extraordinary Assembly of the JNC, and representatives of MINAGRI, to capture political will to the sector.</p> <p>Support in developing the strategic plan of the JNC, and its participation in the issue of the Carbon Footprint developed by ECLAC and PROMECAFE.</p> <p>Development of three training modules on tax issues, held in Central Selva, the North Region and the South Region, with the participation of 35 to 47 people.</p> | |
| BUILDING EVIDENCE | | |
| Systematize initiatives and interventions with coffee organizations | <p>In 2014 the experiences of young people in the cooperatives of Junín and San Martín have been systematized as part of a joint work with VECO Indonesia at the pilot level. In the first half of 2015 the study of market trends and the articulation of organizations with this market in the coffee sector were being organized.</p> <p>In the second half of 2015, a document was developed and obtained on various topics on transparency and governance, incentive strategies for local consumption, the inclusion of rural youth in associations, promotion of special coffees, among other topics.</p> <p>Elaboration of a participatory diagnosis with the youth of the central jungle in Peru, to have a baseline that gives an account of the situation of young people in organizations and their perspectives.</p> | Yes |
| EXTERNAL COMMUNICATION (MARKET WHAT WE DO) | | |
| EXPANDING AND USING OR NETWORK | | |
| Promote the exchange of experiences between different actors and strategic allies | <p>In 2015, a publication was published on young people from the coffee and cocoa sector in Ecuador and Peru (VECO ANDINO + VECO INDONESIA).</p> <p>Two events on young people (from VECO) have been organized:</p> <ul style="list-style-type: none"> • Assessment of rural youth. • Regional meeting of young people. | Yes |

| | | |
|---|---|-----|
| | <p>Nationwide publication of these events on posters, Facebook, and a training event.</p> <p>Participation in the "Workshop on exchanging experiences in best practices for wet and dry benefit and its influence on the quality of cup", organized by the National Coffee Board, through the Model Project for Sustainable Development for Peruvian Coffee, in alliance with VECO Andino.</p> <p>In the second half of 2015, the regional youth meeting was held with the participation of youth from Peru, Ecuador and Bolivia.</p> | |
| LEARNING & KNOWLEDGE SHARING | | |
| Strengthen both practical and theoretical knowledge of actors in the coffee sector, around the theme of Climate Change. | Participation of the JNC in the meeting on climate change and carbon footprint, carried out in Chile. Information on this meeting is being transferred to the subsidiaries of the JNC. | Yes |
| Promote the involvement of young people and generational change in the coffee sector. | <p>In 2014 VECO played a core role in developing the pilot projects, which reserved a central role for youth involvement.</p> <p>In 2015, meetings were held which involved public actors and cooperatives, on the theme of youth inclusion and relief processes.</p> <p>In December 2015, the IX National Meeting of Women was held to discuss the contributions and challenges of women in cooperative and union development, the role of the Peruvian coffee family, and social security.</p> | Yes |
| OTHER | | |
| Advise in the search of funds and public and private financing sources | Collaboration with the JNC to design a technical proposal for the renovation of 5,000 hectares of coffee in agroforestry systems. | Yes |

Observed evidence (Source: SCAR)

ICT Tools:

- JNC is developing an ICT tool for governance and transparency in organizations (quality management of organizations)
- Root Capital and VECO have had far-reaching discussions on the role of ICT tools in increasing transparency, governance and quality management in coffee organizations. By 2017, the work will be extended with a new budget.

-

Policymaking

- VECO has contributed to JNC to exert political incidence in MINAGR, in order to fund strategies for mitigation of negative impacts on small farmers;
- The strategic plan for the JNC is completed and approved with the support of VECO during discussions on laws and policy, economic, social, cultural, technology and production, environment and production;

Youth agenda

- A youth agenda was developed in JNC Junin in which 7 organization have participate and discussed with the support of VECO;
- A regional meeting (Peru, Bolivia and Ecuador) of young people took place in Junin in 2015 with the support of VECO;

Women:

- Veco supported a national meeting of women;

Financial Services:

- VECO have supported JNC to design a proposal with AGROBANCO in order to provide financial services for the renewal of coffee plantations under sustainable production practices including high value forestall species;
- JNC organized the SIC Cafe project in collaboration with VECO to improve ICT tools already implemented in 10 organizations, at the request of these organizations;

Environmental sustainability

- It was decided to cancel the partnership with CONDENSAN in 2015, with approval of DGD;
- There are intentions to do a study on the carbon foot print of the coffee sector;

New alliances need to be formed during the next intervention period, with opportunities for ICT developments and climate change.

