

# Global Environment Facility

**MOHAMED T. EL-ASHRY**  
CHIEF EXECUTIVE OFFICER  
AND CHAIRMAN

December 10, 1998

Dear Council Member,


I am enclosing a medium-sized project entitled "*Uganda: Kibale Forest Wild Coffee Project.*" The GEF will contribute \$750,000 towards the total cost of \$4.15 million.

This project will assist Uganda's implementation of its national biodiversity strategy and action plan by helping maintain biodiversity in the landscape mosaics beyond the boundaries of protected areas of global importance. It will do so by regulating uncontrolled coffee harvesting, confining it to buffer zones and ensuring that all activities in these areas reflect best practices for sustainable management of tropical humid forest ecosystems. It will create incentives for all parties to adhere scrupulously to tight control of location, timing, technique and volume of extraction of coffee planting and harvesting. The project will also seek to make the whole system financially self-sustainable through a funding channel that gives villages an incentive to become partners of Kibale National Park for conserving the globally important biodiversity of Kibale Forest.

GEF support will increase biodiversity conservation through the design and implementation of an efficient agricultural system which will yield coffee crops of high value, as well as a funding channel that will capture the price premium and pay financial benefits to all involved stakeholders, including Kibale National Park, the Uganda Wildlife Authority, and villages in the vicinity of the Park. It will ensure that wild coffee collected in the buffer zones of Kibale forests is produced, processed, shipped and ready to be marketed in accordance with an ecologically sustainable certified system of production.

This proposal is being sent to you for informational purposes only. However, we would welcome any comments you may wish to provide by December 24, 1998, in accordance with the procedures approved by the Council.

Sincerely,



Mohamed T. El-Ashry  
Chief Executive Officer  
And Chairman

Attachment:  
Uganda: Kibale Forest Wild Coffee Project


Cc: Alternates, Implementing Agencies, STAP

TO: GEF SECRETARIAT  
THE WORLD BANK/FCM/I.G.A.

## OFFICE MEMORANDUM

DATE: November 16, 1998

TO: Kenneth King, Assistant CEO GEC PROGRAM COORDINATION

FROM: Lars Vidæus, GEF Executive Coordinator, GEF 

EXTENSION: 3-4188

SUBJECT: **Kibale: Forest Wild Coffee  
GEF Medium-Sized Project (MSP)**

1. Please find attached the Project Brief for the above-mentioned Medium-Sized Grant. The project has been endorsed by the GEF national operational focal point (see letter, also attached).
2. In accordance with operational guidance for approval of Medium-Sized Projects, we are submitting this project brief to the GEF Secretariat for action by the Chief Executive Officer (CEO). We are simultaneously circulating copies to UNDP/GEF, UNEP/GEF/ STAP, and the CBD Secretariat for comments within 15 working days, or by December 9, 1998.
3. We look forward to receiving the GEF Secretariat's guidance on the next processing steps for this Medium Size Project by December 23, 1998 (if not before). Thank you and best regards

**Distribution:**

R Asenje, UNDP (Fax: 212 906 6998)  
A Djoghli, UNEP (Nairobi) (Fax: 254 2 520 825)  
R Khanna, UNEP (Washington) (Fax: 202 331 4225)  
M Gadgil, STAP (Fax: 91 80 334 1683 or 91 80 331 5428)  
M Griffith, STAP Secretariat (Nairobi) (Fax: 254 2 623 140)  
C Juma, CBD Secretariat (Fax: 1 514 288 6588)

cc: Messrs./Mmes. Cook, Kiss, Johnson AFTE1, Castro, MacKinnon, Mikitin, Elliott, Bossard, Maitre (ENV), ENVGC ISC

**Medium-sized Project Brief — Kibale Forest Wild Coffee**

**Project Summary**

<b>Project Identifiers</b>	
<b>1. Project name:</b> Kibale Forest Wild Coffee Project	<b>2. GEF implementing Agency:</b> The World Bank
<b>3. Country or countries in which the project is being implemented:</b> Uganda	<b>4. Country Eligibility:</b> Uganda ratified the Convention on Biological Diversity in 1993.
<b>5. GEF focal area(s):</b> Biodiversity	<b>6. Operational program/short term measure:</b> This proposal falls within the Operational Program for Forests Ecosystems. This project will promote the biodiversity conservation within both Kibale National Park (and ultimately other national parks in Uganda) and within the agricultural landscape of small coffee farms in Northwestern Uganda.
<b>7. Project linkage to national priorities, action plans, and programs:</b> The project will implement both national policy and a principal mandate of the Convention on Biological Diversity by promoting the sustainable use of a native plant species to create a sustaining income for Kibale National Park, and the Uganda national park system as a whole. It is also a pioneering example of a Community Conservation Management Agreement (CMA) supported through a partnership with the private sector. The project complements the World Bank supported PAMSU project which focuses on capacity building of the Uganda Wildlife Service in general, but offers little support to find and implement sustainable use/funding efforts at the level of individual national parks. Lastly, the project will also prove to the coffee industry, Uganda's leading earner of foreign exchange, that coffee produced in harmony with conservation of biological diversity has extra market value.	
<b>8. GEF national operation focal point and date of country endorsement:</b> E. Tumusiime-Mutebile PS Ministry of Finance, Planning and Economic Development for Chris Kassimi, GEF Focal Point, Letter of Endorsement dated August 4 1998	

<b>Project Identifiers</b>	
<p><b>9. Project rationale and objectives:</b>            The project will conserve globally significant biodiversity in Kibale National Park and in the agricultural landscape of Uganda by creating a system to use income from sale of Kibale Forest Wild Coffee to improve management of KNP and to provide an incentive to small arabica farmers sufficient to lead them to produce organic coffee in biologically diverse agricultural ecosystems.</p> <p>Coffee is Uganda's primary export and earner of foreign exchange. This project will create a system to certify coffee origin and quality to back the validity of "eco" claims for wild coffee. Chief among these claims is that income from the coffee will help conserve Uganda's biological diversity in two areas:</p> <p><b>Kibale National Park</b> -- the income will support KNP's recurrent costs as well investment in building capacity and other improvements. It will also pay for social and economic investments in villages around KNP.</p> <p><b>Arabica production zone</b> -- the income will pay small farmers in a selected district (present top choice is the Nebbi plateau) a premium to grow their coffee in small farmer agricultural systems that are certified as organic and "shade" grown, that is grown in biologically diverse agro-ecosystems that provide habitat for a richer variety of fauna than large scale coffee farms.</p>	<p><b>Indicators:</b></p> <ul style="list-style-type: none"> <li>(a) scope and scale of protection of forest biodiversity within Kibale National Park</li> <li>(b) effective management of buffer zones around KNP</li> <li>(c) stability of number and size of small farms within project areas</li> <li>(d) flow of income from sustainable harvest into park management</li> </ul>
<p><b>10. Project outcomes:</b>            Project outcomes include:</p> <ul style="list-style-type: none"> <li>(a) removal of a present threat to biological diversity in both the core conservation zone and the buffer zone and the establishment of an ecologically sustainable management system (based on monitoring by independent third parties) for the buffer zones of Kibale National Park in harmony with KNP's current management plan</li> <li>(b) establishment of an self-sustaining incentive for conservation of biological diversity in an agricultural landscape characterized by small farms growing crops in biologically rich, traditional systems.</li> <li>(c) creation of a financial flow for sustaining the costs of KNP's management (both buffer and core zones) and for investing in economic and social improvements in surrounding villages and in villages in the small farm districts</li> </ul> <p>(possible expansion of the wild coffee harvest zone to areas outside KNP buffer zones will also be considered)</p>	<p><b>Indicators:</b></p> <ul style="list-style-type: none"> <li>(a) percent of area of KNP buffer zones that are under sustainable management according to the buffer zone management plan</li> <li>(b) number and acreage of small farms that are certified organic</li> <li>(c) number and acreage of small farms that are certified as producing coffee in mixed agricultural systems -- equivalent to the "shade coffee" of Latin American plantation coffee</li> <li>(d) volume of Uganda coffee exports that are certified as either wild, organic or produced from mixed small farm ecosystems</li> </ul>

<p><b>11. Project activities (including cost in US\$ of each activity):</b></p> <p><b>Output #1 Sustainable management of Biological Diversity:</b> total costs of \$3,202,000 (GEF: \$52,000 UWA: \$2,630,000)</p> <p>(a) design CMAs with villages surrounding KNP: incremental costs of \$39,000</p> <p>(b) write master plan for coffee resource, control of access and sale: incremental costs of \$209,000</p> <p>(c) design and implement KNP permitting and CMAs: incremental costs of \$131,000</p> <p>(d) design monitoring, impact assessment and acceptable system to back up claims: incremental costs of \$173,000</p> <p><b>Output #2 Preparation for Certification of Coffee:</b> total costs of \$581,000 (GEF: \$131,000 UCTF: \$450,000)</p> <p>(a) create system to control coffee post-harvest: incremental costs of \$90,000</p> <p>(b) assure readiness to meet likely international standards: incremental costs of \$41,000</p> <p><b>Output #3 Creation of Funding Channel to Allocate Benefits:</b> total costs of \$367,000 (GEF: \$67,000 UCTF: \$300,000)</p>	<p><b>Indicators:</b></p> <p>(a) master plan for forest management in coffee buffer areas prepared and reviewed by scientific community</p> <p>(b) system for organic and wild certification contracted and in place</p> <p>(c) number and acreage of farms certified organic and 'shade' grown</p> <p>(d) acres of buffer zone under management</p> <p>(e) legally binding agreements to establish fund for channeling income from price premium</p> <p>(f) plan for raising additional investment for marketing</p> <p>(g) map of coffee zones (both KNP buffer zones and arabica districts)</p> <p>(h) home page and plan for internet development (web cams, links to US national park cyber centers, etc.)</p>										
<p><b>12. Estimated budget (in US\$):</b> This table summarizes the figures of the previous section:</p> <table border="0"> <tr> <td>GEF</td> <td>750,000</td> </tr> <tr> <td>UCTF</td> <td>750,000</td> </tr> <tr> <td>UWA</td> <td>1,600,000</td> </tr> <tr> <td>Research</td> <td>1,050,000</td> </tr> <tr> <td><b>Total</b></td> <td><b>\$4,150,000</b></td> </tr> </table>		GEF	750,000	UCTF	750,000	UWA	1,600,000	Research	1,050,000	<b>Total</b>	<b>\$4,150,000</b>
GEF	750,000										
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UWA	1,600,000										
Research	1,050,000										
<b>Total</b>	<b>\$4,150,000</b>										
<p><b>Information on Institution Submitting Project Brief</b></p>											
<p><b>13. Information on Project Proposer:</b> The Uganda Coffee Trade Federation is the proposing agency. Information on UCTF is attached. UCTF is supported by the Uganda Wildlife Agency (UWA), Kibale National Park (KNP), Makerere University Biological Field Station (MUBFS), and Utah State University (USU). Information on UWA, MUBFS, and USU is attached. KNP is a park within the national park system that UWA administers for the Government of Uganda.</p>											
<p><b>14. Information on Executing Agency:</b> Same as above</p>											
<p><b>15. Date of initial submission of project concept:</b> 23 September 1998</p>											
<p><b>Information to be Completed by Implementing Agency</b></p>											
<p><b>16. Project identification number:</b> UG-GM 59869</p>											
<p><b>17. Implementing Agency contact person:</b> Nathalie Johnson</p>											

**18. Project Linkage to Implementing Agency:** The project fits with the World Bank country assistance strategy, which places a high priority on finding sustaining sources of income for national parks and on environmentally sustainable income generating activities for villagers living within a defined mixed use zone surrounding national parks. The project also complements and supports the newly approved IDA-GEF Institutional Capacity Building for Protected Areas management and Sustainable Use Project (ICB-PAMSU) which aims to build capacity of conservation and tourism institutions in Uganda.

