



INTERNATIONAL COFFEE ORGANIZATION
ORGANIZACIÓN INTERNACIONAL DEL CAFÉ
ORGANIZAÇÃO INTERNACIONAL DO CAFÉ
ORGANISATION INTERNATIONALE DU CAFÉ

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**Valorization of Ethiopian coffee origins
through the European Protected
Geographical Identification label (PGI label)**

Background

1. This document, submitted by the United Nations Industrial Development Organization (UNIDO) and illycaffè, contains the summary of a new project proposal designed to contribute to the sustainable development of the livelihood of coffee smallholders in Ethiopia increasing the global market awareness of the selected Ethiopian coffee origins and providing additional knowledge to the entire Ethiopian coffee sector.
2. The proposal will be forwarded to the Virtual Screening Subcommittee (VSS) for an evaluation and will be considered by the Projects Committee in March 2013.

Action

The Projects Committee is requested to consider this proposal as well as the recommendations of the VSS and, if appropriate, to recommend its approval by the Council.

PROJECT SUMMARY

- 1. Project title:** Valorization of Ethiopian coffee origins through the European Protected Geographical Identification label (PGI label)
- 2. Duration:** Two years
- 3. Location:** Ethiopia
- 4. Nature of Project:** This project aims to generate, manage and share knowledge about sustainable coffee production practices that can improve farmers' income.
- 5. Brief description:** The project goal is to support the full application for the European PGI trademark for three Ethiopian coffee regions: Yirgacheffe, Sidamo and Harrar. Main activities of the project will include: i) definition of regulations for production and processing of high quality coffee in accordance with the European PGI; ii) training and capacity building based on quality analysis, best environmental practices, genetics research and socio-economic analysis; iii) supporting the Governance structure to enable the European PGI process to take up; iv) definition of a relevant promotion and communication plan; and v) project coordination and management.
- 6. Estimated total cost:** US\$4,000,000
- 7. Financing sought from the Fund:** US\$100,000 (grant) + US\$2,000,000 (loan)
- 8. Mode of financing:** Grant and Loan
- 9. Co-financing:** tbd
- 10. Mode of co-financing (in cash):** tbd

- 11. **Counterpart contribution:** tbd
- 12. **Project**
Executing Agency (PEA): United Nations Industrial Development Organization (UNIDO) and illycaffé
- 13. **Supervisory Body:** International Coffee Organization (ICO)
- 14. **Estimated starting date:** tbd

Project Background

1. Ethiopia is the birthplace of Arabica coffee. On its fertile highlands in the south of the country it is still possible to find the native varieties of *Coffea Arabica*. The importance of Ethiopia for the global coffee sector goes far beyond production and export numbers.
2. The distinctive and marked citric and flowery properties are an important characteristic of Ethiopian coffees. This characteristic has been deeply studied and it has been discovered that it is the chemical result of the abundant presence of the linalool compound resisting the roasting process because the coffee bean cells have a developed structure which is consequence of the environment and the genetics.
3. Coffee is also a fundamental component of the Ethiopian society and culture, both in the consumption as well as in the production. Therefore, following the definition of Specialty Coffee given by Erna Knutsen in 1978 stressing the importance of unique flavour profiles related to special geographic conditions, Ethiopia has a very high potential of valorizing its coffees through its regions.
4. Coffee is a symbol for Ethiopia and its coffees should not therefore be conceived only as a commodity good. In addition to this, coffee is for Ethiopia not only a symbol and a specialty but also the most important source of foreign currency, representing around 30% of the total export earnings, and employing more than 25% of the economically active population.
5. Currently, the country has proceeded to deposit trademarks for the three most important origins: Yirgacheffe, Sidamo and Harrar under the umbrella of Ethiopian Fine Coffees. This is a starting promotion tool that needs a supporting research to add a tangible value which can be perceived by the market.
6. The valorization of the product, the territories, the people and the identities around coffee is a primary tool for rural development in the country.

LOGICAL FRAMEWORK

Narrative summary	Objectively verifiable indicators	Means of verification	Assumptions
<p>Broad goal: The general objective is to contribute to the sustainable development of the livelihood of millions of Ethiopian smallholders increasing the global market awareness of the selected Ethiopian coffee origins and providing additional knowledge to the entire Ethiopian coffee sector.</p>	<ul style="list-style-type: none"> ▪ Market surveys shows awareness of the Ethiopian identified origins ▪ Farmers associated to the project present better income ▪ Ethiopian coffee industry more market oriented 	<ul style="list-style-type: none"> ▪ Better export performance ▪ Focus groups ▪ Ministry of Agriculture 	<ul style="list-style-type: none"> ▪ Socio-economic stability prevails ▪ Political commitment to support coffee characterization ▪ Climate is not changing dramatically
<p>Project Purpose: The objectives of this project are to support the full application for the European PGI trademark for three Ethiopian coffee regions: Yirgacheffe, Sidamo and Harrar.</p>	<ul style="list-style-type: none"> ▪ Coffee exported under PGI production regulation. ▪ Ethiopian coffee products with PGI available in the final market ▪ Percentage of small producers undertaking practices oriented by the production regulation 	<ul style="list-style-type: none"> ▪ Export data ▪ Market survey ▪ Reporting 	<ul style="list-style-type: none"> ▪ Prevailing conditions of the world coffee market remains stable or improves ▪ Consumers and large buyers maintain willingness to pay premiums for value-added coffee ▪ Commitment of farmers and exporters to project ▪ Coffee production under PGI is adaptive to better livelihood

