



International Coffee Organization
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**Improving coffee quality in East and
Central Africa: Scaling up of enhanced
processing practices in Ethiopia and
Rwanda**

Project proposal

Background

1. The present document has been submitted by CABI-ARC with the support of the Ethiopian Government, and contains the summary of a project proposal designed to improve livelihoods of small-scale coffee farmers in East and Central Africa on a sustainable basis. This will be achieved by promoting the production of high quality coffee, through the adoption of enhanced coffee processing practices. The high quality coffees will subsequently attract premium prices in the market thereby translating into improved household income.
2. The proposal has been sent to the Virtual Screening Committee (VSC) for evaluation and will be examined by the Executive Board in September 2008.

Action

The Executive Board is requested to consider this proposal together with the recommendations of the VSC and, if appropriate, to recommend approval by the Council.

PROJECT SUMMARY

- 1. Project title:** Improving coffee quality in East and Central Africa: Scaling up of enhanced processing practices in Ethiopia and Rwanda
- 2. Duration:** Five years
- 3. Location:** Burundi, Democratic Republic of Congo (DRC), Ethiopia and Rwanda
- 4. Nature of the project:** This proposal builds on the lessons learned during the pilot phase of the project on improving coffee quality in East and Central Africa through enhanced processing practices in Ethiopia and Rwanda (Project Ref. CFC/ICO/22). The positive outcomes of the pilot project with respect to the production of premium quality, eco-pulped and sun-dried naturals will be scaled up and out in Ethiopia and Rwanda. This will be in addition to dissemination of information on good production and processing practices in Burundi and the DRC. The project aims to catalyse better access to investment funds through revolving funds, commercial loans and rural savings. At the same time, the project will respond to the emerging challenges to sustainable production of high quality coffee by promoting good agronomic practices for enhanced productivity and developing frameworks for direct participation in the higher level segments of the markets by smallholder farmers. By consistently producing high quality differentiated coffees and empowering the farmers to have better access to markets, farmers will be able to negotiate remunerative prices, thereby increasing household incomes and improving their livelihoods.
- 5. Objective and scope of the project:** The strategic goal of the project is to improve the livelihoods of small-scale coffee farmers in East and Central Africa on a sustainable basis. This will be achieved by promoting the production of high quality coffee, through the adoption of enhanced coffee

processing practices. The high quality coffees will subsequently attract premium prices in the market thereby translating into improved household income. Results obtained during the preceding pilot phase demonstrated that premiums as high as 70% above local prices are attainable. More specifically, the purpose of the project is to empower smallholder farmers to consistently produce adequate quantities of high quality coffee and to more effectively participate in the coffee production, processing and marketing chain.

The project will comprise the following components:

- (a) Catalyse enhanced and sustainable access to financial services by smallholder farmers;
- (b) Scaling up and out of improved coffee processing practices throughout the coffee-growing districts of Ethiopia and Rwanda;
- (c) Integrating smallholder farmers into the higher levels of the coffee value chain;
- (d) Improved access to production and market information by all coffee value chain players; and
- (e) Project coordination, supervision and monitoring.

- 6. **Estimated total cost:** US\$8,677,725
- 7. **Financing sought from the Fund:** US\$7,387,485 (grant)
- 8. **Counterpart contribution:** US\$1,290,240
- 9. **Project Executing Agency (PEA):** CABI-ARC, Nairobi, Kenya
- 10. **Collaborating institutions:** Ministry of Agriculture and Rural Development Extension and marketing departments of Ethiopia, Office des Cultures Industrielles du Rwanda (OCIR-Café), Office du Café du Burundi (OCIBU) and Office National du Café (ONC) of the DRC.
- 11. **Supervisory body:** International Coffee Organization (ICO)
- 12. **Estimated starting date:** 2008