## PROJECT DESCRIPTION

### PROJECT RATIONALE AND OBJECTIVES

#### National priorities

Uganda is in the early period of building its capacity to assure the conservation of its considerable share of global biodiversity. With the help of donors, especially the World Bank and USAID, Uganda has a National Conservation Strategy, a Wildlife Act, and a master plan for its major national parks, including Kibale National Park (KNP) in Western Uganda. This project seeks to help Uganda implement its national strategy in accordance with its wildlife policy. Both the Uganda Wildlife Act and the National Conservation Strategy call for the creation of multiple use buffer zones as a key part of the strategy for national park management. The goal of the management of these zones is conservation and sustainable use. In implementing this national policy, KNP has taken two actions. It has gazetted zones (see **Figure 1** and Annex 1) and it has made a plan that calls for instituting sustainable and controlled use in the buffer zones through agreements with local communities that will be using the resources.

In addition, Uganda's National Conservation Strategy calls for efforts to maintain biodiversity in the landscape mosaic beyond the boundaries of national parks. The Kibale project will offer an incentive to small, mixed farms to maintain their present agro-ecosystem, rather than change over into mono-cultures of coffee or another cash crop.

#### Need to control unregulated activity and upgrade management of KNP

Presently, villagers living around KNP are taking coffee illegally from native wild coffee plants (*Coffea canephora*) in both the park's core conservation areas and buffer (multiple-use) zones (see **Figure 1**). According to KNP staff the existence of this clandestine activity within the park sets the stage for other activities, including taking of animals. At the moment coffee harvesting is the major illegal activity within the park's wetter zones (where the coffee grows). These zones contain the highest levels of biological diversity. KNP does not have enough rangers to stop or even observe present coffee harvesting activities.

As long as uncontrolled harvesting continues the biological diversity of KNP, including its eleven indigenous species of primates, will be at risk. The project proposes an incremental investment that will remove the potential risk from having a major illegal activity within the park. At the same time this investment will give KNP the sustaining financing to establish the capacity it needs to guarantee the conservation of all of the park's biodiversity. This investment will:

- 1) shift uncontrolled coffee harvesting to a legal activity confined to buffer zones and under regulations and with safeguards to ensure that all activities reflect best practices of measuring and understanding sustainable management of rainforest ecosystems;
- 2) create incentives for all parties to adhere scrupulously to tight control of location, timing, technique, and volume; and,
- 3) make the whole system financially self-sustaining through a funding channel that gives villagers an incentive to become partners of KNP and UWA in conservation of the globally important biological diversity of Kibale Forest.

**Figure 2** shows the three stages in this process, the end stage of which is enhanced security for the biodiversity of KNP.

## UGANDA - Kibale Forest Wild Coffee

**Creating a partnership with the private sector**

The key to this project's feasibility is an alliance between the park and people on one side and on the other side the Uganda coffee industry, represented by the Uganda Coffee Trade Federation (UCTF), a **non-profit** trade association. The goal of this alliance is to shift from unregulated taking of wild coffee of poor quality to regulated harvesting of coffee that will be blended with other coffee to become "Kibale Forest Wild Coffee" (Kibale Coffee). The alliance with UCTF will support work to get this coffee ready to enter the market for high value specialty coffee in the US and EU.

Kibale Coffee will blend beans harvested by local villagers from wild coffee plants growing in the buffer zones at the northeast of KNP with top grade, organic arabica coffees grown on small farms elsewhere in Uganda. This coffee will be an organic, "eco-coffee" that will be able to get a price premium from consumers in the US and the EU who are willing to pay more for coffee if they are assured that the extra cost will protect the environment, safeguard the national park's biological diversity, and benefit villagers and small farmers.

**Need for GEF support**

A GEF investment will support work to develop Kibale Coffee to the point that it is ready to enter the market with fully credible claims of its benefits to biological diversity. Although Uganda is one of the top producers of coffee in the world, it has no experience with production of "eco-coffees" (e.g., "bird-friendly," "shade grown") that are now common in Latin America. Consequently GEF support is needed to ensure that Kibale Coffee is produced, processed, shipped and ready to be marketed in accord with a fully certified system that is completely separate from the path that ordinary coffee follows to consumers. Because this system has to be built from the ground up, there is no commercial investment money available for its creation and for the safeguards needed to assure that biodiversity is conserved. What capital is available to the coffee industry of Uganda goes into large scale coffee farms that are monoculture of one genotype of coffee ("clonal coffee").

With GEF support this project will increase biodiversity conservation through the design and creation of a system to yield a coffee of high value, as well as a funding channel, that will capture the price premium and pay financial benefits to all involved in the system, including KNP, its parent agency, the Uganda Wildlife Authority (UWA); UCTF; villagers living near KNP; Makerere University Biological Field Station (MUBFS) located within KNP; coffee farmers growing organic arabica coffee; the people and government of Uganda; and, biological diversity inside and around KNP and in the coffee areas where small farmers grow arabica coffee in agro-ecosystems that are biologically diverse.

**CURRENT SITUATION****The Park**

Kibale National Park (KNP) covers 766 square km (190,000 acres) in western Uganda -- a region of great scenic and scientific value that is home to over half of Uganda's 10 national parks. KNP is representative of mid-altitude moist tropical forest, and offers spectacular scenery and extraordinarily high levels of biological diversity. The Park, managed by the UWA (formerly Uganda National Parks), is situated within Uganda's primary tourist zone, and is adjacent to Queen Elizabeth National Park (QENP), the Mountains of the Moon (Rwenzori National Park), and Uganda's Rift Valley.

Kibale forest has long been recognized as an ecologically significant area. The region was first gazetted as a Crown Forest in 1932 by the Colonial British administration. Later, in 1948, the GOU designated Kibale a Central Forest, and in 1964 a Forest Reserve. In November of 1993,



## UGANDA - Kibale Forest Wild Coffee

the GOU designated the entire Kibale Forest, as well as a southern game corridor to QENP, as Kibale National Park.

Three major ecosystems form a mosaic of vegetation in KNP--forests, wetlands, and grasslands. The forests of the Park are classified as mid-altitude moist tropical forest. Trees reach over 55 m (180 ft) in height and form a semi-closed canopy of stratified tree crowns. An estimated 229 tree species are found in KNP--approximately half of the total number of tree species found in Uganda. Important timber species listed as endangered include *Cordia millenii*, *Entandrophragma angolense* (naturally rare), and *Lovoa swynnertonii*. Non-timber tree species of economic importance include wild robusta coffee, *Coffea canephora*. Flat, low-lying areas in the southern part of the Park, which are often flooded, support thick stands of palms, including the Phoenix and raffia palms, as well as screw palms, (*Pandanus spp*). In the extreme rocky and riverine habitat of southern KNP, two rare species of cycads (*Encephalartos spp*) are found in isolated patches.

The fauna of KNP is one of the best studied in the tropics. Prominent are 11 species of non-human primates (two-thirds of the total for Uganda), including chimpanzee (*Pan troglodytes*) and the endangered red colobus monkey (*Colobus badius*). Terrestrial mammals include red and blue duikers, bushbucks, bush pigs, warhog, buffalo, water buck, the giant forest hog, sitatunga, and the African elephant. Carnivores include lions, leopards, golden cats, civets, palm civets, rats, and the Congo clawless otter. Of the small mammals, rodents are diverse and abundant. At least 23 species of fish are found in the fresh waters of KNP, including air-breathing lungfish (*Protopterus aethiopicus*).

KNP's avifauna and invertebrate fauna are also very rich, and 325 species of birds occurring in 46 families have been reported in the Park. Those noteworthy due to their limited distribution include the olive long-tailed cuckoo, western green tinker bird, Willcock's honeyguide, collared apalis, red-faced woodland warbler, white-bellied crested flycatcher, blue-headed sunbird, and the Kibale Prigogine's ground thrush (*Turdus kibalensis*) which is endemic to the Park. Reptiles and amphibians are abundant in the Park, but little is known about them. The Park's invertebrates include an estimated 140 species of butterflies.

### The People

The region surrounding KNP is densely populated, primarily by people from the indigenous Batoro and Bakiga ethnic groups with numerous immigrants from the populous Kabale and Rukungiri districts of southwestern Uganda. Most people in the region are subsistence farmers, growing plantains, ground nuts, sweet potatoes, and sugar cane. Small timber and fuelwood plantations of exotic tree species, especially eucalyptus, are scattered across the area. Other activities include brewing of local beer, working in tea plantations, fishing, and continued livestock production in the southern portion of the Park.

Local communities have historically relied on the forest for a wide range of products and services, including logging, hunting, land for crops, collection of medicinal plants, firewood, poles, crafts materials, and the harvesting of wild coffee for income.

### The Problem

Local communities have borne the costs of biological diversity conservation while receiving few if any tangible benefits from the Park. Before Kibale was designated as a national park, access to and use of the forest by local residents was not strictly regulated. Following national park designation in 1993, however, use of Park resources was made illegal, and people that had illegally settled in the game corridor were evicted. Moreover, elephants, baboons and other wildlife use the Park as a safe-haven from which to raid the fields of surrounding villages.