Activities in 2015 by VECO and its partner JNC were limited due to:

- Start of new production season;
- Financial difficulties of the sector that prioritize all the activities of JNC in that direction;
- Divergent perspective of involved partners of JNC;

Observed evidence (Source: CIR)

- Exchange of information with other organizations:
 - Discussion of progress and challenges in youth integration;
 - Synthesis of experiences working with young people in Peru;
 - Exchange of experiences with Oro Verde Project;
 - Study on situation of young people in rural areas;
 - Regional meeting of young coffee producers;
- Working in networks
 - Presentation of Pangoa and Satipo cases in the platform “Alianza aprendizaje”

Interviews main findings

Interview with JNC

SCA1:

- Coffee rust affected greatly all cooperatives in Perú, and therefore JNC.
- In 2015 JNC changed its board. VECO main contribution was to assist the formulation of the strategic planning for the coffee sector, as well as to strengthen the regional affiliates in order to generate political incidence among local and central government by assisting the design of proposals.
- Another goal of the JNC was youth integration in the coffee sector, a goal which VECO supported by increasing awareness of the issue through meetings, workshops, business plans, training events, and the funding of youth committees, as well as by generating synergies among actors to work in the future. Already, some results are increasing youth participation within organizations (In JAEN at least 10 cooperatives already have youth participation, others are approaching this mark, such as APROCASI, SAN IGNACIO, and PANGO. At present, more than 50% of cooperatives have a youth representative in the directive board).
- A strategy of VECO was to give support to the Central Jungle JNC affiliates in political incidence to the local and central government entities in order to negotiate: inputs at good prices, coffee rust control programs, coffee plantations renewal credits, and promotion of regional and national coffee consumption.
- VECO also supported the JNC through consultancies and funds to realize events, for instance, accounting and tax management in which many organizations participated such as: PANGO, ORO VERDE, CECOVASA, and CENFROCAFE.
- Comments on SCA effectiveness: Capacity development promoted by VECO through its pilots was a process that has obvious improvements and must be continuous and permanent. The purpose of this is to create rules and policies in order to institutionalize changes that would not be affected by manager level changes.

SCA2:

- Climate change has been diagnosed as a serious risk for the coffee sector. A consultancy, partially funded by VECO, was introduced to assess the financial feasibility of agroforestry systems in which wood production will ensure farmers income at retirement period, along with diversified income form the farm. This was meant for generating special line credits in AGROBANCO (Public bank associated to the MINAGRI);
- JNC participated with PROMECAFE in a regional event to learn from other countries' experiences in relation of carbon foot print in the coffee sector. The JNC was supported by VECO for active participation in the ECLAC conferences on carbon footprint (for two years).
- The JNC and PANGO has a pilot of multistate agriculture, to be spread to the whole area

Interview with VECO (Paola Mercado)

SCA1:

Main findings

- ICT's implementation among organizations has been central as a strategy to improve organizational models and their competitiveness, which has been scaled up to JNC itself,

- hence it has been included in its agenda to ensure that a great chance of replications exists for other organizations in Peru.
- Strong focus on scaling up good examples of quality improvements among organizations has improved chances of replication, as knowledge material has been produced (manuals), therefore generating benefits to producers from here on out.
 - The youth agenda has been limited in scaling up good experiences, because of institutional conflicts between JNC and CONAJOC which were out of the control of VECO. In addition, VECO has had a high rotation in its technical staff, which has resulted in limited progress.
 - Future work is to keep strategies focused on ICT (Information and Communication Technologies), quality, and youth agenda.
 - 70% SCA leverage from pilot interventions.
 - Lessons learned: goals were too ambitious, considering the actual capacity of VECO, the budget for the SCA was significantly lower than the budget for pilots, which might influence the main focus of VECO staff and their work. Additionally, methodologically, the formulation of pathways of change should be more interactive, with all SCA partners involved, and that requires experience that VECO did not have available, due to the fact that the Logic framework was based on the traditional methodology, which does not require or rely on high interaction with partners.

Most successful activities:

- Knowledge products on quality, because they can be replicated.
- Financing to JNC to achieve incidence in law 29972
- Approval of the coffee agenda.
- The reactivation of the coffee council.
- The presence of the JNC in PROMECAFE
- Quality promotion strategy: advice and funding.

All of this was possible because of the lines of work have been in tune with the other actors and the moment. The expertise in the team has been adequate.

Least successful activities

- The evictions of young people who have been able to make an improvement in capacities (certifications).
- Climate change strategies, because they have started late and the effectiveness has been limited. Moreover, the task has been to position the board within platforms working on this topic, and efforts have therefore not focused on achieving concrete results.

