



International Coffee Organization
Organización Internacional del Café
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Organisation Internationale du Café

WP Board No. 980/05 Rev. 1

12 January 2006
Original: English

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Projects/Common Fund

Executive Board
260th Meeting
30 January – 1 February 2006
London, England

**Enhancing potential gourmet coffee
production for tourism at local level**

Project proposal

Background

1. This document contains a revision of the outline project proposal submitted by the *Istituto Agronomico per l'Oltremare* (IAO) of the Italian Ministry of Foreign Affairs to put in place a production system and promotion of quality coffee in the Central American and Caribbean regions. It will also promote the exchange of information technology and enhance communication.

2. The proposal was examined by the Virtual Screening Committee (VSC) and the Executive Board in September 2005, and their technical recommendations have been taken into consideration in revising the proposal. The revised proposal has been sent to the VSC for its consideration.

Action

The Executive Board is requested to consider this revised proposal and the comments of the Virtual Screening Committee and, if appropriate, to recommend approval by the Council for submission to the Common Fund for Commodities.

PROJECT PROFILE

1. **Project title:** Enhancing potential coffee gourmet production for tourism at local level
2. **Duration:** 2 years
3. **Location:** Honduras, Costa Rica, Guatemala, Nicaragua
4. **Nature of the project:** The project will add value to coffee products and promote the region and its local cultural heritage. Areas suitable for high quality crops will be identified, and planning abilities strengthened, placing particular emphasis on rural development and promotion of the region.

The programme will supply development models which will benefit coffee producers and other participating organizations. Pilot units will be set up in support of small producers aimed at adding value to the product, the region and local traditions (projects in support of local small gourmet coffee producers).

Pilot units will be developed in pilot areas selected by virtue of their suitability for quality production through: (i) the reorganisation of the coffee production chain, (ii) the improvement of producers' technical facilities, (iii) product quality control, (iv) dissemination of new processing and drying techniques, (v) the economical exploitation of by-products of coffee processing, (vi) promotion of the region.

To support the local economic development of participating Central American countries, in particular the production of quality coffee, this project will make use of the results obtained from the activities undertaken within the Programme of "Regional Network supporting associations of small producers of coffee", already financed by the Italian Cooperation Agency for an amount of approximately US\$1.2 million and to be implemented by the IAO in 2006 to contribute with the promotion, added value and marketing of coffee products in the region.

The project will focus on the following areas:

- Promotion of the region and local culture through identifying areas suitable for production of high quality coffee.
- Improvement of the quality of the product through: (i) the adoption of best practices in the harvesting, processing and drying; (ii) the preservation of traditional production systems to secure low environmental impact, and (iii) the creation of a collective trademark.
- Identification of new technologies that allow recycling the residues from the coffee processing for economical purposes.
- Improving farmers' revenue by promoting rural tourism in the coffee areas and through the setting up of a sort of "coffee route" in Central America.
- Adding value to the land through the mapping of sites of production and natural interest.
- Strengthening the regional network created by the Italian Cooperation Agency programme with the vertical integration of all stages of the coffee production chain and involved actors.

5. Brief description:

The project should be seen as a pilot project. It will enable four participating coffee-producing countries to implement a strategy to develop sustainable gourmet quality coffee accompanied by tourism strategies. It will be implemented in four coffee producing areas that have shown interest in developing income generating activities based on coffee quality improvement and eco-tourism, where the project pilot units will be established and organised.

The *broad objective* of the initiative is to improve the standard of living of small coffee producers in rural mountain communities, reducing their socio-economic and cultural vulnerability and increasing the sustainability of cultivation. The programme will contribute to the appreciation of tourism linked to coffee cultivation, favouring sustainable development, and developing and diversifying agricultural production.

The *specific objective* is to put in place a system to produce and promote quality coffee in the Central American region, by establishing pilot units that, by promoting the direct participation of coffee producers, will add value to gourmet coffee produced by small growers and the region. It will also promote information technology and communication exchange.

The main aim of the project will be to improve the product and the ability of producers to judge the product and also to encourage the development of associations, technical capacity, and skills to facilitate the promotion and sale of coffee produced in the region.

The project will add value to coffee produced by growers able to reach high quality standards required for trading quality coffee. It will provide the basis to define the institutional framework for participants of the coffee chain willing to adopt tourism-oriented activities as a way to diversify/complement coffee production as a tool to fight poverty.

The tourism-oriented activities of the project will also strengthen the planning abilities of the project participants, through a continuous exchange of experiences emerging from the “Regional Network supporting associations of small producers of coffee”, which is an existing project already financed by the Italian Co-operation Agency in Central America. The immediate beneficiaries will be both pilot unit producers, and consumers who will benefit from a wider choice of quality coffees.