## UGANDA - Kibale Forest Wild Coffee

While Park regulations are intended to protect the area's natural features and wildlife, continued ill-will between the Park and local people will in the long run undermine the security of the biological resource of KNP. Neither KNP nor UWA has enough financial resources to provide adequate management for KNP, much less start innovative programs that will win over local residents to become supporters of KNP and its conservation mission.

This project seeks to address the problem of creating a sustainable source of support for KNP and a sustainable path to development for local villagers with a win-win partnership. This partnership will create a significant new source of sustaining income that will support the conservation of biological diversity in several ways. The income will support the recurrent and investment budgets of both Kibale National Park (KNP) and UWA. It will also provide an income to villagers living in and near to buffer zones associated with KNP.

## EXPECTED PROJECT OUTCOMES

This proposal seeks support for a three year effort that will make Kibale Coffee ready for marketing as a fully credible "eco-coffee". Income from its sale will: 1) create a sustaining source of income for the conservation of biological diversity in Kibale Forest (park and buffer areas) from the value of Kibale Coffee; 2) be a self-regulating incentive for all partners to adhere to the best scientific understanding of what is sustainable management of forest areas with coffee; 3) cement partnerships among a diverse set of actors who, though they have never worked together before, will be bound by a strong mutual interest.

## ACTIVITIES AND FINANCIAL INPUTS

**Activity cluster #1: A sustainable management system.** The project will establish a system for the management of wild coffee from Kibale National Park's buffer zones. The first step will be to draft a provisional plan that will govern the crucial transition from current illegal harvesting to permitted harvesting. The idea is to make this transition with as little change as possible in either the direct income to villagers from the sale of coffee or in the level of harvesting. As a safeguard this transition will not occur until: a) the current situation is understood; and, b) villagers understand that their future lies in adherence to the management plan. Future changes in harvest levels will come only after study, monitoring, inventorying, and other research. As a further safeguard, before changes are made, the project partners will solicit the opinion of the international community of scientists knowledgeable about KNP and its environs.

The project will use the MUBFS, Utah State University (USU), and other sources of expertise and knowledge of the Kibale ecosystem to conduct studies of the wild coffee resource and current levels of harvest and to present to UWA and KNP an annual set of recommendations as to location and intensity of harvest to be allowed for each harvest season. A key role will be played by USU. USU has several years experience working on a USAID cooperative agreement to upgrade the capacity of MUBFS. USU will "certify the certifiers" -- in other words USU will ensure that the management plan and safeguards are comparable to the sustainable efforts of other eco-coffees, which are mostly Latin American. The activity list will include the following specific steps (among others):

### 1.1 Design and implement Community Management Agreements (CMAs) with local communities

- survey to identify current harvesters and areas of activities
- identification of villages and village organizations
- participatory process to propose draft CMAs

UGANDA - Kibale Forest Wild Coffee

- review of draft CMAs by all parties
  - agreement on first phase harvesting plan
  - initial permitting in areas of buffer zone
  - purchase of first harvest yield
- 1.2 Write master plan for coffee resources
- rapid reconnaissance to identify current coffee areas
  - map of buffer zone areas that have coffee resources
  - estimate current and traditional yields taken
  - triage areas (clearly stressed, clearly unstressed, those needing further study)
  - identify first phase areas
  - set quotas and rules for harvesting techniques
- 1.3 Design and implement KNP permitting and CMAs
- train rangers to be ready for first phase of controlled harvesting
  - issue permits
  - establish liaison with villages
  - implement record keeping and reporting over internet
  - establish web page
  - test web cams
- 1.4 Design monitoring, impact assessment and system to back claims
- develop research agenda
  - identify research sites (in both core and buffer areas)
  - measure biodiversity in baseline and in harvested areas
  - identify impacts and model impacts as function of harvesting (if possible identify thresholds for observable impacts)
  - issue recommendations for future harvest based on verified models of impact

**Activity cluster #2: Preparation for certification.** The project will create a system that controls the processing, transport, and activities necessary for the certification of Kibale Coffee -- both wild coffee and the blending coffee, which is arabica from small farms. UCTF will manage contracts needed to establish this system. This system will prepare Kibale Coffee so that it will have the control and credibility to be certified as organic, "fair trade" and other ecological certification standards. Although these standards are still evolving, they will require a high level of monitoring, accounting, and auditing of claims, be they claims for shade grown, biodiversity friendly, organic, wild harvest, etc.

One early activity will be making a detailed 'critical path' flow chart of all the work that must be done before Kibale coffee comes to market. A key element of the eventual certification system will be the formation of alliances with US and EU environmental organizations and other organizations. The project will secure endorsements and licenses that will give Kibale Forest Wild Coffee the greatest possible negotiating advantage in discussions that lead to investment in marketing. A part of this effort will include use of the internet and other communications tools to attract attention to the unique approach of Kibale coffee.

- 2.1 Create system to control coffee post-harvest
- identify needs for certification to conform to emerging standards for organic, shade-grown, and wild
  - identify companies that can certify to international standards
  - identify auditing process
  - establish system to track coffee shipments to consumers

## UGANDA - Kibale Forest Wild Coffee

- 2.2 Assure readiness to meet likely international standards
- establish links with other eco-coffees on issues of certification
  - develop a model for a Kibale coffee business or company
  - identify potential partners and supporters
  - invite inspection of project by representatives of environmental organizations
  - secure endorsement in the context of a programmatic partnership
  - develop and seek funding for other elements of partnership (books, eco-tourism, web page links, etc.)

**Activity cluster #3: A funding channel for benefits** The income from eventual sales will be paid to stakeholders through a special funding channel that will be governed by the groups holding a stake in the project. The project will set up this channel before any sales because the existence of the channel is a source of credibility behind special claims that Kibale Coffee will need to make about how much of the price premium goes to support biological diversity or welfare of villages near KNP. This funding channel will not have significant assets intended to be invested to earn income as does an endowment such as the Bwindi Trust, but rather it will make annual investments for a variety of purposes.

- 3.1 Explore and design channel for price premium
- conduct a participatory process among stakeholders
  - propose alternative forms of the funding channel
  - adopt a funding channel and objective indicators of its success
  - develop system to track flow of benefits from premium and their impacts -- to satisfy fair trade standards
  - publish reports in traditional form and over the internet

## SUSTAINABILITY ANALYSIS AND RISK ASSESSMENT

### FACTORS FOR SUCCESS

The key to success of this project lies in creating mutually-beneficial partnerships for all participants. The benefits will come in three ways. First, directly from the income to local villagers from the sale of coffee they harvest from KNP, as well as Ugandan growers of arabica coffee that will be blended with the wild coffee. KNP may receive a significant income from the sale of harvesting permits. Second, partners in the coffee project will receive a portion of the price premium derived from retail sales in the US and the EU. Finally, KNP and Uganda will benefit indirectly from the publicity generated by the sale of Kibale Coffee, and from ideas born from relationships with strategic partners. Calculations below show that the percentage of benefits from the price premium are many times the direct benefits from sales of coffee within Uganda.

It is important to note that the incremental benefits returning to biological diversity rise or fall as a percentage of the total price premium that comes back to Uganda. Therefore, all partners, including the GEF and any other donor with an interest in global benefits to biodiversity have a similar stake in success of work to devise and implement a sustainable management plan as no income from the price premium will flow until this is in place. It is also important to realize that finding and following an optimal critical path to reaching a management plan will lead to income from the price premium flowing quicker and in greater amounts. The critical path, as does every other aspect of the project, has to be credible in the eyes of the "eco-consumers" to whom the project desires to sell wild coffee. Thus the project has a built-in incentive to manage its own work toward developing a market-worthy product and valuable story in a fashion that preserves credibility on all fronts. These include: sustainable use of buffer zones, fair return to villagers

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and small farmers, wise management of KNP, unquestionable adherence to organic cultivation, strict enforcement of all policies, rules, permits, licenses, and standards.

**RISK FACTORS****Risk of sustainable use**

The Convention on Biological Diversity calls for support by the GEF of sustainable use projects as one tool to improve the conservation status of globally important biological diversity. As there is little experience with sustainable use, a wise course of action would be to support pioneering efforts in situations like Kibale in which the opportunity to show that a sustainable use and consequent income can support efforts to improve the conservation status of biological diversity.

Kibale coffee offers the GEF an opportunity to explore the value of a sustainable use investment in an optimal situation, one in which many safeguards are inherent. Kibale coffee is inherently low risk because:

- Taking a fruit that is produced in abundance doesn't harm the plant, unlike tapping for a resin, or removal of wood.
- Taking fruit of a plant that is a dominant (understory shrub in this case) is less likely to affect ecosystem function or diversity than taking fruit of a plant that is rare.
- Kibale coffee offers the potential to leverage a lot of value added (through the blending with organic arabica coffee) for the entire park from the removal from the buffer zone ecosystem of relatively little biological material.
- Any potential risk to the buffer zone ecosystem is self-limiting as the extra income will not come from sales of the wild coffee, but from sales of the blend, which in turn will be limited by a market that is only interested in the product if it does no harm to the buffer zone ecosystem and in fact helps support conservation of the entire park.

**Low risk from the project's approach to sustainable use**

The Kibale project provides an answer to management of a biologically diverse resource that is as low risk as any so far proposed. The minimum risk comes from two facts: all partners are mutually interdependent; and, success depends on proving claims of conservation through independent verification. These facts constitute safeguards for a GEF investment. For any coffee to be sold, the community of scientists, researchers, conservationists, NGOs, etc., must agree that conservation is being promoted by the income from a sustainable use. In addition this community must agree that harvesting activities in the buffer zone ecosystem are sustainable.

The key to the uniqueness of the Kibale approach lies in the formation of a partnership between conservation interests and the private sector in Uganda. If the project failed to regulate harvesting, then it would fail overall and the situation would be no worse than the present -- actually better because then KNP would know who were the coffee dealers, harvesters, and where harvesting is taking place.