Outputs	Objectively verifiable indicators	Means of verification	Assumptions
<p>1. Protected Geographical Indication applications</p>	<ul style="list-style-type: none"> ▪ A national inter-institutional and multi-stakeholder platform/consortium to protect the coffee origins ▪ A quality production regulation in place 	<ul style="list-style-type: none"> ▪ Platform reporting ▪ Regulation documents 	<ul style="list-style-type: none"> ▪ Political commitment to support coffee characterization ▪ Enlisted farmers adopt best practices that enable access to the consortium
<p>2. Socio-economic valuation 2.1 Social and Human component 2.2 Economic component</p>	<ul style="list-style-type: none"> ▪ A social and an economic analysis documentation 	<ul style="list-style-type: none"> ▪ Reporting ▪ Documentation 	<ul style="list-style-type: none"> ▪ The designed methodology is validated by national scientific and technical community and the coffee sector ▪ Enlisted farmers adopt best practices that enable access to the consortium
<p>3. Environmental valuation 3.1 Genetic component 3.2 Environmental component</p>	<ul style="list-style-type: none"> ▪ A genetic mapping ▪ An Environmental analysis 	<ul style="list-style-type: none"> ▪ Reporting ▪ Documentation 	<ul style="list-style-type: none"> ▪ Enlisted farmers adopt best practices that enable access to the consortium ▪ The designed methodology is validated by national scientific and technical community and the coffee sector
<p>4. Development of international partnerships to support PGI coffee sourcing</p>	<ul style="list-style-type: none"> ▪ Amount of funds raised for the PGI in coffee scheme. ▪ Number of new roasters of varying sizes buying certified coffee from agroforestry systems 	<ul style="list-style-type: none"> ▪ Consortium accounting ▪ Official trade data ▪ Purchasing reports by roasters 	<ul style="list-style-type: none"> ▪ Financial institutions and coffee buyers interested in funding PGI ▪ Consumers and large buyers maintain willingness to pay premiums for PGI coffee
<p>5. Training</p>	<ul style="list-style-type: none"> ▪ Number of farmers and extensionists trained ▪ Number of supply chain professionals trained 	<ul style="list-style-type: none"> ▪ Training workshop reports 	<ul style="list-style-type: none"> ▪ Political commitment to support coffee characterization ▪ Enlisted farmers adopt best practices that enable access to the consortium

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BUDGET

Valorization of Ethiopian Coffee Origins through Protected Geographical Identification (PGI)		Financing sought		
Activities	Input	Y1	Y2	Subtotal US\$
Component 1: Coordination and project management – Support to the governance structures				
Institutional, financial and market barrier analysis	Consultancy Services	50,000	50,000	100,000
Set-up and facilitation of national platforms and task-forces	Costs	20,000	20,000	40,000
Socialization	Editing, publishing and communication services	20,000	20,000	40,000
Infrastructures	Construction	800,000	800,000	1,600,000
Project coordinator	Consultancy services	90,000	90,000	180,000
Administrative assistant	Consultancy services	60,000	60,000	120,000
Technical advisor	Consultancy services	30,000	30,000	60,000
Supplies & materials	Supplies & materials	20,000	20,000	40,000
International & domestic travel	Travel services	50,000	50,000	100,000
Evaluation & auditing	Consultancy services	30,000	30,000	60,000
Component 2: Training and Competences				
Training on PGI quality regulation	Consultancy services	80,000	100,000	180,000
Personnel selection	Consultancy services	20,000	20,000	40,000
Component 3: Quality analysis and documentation				
Quality analysis	Consultancy services	25,000	15,000	40,000
Reporting	Consultancy services	25,000	15,000	40,000
Component 4: Environmental and genetic research and documentation				
Environmental research	Consultancy services	85,000	85,000	170,000
Genetic research	Consultancy services	120,000	120,000	240,000
Reporting	Consultancy services	30,000	30,000	60,000
Component 5: Socio-economic research and documentation				
Social analysis	Consultancy services	85,000	85,000	170,000
Economic research	Consultancy services	90,000	90,000	180,000
Reporting	Consultancy services	30,000	30,000	60,000
Component 6: PGI process regulation				
Reporting	Consultancy services	30,000	30,000	60,000
Component 7: Communication plan				
PR plan	Consultancy services	90,000	90,000	180,000
Events	Costs	120,000	120,000	240,000
Long-lasting purchasing agreements incentivizing coffee production under agroforestry systems				
Total				4,000,000