6. Expected results:

- At least four coffee exporting pilot units, one for each country, capable of implementing sustainable production and marketing of gourmet coffee.
- Improved coffee production and quality.
- Identification and dissemination of new coffee processing production methodologies and techniques.
- Identification and dissemination of methodologies for the economical exploitation of coffee processing residues.
- Providing an extra source of cash flow for the producers.
- Active participation in the regional network of associations of small producers in the Central American region.
- Increased rural tourism.
- Increased quality awareness at the consumer and trade level in the target markets (as a result of the project’s information and marketing activities) impacting on both the gourmet speciality trade and traditional industrial roasters.
- Increased availability of quality development and marketing methodology, including cupping, suitable for adaptation to individual origin requirements.

7. **Estimated total cost:** US\$617,560
8. **Financing from the Common Fund:** US\$617,560
9. **Mode of financing:** Grant
10. **Co-financing (ongoing):** n.a.
11. **Mode of co-financing:** n.a.
12. **Counterpart funds:** n.a.
13. **Project Executing Agency:** *Istituto Agronomico per l'Oltremare* (IAO) of the Italian Ministry of Foreign Affairs (MAE)
14. **Supervisory body:** International Coffee Organization
15. **Estimated starting date:** 2006

Logical framework

Narrative summary	Objectively verifiable indicators	Means of verification	Important assumptions
<p>Programme goal</p> <p>The broad objective of the initiative is to improve the standard of living of small coffee producers in rural mountain communities, reducing their socio-economic and cultural vulnerability and increasing the sustainability of cultivation.</p> <p>The programme will contribute to the appreciation of tourism linked to coffee cultivation, favouring sustainable development, and developing and diversifying agricultural production.</p>	<p>Measures of goal achievement</p> <p>An increase in (a) the sales of gourmet quality coffee obtaining price premiums; (b) tourism linked to coffee cultivation and to culinary and cultural heritage; (c) the revenue of mountain coffee farmers related to the exploitation of by-products of coffee processing.</p>	<p>(a) Municipal report related to the investment level in the coffee sector; Trade and financial data; (b) Survey and reports of National Tourism Agencies related to the tourism eco – sustainability; (c) Life quality level data and statistics in rural areas;</p>	<p>Concerning long term value of project</p> <p>Continuing political commitment to coffee quality production and to the promotion of eco – sustainability tourism.</p>
<p>Project purpose</p> <p>The specific objective is to put in place a production system and promotion of quality coffee from the Central American region, by establishing pilot units that, by promoting the direct participation of coffee producers, will add value to the small gourmet coffee producers and the region.</p> <p>It will also promote information technology and communication exchange.</p>	<p>Conditions:</p> <ul style="list-style-type: none"> – At least four coffee exporting pilot units, one for each country, capable of implementing sustainable production and marketing of gourmet coffee. – Improved coffee production and quality. – Identification and dissemination of new coffee processing production methodologies and techniques. – Identification and dissemination of methodologies for the economical exploitation of coffee processing residues. – Providing an extra source of cash flow for the producers. – Participation in the Regional network of associations of small producers in the Central American region. – Increased quality awareness at the consumer and trade level in target markets (as a result of the project’s information and marketing activities) impacting on both the gourmet speciality trade and traditional industrial roasters. – Increased availability of quality development and marketing methodology, including cupping, suitable for adaptation to individual origin requirements. 	<p>Pilot units established. Production techniques developed and adopted by the coffee quality association. Quality control and certification records. Increase in the production of gourmet quality coffee. Increase in the revenue of mountain coffee farmers related to the exploitation of by-products of coffee processing. Active participation in the regional network of associations of small producers in the Central American region. Appreciation at consumer level of the coffee brand.</p>	<p>Affecting purpose to goal link</p> <p>Price premiums sufficient to remunerate additional efforts required to assure quality. Reducing transaction costs and raising farmgate prices. The pilot projects to be established proves to be economically sustainable. Within the economic sphere and financial institutions, producers will gain autonomy through their participation in the exchange and dissemination of pragmatic techniques to improve the quality of the product and facilitate trade.</p>