**How the incentives for each project partner serve to manage risk**

Understanding how low the level of risk is requires appreciating the interests and incentives of each party to the partnership and how those interests are inherent in each party's institutional character. The primary partner is UCTF. UCTF is not a profit-making coffee dealer. Rather it is a non-profit trade association dedicated to adding value to Uganda coffee. As such UCTF does not gain through increases in volume of sales. It will only gain if Kibale coffee can be sold at a

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higher price, i.e., if the coffee can command a price premium. The price premium will only happen if it is clear to customers that biological diversity benefits from the coffee management system the project will put into place

Other parties with a stake in Kibale (UWA, KNP, local villages) will earn income from two sources: direct sale of wild coffee and a share of the price premium from sale of the blend. For reasons of taste preferences of the market, the amount of wild coffee cannot exceed 10% of the total blend. At that level, KNP's income from the permits issued to coffee gatherers would be on the order of \$14,000 per year. KNP's income from its share of the price premium would be on the order of \$175,000 per year -- *approximately half of its present annual budget.*

These two sources of income set up two different incentives. One incentive increases linearly in value with the volume of wild coffee taken from the buffer zones. The second is a complex function of the success of Kibale coffee in the market on one hand and on the percentage of the price premium that the project partners can capture and return to Uganda. Even in the worst case scenarios, the second incentive is many times the first. Since the second incentive depends on the credibility of the marketing story, the net effect is that all partners see a greater incentive to maintain strict adherence to whatever independent research indicates is a sustainable harvest of coffee. Even monitoring of buffer zone ecosystems leads to a recommendation to cut harvests by 90%, the ratio of the two incentives would still greatly favor compliance with the recommendation.

**Incentive to adhere to management plan**

From the perspective of the villages, currently the only incentive they see is the income they get from taking coffee illegally. The project will change this incentive by offering all present harvesters a choice between selling to the project at a level roughly equal to their current removal or continuing to take illegally and risk increasing penalties from KNP authorities, who, as the project progresses, will be more effective in enforcing park policy.

The most important early step will be the transition from illegal to permitted harvesting. The project will put a top priority on determining the current level and location of harvesting. The goal is to avoid either a significant increase or decrease in current levels as either change would upset the effort to build a climate of trust between KNP and villagers.

If over the first few years research and monitoring shows that a particular zone or level of harvest is harmful, the management plan would call for a decrease. This decrease would be more acceptable to villagers if it is off-set by income from the price premium. Otherwise villagers will lose confidence in the project, overall credibility will suffer, and the Kibale brand will fail in the market.

Scientists and conservationists share an interest in seeing KNP "get a handle on" current coffee harvesting activities. Within a few months of the project KNP will be able to hire additional rangers and begin to monitor to see what is actually happening. This early data is critical for setting an initial level of harvesting at more or less what is the current level -- i.e., ensuring that the project "brings in from the cold" all current harvesting activities. Then the next step will be to make tangible to harvesters and villages the reality of the fact that a far greater source of income comes from the sale of a blend that is backed by a story of the highest credibility. This is a major part of the work leading to the Community Management Agreements (CMAs) that will be the context for implementing changes in the location and level of harvesting so that the consensus view of scientists about management that is sustainable can be faithfully adhered to by all.

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**The risk of 'no project'**

The last risk to consider is the risk of "no project." For KNP, not doing the Kibale project, or some similar effort, is not a viable option. The park needs to control coffee harvesting and is committed to do so through a mutually beneficial relationship with surrounding communities. Not to do so will mean increasing conflict; and, KNP does not have the resources to enforce a ban on all entry into the park by local villagers. Other sources of money are not available for KNP to take these steps. The PAMSU project has no resources for KNP to implement its master plan. PAMSU has only very modest support for current levels of park operation. Moreover, during the next approximately three years, the first phase of PAMSU, the Institutional Capacity Building project has no direct support to KNP.

GEF support is needed to set up an innovative partnership between UCTF, KNP, and local residents. The GEF support will create a benefit stream that will always depend on the security of biological diversity. Without GEF support there would be no project because no one in the coffee industry would be willing to invest in the management of a national park buffer zone because they would not be able to control what happens there. GEF support allows the project to break out of this impasse. Thus any benefit that goes to either UCTF or KNP will benefit biodiversity in that it increases the security of funding needed for management of KNP.

**Why growth of sales means even lower risk**

The most important way the project addresses risk is with the power of the alliances necessary to reach consumers. To do so, the project must place Kibale Coffee in the most favorable possible position to negotiate investments and partnerships for the marketing of Kibale Coffee to concerned consumers in the US and the EU. An endorsement by one or more well-recognized environmental organization is essential to this end. Therefore, UCTF has already begun discussions with a major US environmental organization with more than 400,000 members, a substantial number of whom are active environmentalists, not just annual contributors. Kibale Coffee would be the first food product licensed to use this organization's name. However, before this organization grants this license all possible questions as to the "environmental correctness" of the management system used to produce Kibale Coffee must be answered by fully independent, third party monitoring. This creates a powerful incentive to be absolutely certain that no credible party can criticize the way the project is developed or the coffee produced. Such criticism would undermine the value of the coffee in the specialty market.

**STAKEHOLDER INVOLVEMENT AND SOCIAL ASSESSMENT**

**STAKEHOLDER INVOLVEMENT**

UCTF will lead the project alliance, but each partner will have a fully participatory role in decisions and implementation. And, because of the benefits that will flow from a fully developed Kibale Coffee, each stakeholder will have a substantial incentive to exercise their right to participate

UCTF will gain access to the specialty "eco-coffee" market, and with it a broader market for its plantation coffees. MUBFS will receive income from contracts to conduct studies to certify that the coffee is harvested in a sustainable fashion. To certify sustainable use, MUBFS will receive performance-based research funding to cover faculty salaries and stipends for graduate students engaged in longer term studies of the impacts of coffee harvesting. In this work, MUBFS will be backed by Utah State University (USU) to ensure that the design of research and monitoring will be acceptable to the market. The role of USU is critical because Kibale Coffee will be competing with other "eco-coffee" from other countries.

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KNP will gain funding that will allow for better management and long term programs requiring ongoing and continuous investment in improving the park's infrastructure, both physical and institutional. KNP will benefit from improved community relations with surrounding villages, and increased tourism from promotional information on retail bags of coffee. The CMAs resulting from the project will also serve as models for other sustainable use programs in Kibale and other national parks. The project will work with UWA to be certain that the local organization(s) that will serve as the partner of the national park in a CMA be transparent and participatory (i.e., open to all residents of the community).

### SOCIAL ASSESSMENT

The GOU revised its policy and regulations for national parks in 1995 to encourage benefit-sharing and environmentally-sustainable use by local communities of resources in multiple-use, buffer zones. In keeping with this new policy, KNP's recently-approved management plan includes local community participation in park decision-making, and the provision that 20% of Park revenues be allocated to the Districts in which the Park is located. Moreover, the plan calls for the creation of CMAs between the park and local communities to regulate local access to resources in the multiple-use zones (as delineated in **Figure 1**) where villagers can sustainably harvest resources under monitored and controlled conditions.

With these CMAs, communities surrounding KNP will receive jobs and income from the sale of coffee. These villages will also receive income from the price premium -- a stream of income that is **not** linked in a linear fashion to removal of coffee, but rather to improved knowledge and security of the park's biological diversity. Thus, the population that is the greatest ongoing immediate threat to the park will associate this income stream, likely the largest source of investment in these villages for years to come, with a strict observance of park zones and regulations.

### GENDER ANALYSIS

The project will address gender issues in two ways. The first way is through the participatory work which will be conducted in the villages to identify the individuals that are currently involved with harvesting. As a transition is made to regulated harvesting, the project will assure that access to permits is not closed on the basis of gender. Gender will also be considered as a factor when income starts to flow from the price premium. The project will assure that both genders are represented in the bodies that control the flow of this income to villages.

### FINANCING PLAN/INCREMENTAL COST ASSESSMENT

Without GEF support, KNP would be able to continue with present levels of activity, which includes plans to negotiate general purpose CMAs with local communities. However, this level is not sufficient to monitor illegal coffee harvesting or other activities within the areas where wild coffee is abundant, nor is it sufficient to create the more management-intensive CMAs needed to ensure that coffee harvesting conforms to KNP's management plan for buffer areas. Kibale has the following activities on going, **none of which deals directly with the problems associated with control of coffee harvesting:**



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<i>Baseline investment over three years</i>	<i>US\$000</i>
KNP budget for capital improvement	450
KNP operating budget	400
FACE/UWA ecosystem restoration	750
MUBFS training & research budget	480
Visiting scientists' research (estimated)	450
IUCN research	120
UCTF's programs to protect credibility of Uganda coffee	750
<b>Total of baseline scenario</b>	<b>\$3,400</b>

(All amounts are in US\$000's)

<i>Project Outcomes &amp; components</i>  <i>showing baseline versus alternative costs</i>	<i>Baseline Scenario</i>				<i>Proposed alternative</i>	<i>Increment</i>
	<i>UCTF</i>	<i>KNP/UWA</i>	<i>Research</i>	<i>Total</i>	<i>Total</i>	<i>GEF</i>
<b>Outcome #1: Sustainable Management of Biological Diversity</b> <i>tasks for this outcome are:</i>		1,600	1,050	2,650	3,202	552
• design CMAs with villages surrounding KNP						39
• write master plan for coffee resources control of access and sale						209
• design and implement KNP permitting and CMAs						131
• design monitoring, impact assessment, and acceptable system to back up claims						173
<b>Outcome #2: Preparation for Certification of Coffee</b> <i>tasks for this outcome are:</i>	450			450	581	131
• create system to control coffee post-harvest						90
• assure readiness to meet likely international standards						41
<b>Outcome #3: Creation of Funding Channel to Allocate Benefits</b>	300			300	367	67
<b>Total</b>	750	1,600	1,050	3,400	4,150	\$750

With the project, KNP would have a significant new source of income (equal to approximately 50% of its present income), but would also have much better relations with local communities, as well as a long-lasting alliance with UCTF and the Uganda coffee industry. The GEF incremental

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costs are associated with the globally significant benefits of greater security for the biological diversity of KNP and surrounding areas. The stages toward this security are shown in **Figure 2**. The cost of this increment is \$750,000.