Comments on SCA and pilot partners:

- VECO worked with JNC with the expected to reach a greater number of organizations and for the ability to advocate for a favorable environment.
- The work in the past three years with the JNC has not been satisfactory for several factors, which have limited the coverage of VECO.
- There were positive unplanned activities such as the definition of strategic plan of JNC. Another achievement of the board has been the political incidence for laws on organizations.
- Working with private companies has not been the focus, because most of them are reluctant to collaborate with the public sector, which is a major player in order to achieve structural changes

but is not efficient at producing immediate outcomes. In the following period it is intended to reinforce but reformulate, taking into account the new models (companies-NGO-cooperatives).

- Pangoa was the most successful partner, because the organization already had consistent pillars for impact. For the future, partners need to be identified with more care.
- Satipo was the less successful partner, because the organization had an internal crisis which limited the impact of intervention. These partners need to be better identified.

Greatest barriers

- The JNC has an operational weakness; they have taken care of the urgent and not the strategic goals.
- The coffee sector is large, with several actors immersed in a series of interests that hinders sometimes VECO intervention and the scalability.
- Work with the private sector has been complicated by the slow pace of public-private work.
- At pilot level, donors are very demanding, at SCA level only DGD is more flexible. The first point refers to the imbalance in the pilot and SCA budget.
- One of the main barriers within producer organizations is that there are not enough qualified managers with sufficient experience in business management, taking also in consideration a social component. Also within administrative councils, there are few leaders with a clear idea and knowledge of what is her/his role.
- There are many professionals who want to leave cooperatives, because the public sector pays more; in addition, there is the phenomenon of migration.
- The high rotation of VECO personnel is explained by high demand from the public sector and the demand of cooperatives as well. There are also few technical staff specialized in coffee, who are being 'fought over' by coffee cooperatives.

Strategies to overcome barriers

- VECO, through the leadership school, have supported the formation of trained personnel and actual leaders.
- With regards to the effects of coffee rust: directly VECO has not done much, but indirectly—through the JNC efforts with the national government—it has been more effective.
- VECO tried to generate synergies with the other projects as well as collaborating with already existing processes.
- VECO faced different activities such as program design, and also had to prioritize the work in pilots because of budget and requirements. That is why Teofilo was hired in 2016, to be part of the team and has marked another dynamic in obtaining results, which was a corrective measure to face VECO weakness.

SCA2:

- No activities undertaken in the first year due to a lack of experience. In the second year, there was a change in the direction of work on the coffee sector's carbon footprint, due to this being made a priority by the main partner. There is an implementation of 6 pilots on the sustainable production system. Two pilots of this program are in implementation (financing of personnel granted to 2 of the 6 pilots), and design of financial product (mentioned as a consultancy in the JNC interview on agroforestry systems) as well as on financial feasibility. This is undertaken in order to negotiate with AGROBANCO, and to explicitly connect the programs to their carbon footprint. However, this intervention has started somewhat late in 2016.
- Overall, 20% of SCA leverage has been derived from pilot interventions

Additional input from VECO

The coffee quality manual have been produced in the Junín project and it has been presented to the JNC to expand its use. This has been done in workshops to promoters and technicians of the project SCAN (Sustainable Coffee) in Junín and Cajamarca. With the results of the workshops, JNC and SCAN proposed to expand the use of the manual at the national level. The manual (in its second edition) is currently being finalized and the National Quality Institute (INACAL) has also been involved in its design and dissemination; Which implies that it has a stronger endorsement.

And in parallel, all the work is done to promote coffee quality improvement in cup, which has worked with CAC Satipo and CAC Pangoa, and relating them to provincial, regional and national competitions. VECO in the last year made more emphasis on supporting the JNC in structuring and documenting the coffee quality contest process.

INACAL is a key actor in the public sector, which, in addition to giving an endorsement of its participation in the design of the manual, is involved in the sector in such a way that it can contribute to prioritize quality management issues in organizations (including quality of the product and the quality in the management of the organizations)

In 2016 VECO has made changes in its intervention strategy, because the results achieved with the JNC have not been satisfactory. That is why work strategies have been oriented with IICA. With them, a catalog of the best practices of innovation developed by ten organizations of the coffee and cocoa sector is being prepared, with the aim of encouraging and expanding these practices. In 2016, since approximately March, the relationship with SCAN has been tightened to expand intervention coverage to other organizations, which are members of the JNC, and this has contributed to advancing quality issues.