Narrative summary	Objectively verifiable indicators	Means of verification	Important assumptions
<p>Outputs</p> <p>(a) Four coffee producing areas, one for each participating country, identified on the basis of their geographical, cultural and social characteristics, and represented by small coffee farms and farmers organized in associations. Every pilot unit will involve at least 500 coffee growers.</p> <p>(b) Standardisation of coffee production with special attention to best practices in terms of cultivation and product processing, trading, promotion and marketing aspects; strengthening of organisational and management skills at regional level.</p> <p>(c) Encouraging the use of new technologies for pulping, drying and recycling of residues for economical purposes in the agricultural sector of the coffee processing.</p> <p>(d) Promoting the product and region to promote the pilot areas for tourism.</p> <p>(e) Participating in the regional network of all the involved agencies in the ‘coffee chain’. Facilitating the exchange and dissemination of experiences. Supporting the process of decentralisation already in action in the countries involved, increasing the ability to programme and manage development within the region.</p> <p>Twinning Italian and Central American rural communities. Strengthening the planning capacity of the local agencies in Central American countries participating in the project, through continuous technical and methodological assistance and exchanges of experience with local Italian and Central American agencies.</p>	<p>Magnitude of outputs necessary and sufficient to achieve purpose</p> <p>System piloted successfully in participating countries.</p> <p>Increase in quality coffee exports attracting premium quality prices.</p> <p>Rising farmgate prices.</p> <p>Increase in the availability of funding for complementary agriculture production (mushrooms, etc.).</p>	<p>Detailed analysis of costs and benefits of tested system in project reports and appraisal by users at concluding workshop.</p> <p>Life quality level data and statistics in rural areas.</p> <p>Economic and financial data of the associations of small producers of the Central American region.</p> <p>Municipal report related to the investment level in the coffee sector.</p> <p>Active participation in the Regional network of the associations of small producers in the Central American region.</p> <p>Promotion and appreciation at consumer level of the coffee brand.</p>	<p>Affecting output to purpose link</p> <p>System is adaptable across commodities and countries.</p> <p>The international coffee industry is willing to pay a premium for quality.</p> <p>The small mountain coffee farmers are not cheated by traders in price negotiations.</p> <p>The technologies are known in the region, but need to be adapted to productive and human necessities.</p> <p>Participation in the network will continually conform to the socio-cultural characteristics of the areas.</p>
<p>Inputs: Activities and types of resources</p> <p>(a) A study and identification mission undertaken by an agro-economist, for a period of 30 days (1 person-month), and including the plane ticket.</p> <p>(b) A study and identification mission undertaken by a coffee quality expert, for a period of 30 days (1 person-month), and including the plane ticket.</p> <p>(c) Realization of:</p> <ul style="list-style-type: none"> – 4 collective ecological pulping (<i>beneficiado ecológico</i>) for the first coffee processing, pulping and mechanical mucilage removing, one for each pilot unit. – 20 low-cost solar driers at the farm level for each identified area – 20 mushroom cultivations at the farm level for each identified area. – 20 compost areas at the farm level for each identified area. – A technology transfer mission undertaken by a coffee quality expert for 30 days, (1 person-month), comprehensive of the flight ticket. <p>(d) Preparation of:</p> <ul style="list-style-type: none"> – a virtual guide to the cultures, traditions and local cooking. – a coffee route joining the zones interested in the project. – a web page for each identified area. – a quality brand. <p>(e) Participation in the network activities. Integrated promotion of the product and region. Seminars, conferences and publications.</p>	<p>Level of effort/expenditure for each activity</p> <p>Component 1 (US\$18,000) To identify gourmet potential coffee producing areas</p> <p>Component 2 (US\$18,000) To re-organise the coffee production chain with special attention to the cultivation and harvest.</p> <p>Component 3 (US\$260,000) To identify and transfer new techniques for coffee processing and quality control</p> <p>Component 4 (US\$100,000) Appreciation and promotion of the region and local agriculture.</p> <p>Component 5 (US\$96,000) To put in place a production system and promotion of quality coffee.</p>	<p>PEA project progress reports.</p> <p>Annual audit reports.</p> <p>Participation in Advisory Committee and concluding dissemination workshop.</p> <p>Periodic reports and on-site visits to assess progress on implementation.</p>	<p>Financing is made on a timely basis in line with proposed activities and annual work plan/budget.</p> <p>The PEA, national management units and collaborating institutions co-ordinate and execute the project efficiently and effectively.</p> <p>Continuing political commitment to coffee quality production and to the promotion of eco – sustainability tourism.</p>

**Detailed cost table by category and item of expenditure
“Enhancing potential gourmet coffee production for tourism at local level”**

Category name	Sub-category name	Item of expenditure	Unit	Unit price	Quantity	Total cost
1. Identification of gourmet potential coffee area	Machinery	Ecological pulping	number	26,000	4	104,000
	Equipment	Solar driers	number	1,000	80	80,000
		Workstations	number	1,500	4	6,000
3. Identification and transferring new techniques for coffee processing and quality control				0	0	0
III. Materials and supplies		Mushroom cultivation	number	250	80	20,000
		Composting	number	250	80	20,000
IV. Personnel	Local consultancies	Recovery cultural and culinary tradition consultant	month	4,000	2	8,000
		Website manager	month	666	18	12,000
		Agronomic and agro-economic consultants (training)	month	4,000	3	12,000
		Other technical consultancies	month	666	18	12,000
V. Technical assistance and consultancy	International consultancies	Agro-economic consultant	month	15,500	1	15,500
		Agronomic consultant	month	15,500	2	31,000
		GIS consultant	month	15,500	1	15,500
		Other international consultancies	month	5,000	15	75,000
VI. Duty travel	International and local travel		number	2,500	6	15,000
VII. Dissemination and training	Training					39,000
	Workshop					14,000
	Publications					13,000
VIII. IAO operational costs	IAO operational costs					39,000
IAO SUB-TOTAL						531,000
IX. Supervision, monitoring and evaluation		Supervision, monitoring and evaluation				60,000
X. Contingencies		Contingencies				26,560
GRAND TOTAL						617,560