On an annual basis the flow of benefits would be (beginning after the end of the project) allocated to the following project stakeholders for the following purposes:

<i>Stakeholder</i>	<i>estimated benefit</i>	
		<i>as %</i>
UCTF: Certification of Kibale & other eco-coffees	\$784,638	45
(USU, MUBFS): Research on sustainable management	174,364	10
Villages near KNP	174,364	10
Villages in arabica areas	87,182	5
KNP: Park management	174,364	10
UWA: Uganda-wide biological diversity	174,364	10
US/EU Environmental NGOs claim verification	174,364	10
<b>Total:</b>	<b>\$1,743,639</b>	<b>100%</b>

The GEF investment of \$750,000 will lead to the creation of a projected annual flow of funds of \$348,728 to KNP and UWA for use both to support their annual budgets as well as investments in biological diversity. Note that this amount is above the costs of managing the sustainable production of wild coffee. In addition, the GEF investment will provide a projected annual flow of \$174,364 to villages near to KNP for investment in village development that villagers will know is the direct result of their careful adherence to CMAs that set up wild coffee harvesting in buffer zones

Beyond this is a projected annual flow of \$87,182 to villages in the areas producing organic arabica on small farms in mixed systems that grow the coffee in the shade of other tree crops. This flow will add to the incentive from direct sales at a 10% premium over other markets for organic arabica. The combination will provide a powerful incentive to continue production on small farms that are biologically diverse.

The project will also provide support for research on sustainable management of \$174,364, plus \$734,638 for work to meet needs of certification and marketing of eco-coffees, including Kibale and others. This latter investment will lead to the creation of significant incentives for the conservation of biological diversity in other areas of Uganda.

**PROJECT IMPLEMENTATION PLAN**

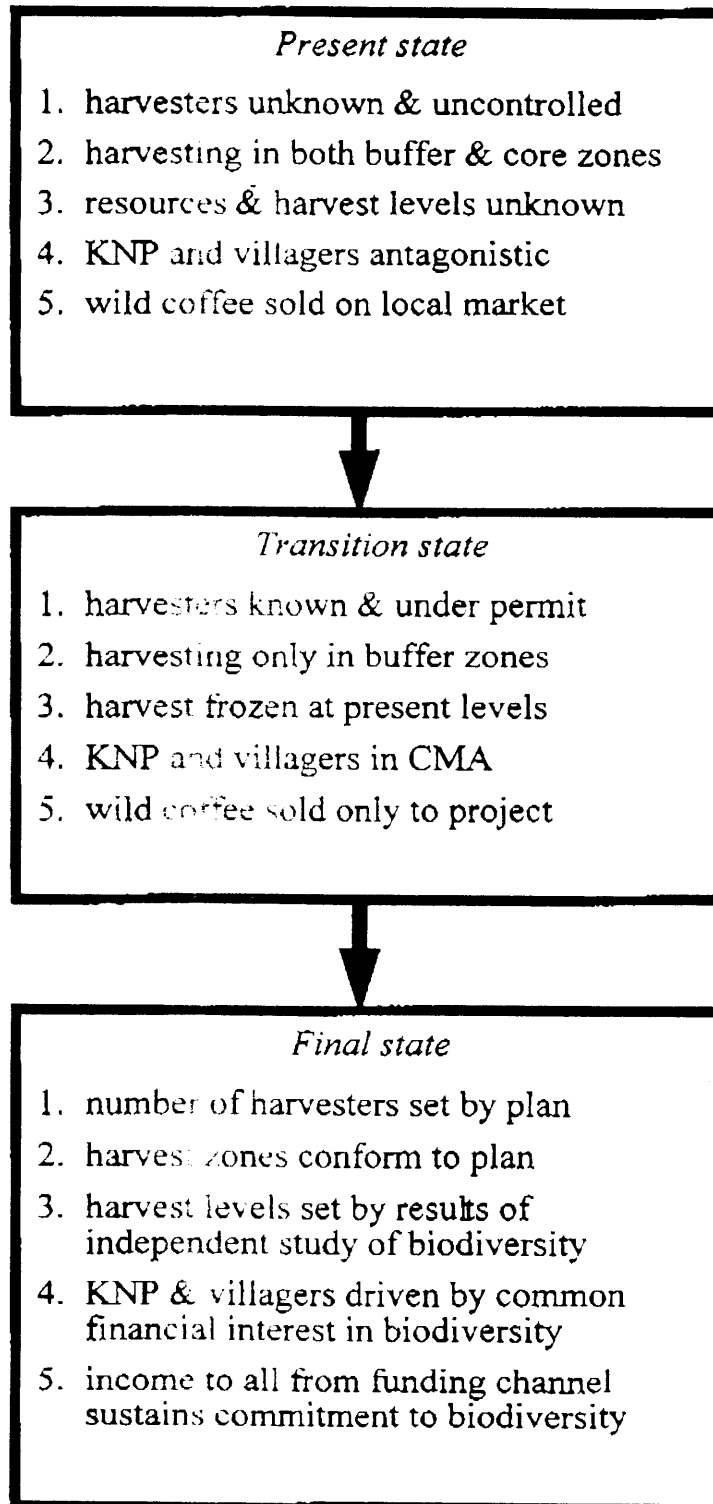
The first step of project implementation will be to review the activity list in detail through a participatory exercise that will be led by UCTF and will involve all the principal partners (UWA, USU, MUBFS, and their key staff). The outcomes of this review will be two. The first is a more detailed definition of what each task entails and the time it will take to accomplish. The second is the order of each task in the sequence of work. This latter outcome is important as it will establish a "critical path" to two important project results, which are: 1) a complete resource management, production certification, and system to channel benefits to stake/shareholders; and, 2) recognition of the value of result #1 by potential investors and partners, a clear indication of which value can readily be determined by the share of the price premium that flows back to Uganda.

## MONITORING AND EVALUATION

The essence of this project is to create a self-sustaining system that monitors its own activities because that monitoring is key to its success and growth. In addition, the project will involve the world-renowned community of scientists working at Kibale as advisors on the quality of monitoring programs and in the evaluation of the impacts of controlled coffee harvesting on biological diversity. Already MUBFS is involved in ongoing work to monitor the levels of biological diversity in different zones of the park and surrounding area. The project will contract with MUBFS to extend this work into areas where coffee is being harvested as well as control areas.

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**Figure 2:** Stages along the critical path to improved conservation of the biodiversity of Kibale National Park through sustainable management of wild coffee



## ANNEX I: DESCRIPTION OF KNP ZONES

Soon after KNP was designated a national park, UWA undertook a planning process to develop a management plan for KNP and associated buffer areas. This was published in July 1996 as a plan for the period of 1997 to 2001. The management plan calls for a number of zones (shown in the map of **Figure 1**):

- intensive development (for park infrastructure)
- multiple-use (the buffer zones for joint management with villages)
- tourism (limited plans so far)
- plantation (left over exotic tree plantings that have to be harvested when mature, mostly pine species)
- research (the zone under the management of the Makerere University Biological Field Station)
- core protection (the area around MUBFS)
- passive restoration (areas left to regenerate naturally)
- active restoration (areas being planted in native species as part of a carbon offset program with the Netherlands)
- sustainable development (areas outside original Kibale Forest Reserve)

The KNP management plan states that the multiple-use zone will allow controlled access to specified resources for residents of local communities. The idea is to permit traditional uses (such as harvesting coffee) to the extent that the resources can permit without significant adverse effect. The goal is to manage these buffer areas sustainably while creating benefits for local residents. The benefit to the park is lessening of pressure in the core protection areas as well as creating good will with the residents of surrounding communities. The task is to create income and investment sufficient to accomplish these aims without creating so much that it would trigger an influx of people from distant lands. The key to striking this balance is a system to control the flow of benefits to surrounding residents and to KNP that reflects and responds to the larger body of interest in conservation, park management, local development, national growth, etc. Coffee, because it is Uganda's top exported crop, and hence a significant economic and social factor virtually everywhere, is an ideal vehicle on which to build such a system, because the coffee industry and coffee production already involves all significant social and political groups.

### IMPORTANCE OF WILD COFFEE FOR KIBALE NATIONAL PARK'S FUTURE

The GOU only recently created KNP from Kibale Forest. KNP's administration is still new and has yet to implement fully reliable management of all these zones. As more is learned about the condition of resources in the different zones, there may be a need to reconfigure the map of **Figure 1**. This is particularly true of the multiple-use zone shown in **Figure 1** as a 1 kilometer wide band around the boundary of KNP. Since the management of this zone will be by joint agreement (i.e., the CMA) with surrounding villages and since this agreement will reflect the traditions and needs of local villages, the final boundaries of the multiple-use zone may be adjusted to create a more easily managed area and to protect especially valuable and/or fragile areas. For example, the exact boundary may follow a stream, or path or other easily recognized feature to allow for easier monitoring and enforcement of the CMA.

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In addition, two other factors will, over time, influence the exact location of, and activity allowed within, each part of the multiple-use zone. One factor is the results of long term monitoring of the effects of coffee harvesting on biological diversity. As more is learned, new management regimes will be instituted. These will have some influence over where, how often, and how much coffee is taken. The other factor will grow as the success of Kibale Forest Wild Coffee grows. If there is a need for more wild coffee, then the project will support a long term goal of enlarging the multiple use zone by taking under its management lands that are presently outside KNP authority. In fact over the next five to ten years a goal could be to enlarge the sphere of KNP's influence. This project is an ideal vehicle for reaching this goal as this enlargement can be self-financing given that wild coffee grows in second growth forest and disturbed forest patches outside of the park.

The project can also help UWA bring together the efforts already under way that aim at innovation in the management of multiple use zones associated with other national parks. At least two have begun efforts. One involves the villages around Bwindi National Park and allows villagers to take a variety of non-timber forest products. The other allows villagers around Mt. Elgon National Park to take bamboo shoots during a limited season in multiple-use zones. A key question to resolve is how these uses are to be permitted and regulated. UWA needs to develop policies and procedures for these zones. This project could help UWA to convene a roundtable of representatives of these other efforts and to follow up a roundtable with an internet discussion group. The purpose of the roundtable would be to advise UWA on model policies and procedures.

## ANNEX II: THE COFFEE RESOURCE

The ancestor species of robusta coffee, *Coffea canephora*, is native to and continues to grow wild in Kibale Forest and in other forests in Western Uganda. The species naturally occurs in patches, where it characteristically dominates the shrubby understory layer beneath a nearly closed canopy of mature rainforest. The greatest concentrations of *Coffea canephora* are found in the moister areas near KNP's northeast boundary. In **Figure 1** the portion of the multiple-use zone of primary interest to the project would be the 1 kilometer wide boundary strip from Sebitole to Nyaibanda. The precise location of wild coffee trees in this zone is not known with any accuracy now, and an early effort of the work of this proposal is to map their density.