LOGICAL FRAMEWORK

Narrative summary	Objectively verifiable indicators	Means of verification	Assumptions
<p>Broad goal: Improved sustainable livelihoods of small-scale coffee farmers in East and Central Africa</p>	<ul style="list-style-type: none"> ▪ At least 50% of smallholder coffee farmers in Ethiopia and Rwanda living on more than 1 dollar a day ▪ Vulnerability of smallholder farmers to fluctuations in world coffee prices reduced ▪ Increased export earnings secured from coffee 	<ul style="list-style-type: none"> ▪ Annual reports of research institutions in the collaborating countries ▪ Impact assessment reports ▪ InterAfrican Coffee Organisation (IACO) reports ▪ ICO reports ▪ National statistical data 	<ul style="list-style-type: none"> ▪ Socio-economic stability prevails ▪ Political commitment to support the coffee sector
<p>Project Purpose: Smallholder farmers empowered to consistently and efficiently produce adequate quantities of high quality coffee and to more effectively participate in the coffee production, processing and marketing chain</p>	<ul style="list-style-type: none"> ▪ Farmers able to leverage local capital through commercial loans to improve coffee processing facilities ▪ Investment by smallholder farmers in facilities for improved coffee processing enhanced ▪ Improved processing practices scaled up and out in at least 20% of the coffee growing districts in each country ▪ Group marketing of coffee either through auction or direct contracting undertaken by at least four viable farmer groups ▪ Warehouse receipt system for smallholder coffee farmers developed and operational in at least four districts in Ethiopia ▪ Farmers apply good agronomic practices to improve productivity ▪ Improved access to better and alternative market outlets for smallholders ▪ Price gap between farm-gate and central market narrowed down 	<ul style="list-style-type: none"> ▪ Project annual reports ▪ IACO reports ▪ Mid-term evaluation report ▪ End of project report ▪ Coffee liquoring units (CLU) and Project Implementation Agreement (PIA) reports 	<ul style="list-style-type: none"> ▪ Prevailing conditions of the world coffee market remain stable or improve ▪ Consumers willing to pay premiums for superior quality coffee ▪ Commitment of the farmers and exporters to the project sustained throughout the project period ▪ Commercial banks willing to develop products targeted to smallholder coffee farmers ▪ Favourable weather conditions prevail
<p>Outputs: Sustainable access to financial services by smallholder farmers facilitated</p>	<ul style="list-style-type: none"> ▪ Periods of financial insecurity by smallholder farmers in Ethiopia and Rwanda identified and modalities for bridging the identified financial gaps developed and agreed upon with stakeholders ▪ Revolving fund to finance investment in good agricultural and processing practices established ▪ Sustainable loan guarantee system for smallholder farmers developed and agreed upon by stakeholders ▪ Platform for participatory development of loan products for smallholder farming system in Ethiopia and Rwanda developed and agreed upon with relevant stakeholders ▪ Appropriate loan products for both individual and group borrowing by smallholder coffee farmers developed and rolled out ▪ Systematic loan recovery system for smallholder loans beneficiaries developed and agreed upon with the relevant stakeholders ▪ Formation of rural savings and credit scheme for smallholder coffee producers facilitated 	<ul style="list-style-type: none"> ▪ Project annual and progress reports ▪ Mid-term review and other external appraisal report ▪ Ministry of Agriculture reports ▪ Reports of financial institutions ▪ CLU reports ▪ End of project report 	

Narrative summary	Objectively verifiable indicators	Means of verification	Assumptions
Improved coffee processing practices as identified through the CFC funded pilot project reference CFC/ICO/22 scaled up and out	<ul style="list-style-type: none"> ▪ Economic benefits of producing high quality coffee through improved primary processing promoted to coffee stakeholders in at least 20% of the coffee producing districts ▪ Facilities for enhanced coffee processing installed on pilot basis for newly enlisted farmers in at least 20% of the coffee producing districts ▪ Additional facilities for improved coffee processing acquired by smallholder farmers through commercial loans and advances ▪ Training to improve farmers' skills and knowledge in improved coffee processing and awareness seminars for policy-makers and other key stakeholders conducted in all districts targeted for up-scaling ▪ All pulping and drying facilities working at full capacity and enlisted farmers processing at least 50% of their crop using improved practices 		<ul style="list-style-type: none"> ▪ Newly enlisted farmers adopt new technologies and new practices ▪ Interest of coffee exporters in the project is sustained ▪ Government policies remain conducive to liberalized coffee marketing ▪ Farmers willing to adopt new technologies and ways of conducting business ▪ Financing from all sources is made on a timely basis in line with proposed activities and Annual Work-plan/Budget ▪ That the PEA and collaborating institutions coordinate and execute the project efficiently and effectively. ▪ Commercial banks willing to engage with smallholder farmers
Access to input and output markets by smallholder farmers enhanced	<ul style="list-style-type: none"> ▪ Modalities for group marketing of coffee developed and agreed upon by members of the associations and other key stakeholders ▪ Viable farmers groups established or strengthened in at least four coffee districts covered by the project ▪ Role of the various players in the coffee value chain defined and a framework for continuous dialogue between the producers and the value chain players established ▪ Alternative channels for direct access to coffee markets by smallholder farmers developed and agreed upon by key stakeholders ▪ Partnerships and linkages between smallholder coffee producers and key input and output players brokered 		
Access to production and market information by producers, marketers and policy-makers enhanced	<ul style="list-style-type: none"> ▪ Information on coffee quality available within (CLU) digitalised ▪ Digital information dissemination system based on hand-held devices and mobile phones developed and rolled out to development agents, extension workers and smallholder coffee farmers 		
Project effectively executed	<ul style="list-style-type: none"> ▪ Project outputs achieved within agreed budget and timeframe 		Collaborating organisations fulfil commitments