Since the 1960s, villagers living near the eastern boundaries of Kibale Forest have harvested wild coffee from these native plants and sold the green beans to local traders. During these years, peak production was estimated to be from 40 to 200 metric tons of green beans per year according to researchers at MUBFS. Production declined during the 1970s and 1980s because of political instability throughout Uganda.

As the current harvest is technically illegal, KNP authorities do not monitor volume or location of harvest. KNP is cooperating with MUBFS, which is assisting a graduate student of Makerere University (MU) to make a preliminary survey of the extent and nature of wild coffee harvesting in the Park.

The coffee from KNP has been tested and found to be comparable to the highest quality robusta coffee. In June 1997, a one kilogram lot of wild coffee beans (as dry cherries) was purchased in a village bordering the Park. This sample was prepared and tasted by the coffee laboratory of the Uganda Coffee Development Authority (UCDA) in Kampala. UCDA's professional tasters judged the sample "above average" for a robusta type coffee.

## COFFEE VALUE AND THE PRICE PREMIUM FOR SPECIALTY BLENDS

Coffee is the second-highest value traded commodity in the world, ranking only behind oil. In 1997, roughly 11 million hectares were devoted to coffee production. Within the coffee sector, specialty coffees account for approximately \$5 billion in sales per year. Of this amount, organic coffees presently constitute approximately two percent or \$100 million per year.

Specialty coffees include a wide range of coffees, but the categories of interest for Kibale Forest Wild Coffee are those coffees that claim not only to have a unique or outstanding taste, but those that make a claim about the conditions, practices or consequences of their production. Examples are "eco coffees" that are produced not only in an environmentally sustainable fashion, but promise a benefit or improvement over standard cultivation. These include coffees that are "bird friendly," "shade grown" (i.e., not monocultures), and organic. Other coffees are "fair traded," or "socially responsible," in that they are marketed via a system that returns a greater share of the value of the commodity to farmers. Some coffees are "conservation coffees" because a voluntary contribution by the retailer is made to a national park. Kibale Coffee would be the first wild coffee blend and the first African eco-coffee on the market.

The proposal will support work to canvass all known labels to determine the parameters of their business, history of growth and amount of the price premium and the share returned to country of origin. Eco-coffees are prominent in the EU as well as North America. Production comes predominantly from Latin America, but some from Asia as well. Presently none are known from Africa.

## THE SOURCE OF ORGANIC ARABICA COFFEE

The coffee that is to be blended with the wild coffee from Kibale will be an arabica type that is more usually associated with the specialty coffee trade. Several candidates will be considered during business planning. Criteria will be quality, available quantity, and the ability to certify this coffee as coming from small farmers and from organically-grown plants. Several of Uganda's arabica growing regions meet these criteria, and there is an effort underway to certify organic arabica to international standards that control what has to be done to be able a food with the label "organic".

Currently a very small percentage of Uganda production of robusta and arabica coffees is sold as 100% Uganda coffee. Both robusta and arabica coffees are used primarily for blending. As such, the arabica sells at retail for approximately US \$3 to \$5 per pound of roasted beans. Eco-coffees from Latin America and Asia are selling from \$7 to \$12 per pound. Some eco coffee labels are selling as much as \$4 million per year in the US market. There are at least 20 labels/origins of eco-coffees in the US alone. Thus the price premium, or the difference between current retail value and proposed, is on the order of \$4 to \$7 per pound of roasted beans.

On a volume of 2000 metric tons of green beans (including both park coffee and organic arabica), this would translate into an added value of \$14 to \$25 million per year over the current retail price. Note that this added value accrues to the blend of KNP wild coffee with Uganda arabica coffee, but derives from the association of the wild robusta-type coffee with Kibale National Park

The certification strategy will be based on meeting two complementary needs. One need is to make certain that the management plan for coffee harvesting in KNP is comparable to the environmental claims being made by other eco-coffees, such as shade-grown coffee, or "bird-friendly" coffee. Since no other eco-coffees are presently being marketed from Africa and since the African traditional cultural practices differ from those in Latin America, meeting this need will require familiarity with how other eco-coffees back up their claims of environmental benefit.

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The second need is to make certain that claims made in the US and EU markets are backed up by systems of monitoring and certification that are reliable and can withstand scrutiny. These claims will require oversight of the activities, governance, and budget allocations of the price premium. As USU will be the primary institution backing up market claims, these needs must be carefully met.

The success of Kibale Coffee requires capturing a significant portion of the price premium and channeling this back to the Ugandan institutions, foremost among them being the villagers/growers of the coffee and UWA and UCTF. Several eco-coffees in Latin America offer models for how this might be done.

One example is Vital Grounds Coffee, which sells coffees produced near national parks in Mexico, Costa Rica, Indonesia and other countries. Vital Grounds donates \$1.00 per pound of retail roasted beans sold (at \$9.00 per pound) to funding channels set up in each growing area to support sustainable development projects in the villages of origin. In this example, local farmers see a small percentage increase in sale price, but a significant new source of money for investment. In cases where the coffee is produced near a national park (e.g., Monteverde Cloud Forest in Costa Rica) coffee farmers are able to attract park tourists to visit their village and coffee processing operations.

The size of the price premium will be determined by investors in a marketing company and the partnerships between Kibale Coffee and marketers. The task of the US coordinator is to give Kibale Coffee the negotiating position that is most favorable to Uganda. UCTF will use Weatherly Consulting, Inc., a firm that UCTF has had on a retainer basis for more than two years, to serve as the US coordinator.

In planning a strategy for securing a favorable portion of the price premium for Uganda, the experience of other eco coffees will serve as a guide. Of these coffees, known examples return from 10% to 20% of the final retail sales price to the country of origin as their share of the retail price premium beyond the price paid for the green beans. If the retail price is \$12 per pound of roasted beans, a middle estimate of 15% would yield \$1.80 per pound of roasted beans as the amount of the price premium returned to the country of origin for eco coffees. This amount represents a return of \$3.96 per kilogram of green beans. If Uganda exports a low amount of wild coffee (165 tons), then this would represent a total return of \$653,400 per year. If a medium amount (825 tons), then this would represent a total return of \$3,267,000. If a high amount (2200 tons), then a return of \$8,712,000 per year.

**Table 1** uses a different method of calculating the price premium. It uses a low retail price of \$8.00 per pound of roasted beans and a high price of \$12.00 per pound of roasted beans. However, **Table 1** focuses on the difference between this selling price and what the Uganda arabicas and robustas sell for now at retail. This difference is the overall price premium and **Table 1** shows how much of this is returned to ("captured") Uganda. The amounts calculated in the above paragraph for other eco coffees are roughly equivalent to 27.5% calculated by the method of **Table 1**. In other words this would be somewhere between a "good" and an "excellent" deal.

Uganda is in a position to capture a portion that is higher than usual for eco-coffees if it brings a comparative advantage over those coffees for the marketing of Kibale Coffee. Such a comparative advantage would mean that the marketing partner would either be able to sell more Kibale Coffee than a comparable eco-coffee, would have lower advertising and promotional expenses, would get a higher price, or a combination.

Kibale Coffee offers two features that, if properly developed and presented, could allow UCTF to negotiate a higher portion of the price premium. One is the fact that there is no other eco-coffee



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actually harvested from wild coffee plants growing in a national park anywhere else in the world. Two is the proven ability to use the internet for marketing of Ugandan coffee. Uganda has internet connectivity equal to the best in sub-Saharan Africa. UCTF is experienced with the use of the internet to promote coffee, having staged the first internet linked coffee tasting in conjunction with the Smithsonian sustainable coffee conference in September 1996. Lastly, KNP offers opportunity for live web cams that would attract an enormous number of "hits" or visitors to the Kibale Coffee web page. These web cams would show a variety of attractive images, including views of primates in the forest and world famous primatologists while doing research in the field or in field laboratories, visitors to troops of habituated chimpanzees and other primates, and activities of villagers harvesting coffee in the forest.

**Estimating the Price Premium for KNP Coffee**

Although there are no reliable estimates of current sales of wild coffee, it is likely that present harvest is only a few metric tons per year, perhaps 10. At the present market value of \$1500 per ton, this should bring an income to harvesters of \$15,000 per year, although it is likely that this is sold at a lower price as it is not processed locally and hence the price is discounted by the value of processing.

Although it is too soon to estimate the amount of coffee to be harvested sustainably under an approved CMA, the likely amount would range from 10 metric tons/year up to a maximum of 50 metric tons/year for the first few years. After a management and certification system is well established, the tonnage could increase if the management plan allows. If not, then other forested lands in the region could be brought into the production system. With the project, the annual income to villagers could increase up to \$60,000 from sale of coffee at prevailing market prices, plus a ten percent (up to \$6,000) additional amount to ensure that all wild coffee is sold to the project. Note that this income to those individuals or associations of current local residents of villages surrounding KNP. The income from the price premium would be much greater than this.

KNP presently receives no revenues for coffee harvested from the park. If, under the CMA, UWA charged a 10% fee on the \$1.50 per kilogram price of coffee, the park would generate \$1,500 per year income for an annual harvest of 10 tons of green beans, to \$6,000 per year income for a harvest of 60 tons. From this income the park could hire one (or more at the higher salary levels) additional rangers whose primary duty would be to oversee and manage the coffee CMA.

Farmers of organic arabica have no trouble selling their coffee at the prevailing price in Uganda, presently on the order of \$2.40 per kilogram for green beans. However, to ensure that this coffee continues to be cultivated with certified organic practices and that Kibale Coffee is able to count on being able to purchase the quantities that it needs, the farmers will need to receive a higher price -- on the order of 10% to 15%, or \$0.24 to \$0.36 per kilogram. If organic coffee is blended at the ratio of ten to one with wild coffee, then the quantities needed are 100 metric tons to match a production of 10 tons of wild coffee, up to 500 tons to match the high end estimate of the potential production of wild coffee. The 10% higher price then translates into an additional income of \$24,000 to \$120,000 per year for small farmers. The cost of this additional amount will be incorporated into the production system. It is, in effect, a obligatory assignment of a portion of the price premium necessary to assure all partners that sufficient organic arabica will be available for blending with the wild coffee.

**Table 1** shows estimates of the amount of the price premium that could be returned to Uganda under different scenarios of prices, volumes, and deals. The end of **Table 1** shows that a middle estimate of a production of 46 containers of blend (wild plus organic arabica), a high premium of \$8 per pound of roasted beans, and a good "deal" of 20% of the premium being returned to

UGANDA - Kibale Forest Wild Coffee

Uganda, would yield an annual income to Uganda of approximately \$2.4 million per year. This amount is in addition to the value to Uganda of the coffee if sold as a traditional export. This amount represents the amount of the retail price premium that could flow back to Uganda through the benefit channel. The work of Outcome #3 will establish this channel.

**Allocating the Price Premium through the funding channel**

The income from the price premium will be allocated to partners to build and maintain the production and certification system for Kibale Coffee. The development plan will study available models and propose a mutually acceptable system to govern the allocation of the portion of the price premium that is captured for Ugandan institutions. Complementing this task will be the design of a funding channel governed by partners, with participation of stakeholders, to oversee adjustments to the initial allocation.

For the first few years of the project, the allocation will be driven by the need to ensure adequate accountability and to lower risks of production and to improve the quality of certification. For example, UCTF will receive income from the premium in order to pay for staff and overhead costs of management activities. Similarly, UWA will have to receive a portion adequate to cover its expenses and overhead. The private Ugandan coffee company that handles the transport, processing, grading, and certification (both of the wild coffee and the organic, small farmer produced arabica) will need to have its extra expenses covered, plus a fair profit -- on the order of 10%. USU and the US coordinator will need similar allocations to cover their expenses and overhead.

As the volume of retail sales grows, more of the price premium captured in Uganda will need to be used to invest in expansion. At the same time there will be a need to provide additional benefits to villages surrounding the park.

**Future Expansion Options**

For the launching of Kibale Coffee, UWA and UCTF will serve as the management and administrative hub. As Kibale Coffee begins to be self-supporting financially, it is likely that UWA and UCTF will seek to create a for-profit company that is wholly-owned by the partners. The company would be devoted to selling Uganda eco-coffees, starting with Kibale.

The value of creating such a company would be the greater incentive to partners that comes from having a net positive income or profit. The incentive would make all partners owners of the enterprise. Plus, once started the for profit can finance its own growth based on its success in the marketplace. Since this market is buying the coffee because of the environmental and social benefits associated with its production, the sale of other coffees produced in other regions of Uganda can provide a means to lead UWA and UCTF into partnerships with other communities and institutions in Uganda. Ownership of a coffee company should include all partners as shareholders, with percentage ownership to be determined according to their interest and support of the launching phase of the project.

As a starting point for the process of creating a funding channel for allocation of the price premium, this proposal suggests the following allocation. Note that all of these costs are borne by income from the price premium and do not include any GEF inputs. They represent the steady state flows of benefits. However, the GEF investment needed to gain the first two outcomes is essential to gaining the price premium and hence to having the income to invest in the partners listed below during the five year project.

**TABLES AND FIGURES (ATTACHED)**

- Table 1:** Estimate of production
- Figure 1:** Map of Kibale

**APPENDIX (ATTACHED)**

- Letter of Support from UCTF
- Letter of Support from UWA/Kibale National Park
- Letter of Support from Makerere University (MUIENR/MUBFS)
- Letter of Endorsement form Uganda GEF focal point

**Table 1: Projections of volume of coffee sold as "Kibale Forest Wild Coffee"**

Conversion factors

bags/container	300
kg green beans/bag	60
tons green beans/container	18
parchment/cherries	0.75
green beans/parchment	0.75
green beans/cherries	0.5625
roasted beans/green beans	0.8

Coffee Price (January 1998)

		variation
robusta (including wild coffee) /kg	\$1.40	+/- \$0.10
arabica /kg	\$2.40	+/- \$0.20

Estimates of production

	low	medium	high
Kibale coffee: tons green beans/year	15	75	200
Organic arabica: tons green beans/yr	150	750	2000
total	165	825	2200
number of containers	9.2	45.8	122.2
Income to villagers near KNP	\$21,000	\$105,000	\$280,000
Income to organic arabica farmers	\$360,000	\$1,800,000	\$4,800,000
on top of which is a premium of 10% or	\$36,000	\$180,000	\$480,000

Estimates of volume of roasted beans

	low yield	med. yield	high yield
Kibale coffee: tons roasted/year	12	60	160
Organic arabica: tons roasted/year	120	600	1600

Calculation of the price premium	per lb	per kg	per ton
Uganda robusta retails now (roasted)	\$2.00	\$4.40	\$4,400
Uganda arabica retails now (roasted)	\$4.00	\$8.80	\$8,800
As an eco-coffee (low)	\$8.00	\$17.60	\$17,600
As an eco-coffee (high)	\$12.00	\$26.40	\$26,400
Price premium for robusta (low)	\$6.00	\$13.20	\$13,200
Price premium for robusta (high)	\$10.00	\$22.00	\$22,000
Price premium for arabica (low)	\$4.00	\$8.80	\$8,800
Price premium for arabica (high)	\$8.00	\$17.60	\$17,600

Estimates of price premium	low yield	med. yield	high yield
Kibale coffee per year (low)	\$158,400	\$792,000	\$2,112,000
Organic arabica per year (low)	\$1,056,000	\$5,280,000	\$14,080,000
<b>Total (low)</b>	<b>\$1,214,400</b>	<b>\$6,072,000</b>	<b>\$16,192,000</b>
Kibale coffee per year (high)	\$264,000	\$1,320,000	\$3,520,000
Organic arabica per year (high)	\$2,112,000	\$10,560,000	\$28,160,000
<b>Total (high)</b>	<b>\$2,376,000</b>	<b>\$11,880,000</b>	<b>\$31,680,000</b>

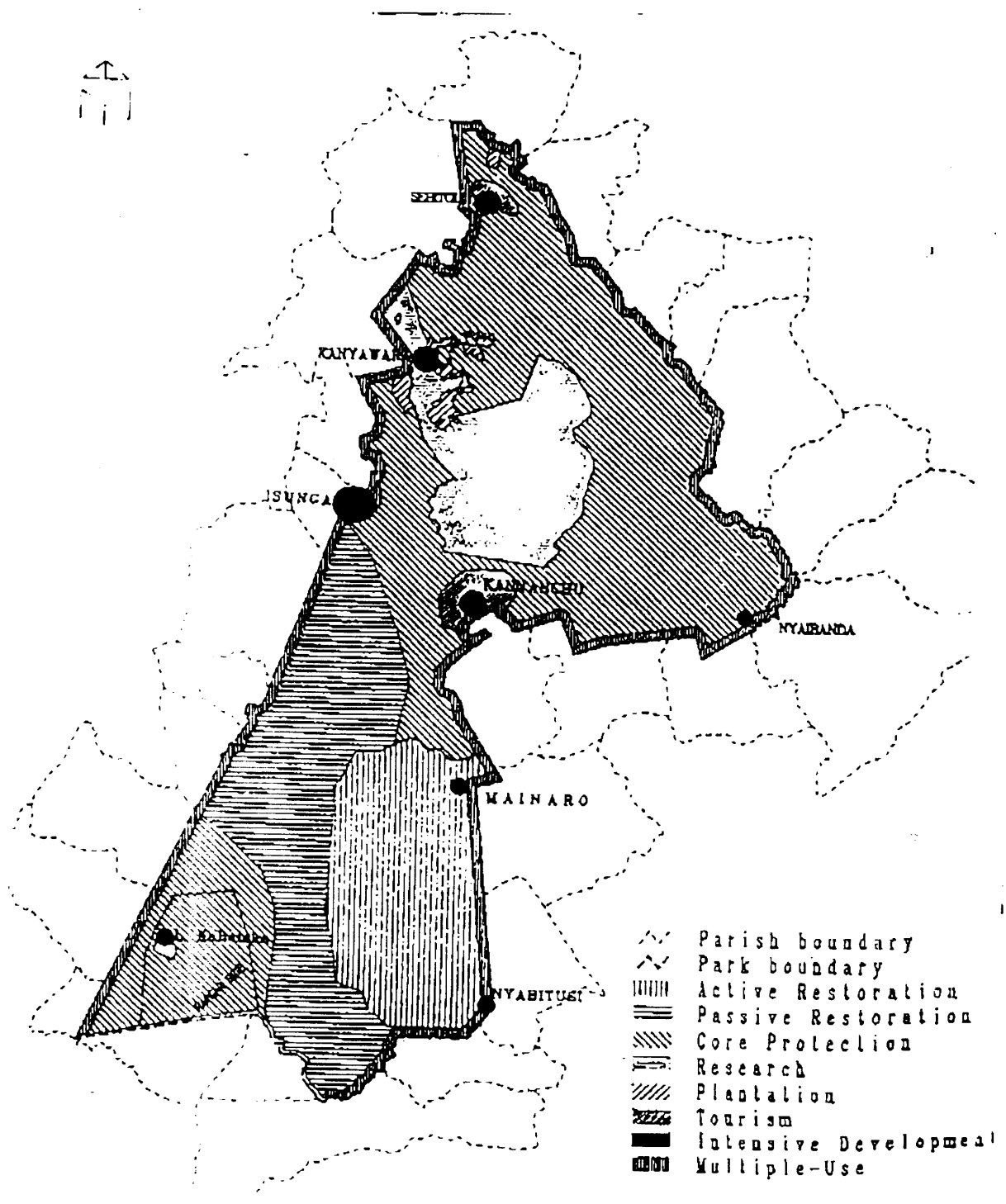
Portion of price premium for Uganda

mediocre deal	10%
good deal	20%
excellent deal	35%

Or, in additional income per year	low yield	med. yield	high yield
mediocre deal/low premium	\$121,440	\$607,200	\$1,619,200
mediocre deal/high premium	\$237,600	\$1,188,000	\$3,168,000
good deal/low premium	\$242,880	\$1,214,400	\$3,238,400
good deal/high premium	\$475,200	\$2,376,000	\$6,336,000
excellent deal/low premium	\$425,040	\$2,125,200	\$5,667,200
excellent deal/high premium	\$831,600	\$4,158,000	\$11,088,000

28 Kibale National Park Management Plan

FIGURE 1: ZONES OF KIBALE NATIONAL PARK



SCALE 1: 300,000

A Company Limited by Guarantee and Having no Share Capital

10<sup>th</sup> February, 1998



To: Potential supporters of Kibale Wild Coffee

Dear Sir/Madam

The Uganda Coffee Trade Federation (UCTF) is pleased to declare its support for the proposal to develop a supply and a market for Kibale Wild Coffee. In UCTF's view, an effort to create "Kibale Wild Coffee" and sell it in the North American and European markets meets several crucial long term objectives of the Ugandan coffee industry. Chief among these objectives are:

1. Establishing the first 100% Ugandan coffee that is of high quality in the US and EU specialty coffee trade. Presently, unlike Kenya and Ethiopia, Uganda is not known as a country of origin by the end-users in these markets.
2. Learning how to manage coffee as a non-traditional export. While coffee is the country's top export, Uganda captures only a small percentage of what consumers pay. In creating a wild coffee, UCTF will gain experience in more direct marketing that, while it costs more because it requires a non-traditional harvesting, processing, and marketing system, will earn a greater percentage of ultimate market value. This experience will show how other Ugandan specialty coffees can follow this non-traditional path to development.
3. Linking Uganda's two biggest earners of foreign exchange, coffee and tourism, to mutual advantage. The story of Kibale Wild Coffee will spark interest of potential tourists -- especially nature-oriented or "ecotourists" in visiting Kibale park as well as other parks. Tourists will be able to keep in touch with Uganda after they return home by buying Kibale Wild Coffee and reading about Ugandan wildlife on homepages and through direct mailings to customers.

In view of the above short and long term gains that can come to UCTF's membership from this project, UCTF is prepared to make the success of Kibale Wild Coffee its top priority for the next two years. To ensure success, UCTF will serve as the management hub of the effort in Uganda to create Kibale Wild Coffee. Because UCTF is a trade association fully supported by its members -- the private companies that constitute the Uganda coffee industry, it places a great importance on developing Wild Coffee as a private enterprise led by the profit incentive.

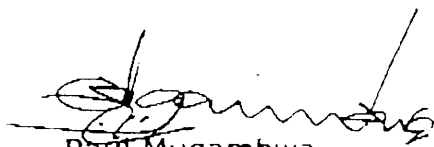
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Therefore, UCTF is contracting with a senior Ugandan business development consultant to provide entrepreneurial leadership in Uganda and an experienced US consultant to seek the best marketing arrangements for Kibale Wild Coffee. The first contract provides an incentive linked to growth, and the second provides an incentive linked to the size of the price premium captured by Uganda.

At the same time UCTF realizes that Kibale Wild Coffee is at its heart an "eco-coffee" whose success depends on gaining the trust of consumers. Therefore, UCTF is committed to maintaining a close working relationship with its project partners -- the Uganda Wildlife Authority (UWA) and Utah State University (USU). UCTF recognizes that UWA, especially the UWA staff who manage Kibale National Park, has the ultimate responsibility for certifying that the volumes of coffee harvested and the techniques of harvest conform to park management plans. UCTF also recognizes that USU has a key role in ensuring that marketing partners, such as US environmental groups, are fully satisfied that the claims of environmental benefits for Kibale Wild Coffee are valid and that they are comparable to other eco-coffee from Latin American and Asia. The role of USU is especially important as Kibale Wild Coffee will be the first widely available eco-coffee from Africa

UCTF eagerly looks forward to bringing Kibale Wild Coffee to the market.

Yours faithfully,



Paul Mugambwa,  
**P R E S I D E N T**

(Chairman of the board, UCTF)





002 522 3256  
002-533-3355  
NO. 1976 P. 32/96

# UGANDA WILDLIFE AUTHORITY

OFFICE OF THE EXECUTIVE DIRECTOR  
Plot 3 Kintu Road Nakasero

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E-Mail director @ uwa.hq.ug.ugml.com

Your Feet  
Our Feet UWA/KNP

16th February, 1998

To : Potential Supporters of Kibale Wild Coffee

The Uganda Wildlife Authority (UWA) hereby endorses the proposal for a joint effort to produce and market "Kibale Wild Coffee" from Kibale National Park (KNP).

UWA as a matter of policy supports efforts to use resources in Uganda's Wildlife protected areas on a sustainable basis as long as these uses return income to local people living in close proximity to parks. UWA fully supports the management of sustainable coffee harvesting from wild, native plants growing in KNP.

UWA is committed to playing two roles necessary to the success of the wild coffee project. One is to provide a "hands-on" management of coffee harvesting within KNP - especially management of the agreements with local communities around KNP to regulate the harvesting of coffee. Two is to provide information necessary for consumer acceptance of Kibale Wild Coffee as an ecological sustainable coffee.

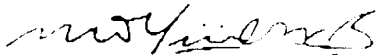
For UWA the Kibale Wild Coffee project represents a major step towards the goal of putting the cost of operating Uganda's wildlife protected areas on a self supporting basis. To this point UWA has received virtually all of its funding from outside Uganda. The partnership with the Uganda Coffee Trade Federation (UCTF) is an ideal arrangement from UWA's point of view as it allows for a working relationship with the Uganda coffee industry through a non-profit trade association. UWA hopes that this will be a prototype of future public-private partnerships in aid of Uganda's wildlife protected areas.

However, UWA also realizes that the future growth of Uganda's ecotourism industry depends on maintaining the highest international standards of park management. Therefore, UWA will work to ensure that the amounts of coffee harvested are in conformity with a resource management plan for KNP that reflects the opinion of scientists and foresters familiar with KNP ecosystems.

In this latter effort, UWA is fortunate that the Makerere University Biological Field Station is situated within KNP and has on its staff scientists who are eminently qualified to assist in determining an ideal management plan.

UWA looks to Utah State University (USU) to assist with the details of the management plan in two ways. One is to help with the development of KNP's wild coffee management plan by ensuring that it has claims that are comparable to those of eco-coffees from other countries. Two is to work as a partner in the US to provide marketing partners with assurance that market claims are verifiable.

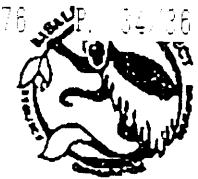
UWA looks forward to this Project. When funded UWA will provide all staff support outlined in the proposal



Dr. Yakobo Moyino  
ACTING EXECUTIVE DIRECTOR



300 1622 3256  
000-800-3088  
NO. 1976  
34/36  
**MAKERERE UNIVERSITY  
BIOLOGICAL FIELD STATION**



P.O. Box 10066 Kampala Uganda  
Fax 256-41-245597

P.O. Box 409 Fort Portal Uganda  
Fax 256-493-2636

Your Ref:

Our Ref:

11/02/1998.

The Potential Supporters  
of Kibale Wild Coffee.

From Research Staff  
Makerere University Biological  
Field Station (MUBFS).

Dear Sir/ Madam,

PLEASE FAX TO:

DR. ROB LILIEHOLM  
UTAH STATE UNIVERSITY  
LOGAN, UTAH, USA.

FAX NO: 435-797-4040

The Research Staff of MUBFS fully support the development of sustainable harvesting and marketing of Kibale Wild Coffee. Our support is based on main reasons namely:

- 1 Wild Coffee is a resource that has been utilized by local communities in traditional ceremonies long before the forest currently part of Kibale National Park was gazetted. They have continued to harvest the coffee since then more or less on an illegal basis. Harvesting coffee based on formal agreements with UWA will go a long way in improving park community relationships. Both parties will also realize some income in the process.
- 2 One of the main objectives of the Field Station is to conduct research that will generate information for Park management. For this reason, most of the early research on the ecology of wild coffee in Kibale was conducted by MUBFS staff. Together with Utah State University MUBFS is committed to conducting further research that will also form the basis for sustainable harvesting of coffee in Kibale forest. This research will form the basis for training KNP staff in monitoring the harvesting of wild coffee by local communities.

MUBFS is looking forward to contributing to success of harvesting and marketing of Kibale wild coffee.

Yours sincerely,

*J. M. Kasenene*  
J. M. Kasenene  
for Ag Deputy Director, MUBFS.

CC Dr. K. B. Paul  
CID/MUBFS Project.

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THE REPUBLIC OF UGANDA

NO. 1976 P. 35/86  
Ministry of Finance,  
Planning & Economic  
Development  
P. O. Box 8147,  
Kampala,  
Uganda

In any correspondence on  
this subject please quote No. ED/C/1575/II

4<sup>th</sup> August, 1998

Mr. James Adams,  
Country Director for Uganda,  
The World Bank,  
1818H Street, NW  
Washington, DC 20433

Dear Sir,

Re: **CONSERVING BIODIVERSITY IN THE NATIONAL PARK SYSTEM:  
THE CASE FOR KIBALE FOREST WILD COFFEE PROJECT**

The Government of Uganda is committed to the conservation of the country's biological diversity and has special interest in creating financial sustainability for the protected areas. Kibale National Park (KNP) has long been recognised as an ecologically significant area because of its high levels of biological diversity. Species of robusta coffee grow wild in KNP and in other forests in Western Uganda. The species naturally occur in patches, where it characteristically dominates the shrubby underneath a closed canopy of mature rainforest. Since the 1960's, villagers living near the park have unregulatedly harvested wild coffee and yet the park's management is unable to control these illegal activities.

The goal of the project is to improve the security of a significant proportion of Uganda's biological diversity by establishing a sustainable production system for Kibale Forest Wild Coffee, and complement it with a marketing mechanism that returns to all partners an income of magnitude sufficient to ensure project viability and an incentive to maintain present levels of biological diversity. To accomplish this goal the project will:

- ensure that the harvest of coffee from the designated areas in KNP is conducted in a manner that is ecologically sustainable;
- ensure that local communities and other partners receive the maximum economic benefit from coffee harvests in the park;
- establish Kibale coffee in the speciality coffee markets with a credible image as a socially responsible, environmentally sustainable, certified organic coffee.
- create a trust fund that provides income for conservation, park management, and incentives to maintain traditional garden cultivation of mixed plantings with other plants.

Government therefore supports this project which aims at creating a sustainable income not only for Kibale National Park, but also for other programs that provide meaningful incentives for conservation and sustainable use of biological diversity. The project also addresses one of the major government priorities of poverty eradication through increased earnings. The total cost for the project is US \$ 7,000,000 of which the GEF grant is US \$ 750,000 and UCTF contribution is US \$ 6,250,000.

I wish to express government's commitment and support for this project. I therefore endorse the project for implementation and look forward for a favorable GEF decision to fund it.

Yours sincerely,



E. Tumusiime-Mutebile

**PERMANENT SECRETARY/SECRETARY TO THE TREASURY**