**Annual Work Plan EFY 2017/18**
**June 2026 – March 2027**

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| **Project Title:** | **Sustainable Coffee for Livelihoods, Nature and Climate in Ethiopia** |
| **UNSDCF Outcome:** | Outcome 2: All people in Ethiopia, specifically the people who are left behind, benefit from inclusive, resilient, and sustainable economic development that prioritizes decent job opportunities, access to nutritious food and affordable green energy.<br>Outcome 3: All people in Ethiopia, specifically the most vulnerable and those who have been left behind, enjoy protection and benefit from enhanced resilience, increased access to climate financing, reduced risks of climate induced disasters, and reduced impact of environmental crises. |
| **Expected CP Output(s):** | Output 2.3.: Access to sustainable livelihoods and durable solutions expanded.<br>Output 2.4.: Use of innovation, technology, and digitalization rolled out to catalyse resilient economic development.<br>Output 3.2.: Sustainable natural resource management and circular economy promoted for climate change mitigation, adaptation, and livelihood sustainability. |
| **Plan Start date** | June 2026 |
| **Plan End date** | March 2027 |
| **Implementing Partner:** | United Nations Development Programme Ethiopia (UNDP Eth) |
| **Responsible Parties:** | Ethiopian Coffee and Tea Authority (ECTA)<br>Sidama Coffee Farmers' Cooperative Union (SCFCU) |

## Brief Description of the Programme

Ethiopia, the birthplace of Arabica coffee, relies heavily on the crop for national growth and the livelihoods of millions of smallholders. The government and private sector are prioritizing sustainable, climate-resilient, and deforestation-free coffee production, along with stronger traceability systems. This project supports these national efforts by enhancing the sustainability, competitiveness, and traceability of Ethiopia's coffee sector, especially as the country prepares for the EU Deforestation Regulation (EUDR) in 2026 and to meet other international trends in import regulations. Without timely support, many producers may struggle to meet new geolocation and traceability requirements, risking major market losses including in Japan and threatening a sector that contributes about 5% of GDP.

The project will focus on the main coffee growing regions (Oromia, Central Ethiopia, Southwest Ethiopia, South Ethiopia, and Sidama) to strengthen cooperatives' and private-sector capacities and improve compliance with global market standards. It will also deepen engagement with Japanese partners to expand market access and encourage investment in value addition and climate-friendly production. Specifically, the intent is to pilot a digital coffee traceability system in Sidama region that integrates deforestation analysis and scales up farmer data collection to meet Japanese and other international market standards, thereby establishing a proof of concept for national-scale expansion. Concurrently, it will deepen collaboration with exporters and buyers, including Japanese coffee companies, to enhance local marketing capacity and facilitate direct access to sustainable and specialty coffee markets.

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| Programme Period: | **2026** |
| Programme Component: | Inclusive economic transformation |
| Atlas Award ID: | |
| Start date: | June 2026 |
| End Date | March 2027 |
| LPAC Meeting Date | |
| Management Arrangements: | DIM |
| GEN Marker: 2 | |

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| **2026 AWP budget:** | **USD 526,666** |
| Total resources required | _____ |
| Total allocated resources: | _____ |
| Non-core | **USD 526,666** |
| • Other: | |
| ○ Donor | **USD 526,666** |
| ○ Government | _____ |
| Unfunded budget: | _____ |
| In-kind Contributions | |

**Agreed by UNDP:** **Date:**

## I. BACKGROUND

Ethiopia is a geographically diverse nation of more than 120 million people, stretching from high-altitude plateaus and dense montane forests to lowland valleys that form part of the Great Rift system. Its economy is deeply dependent on natural resources, with agriculture contributing over one-third of GDP and employing most of the population. Coffee, in particular, is not only Ethiopia's most important export but also central to rural livelihoods and cultural identity. In 2025, from more than 490,000 tons of coffee export, the country obtained USD 2.65 billion in export revenue; nearly doubled compared with USD 1.4 billion in 2024. It also occupies over 500,000 hectares of land and employs close to 5 million farmers, many of whom are smallholder farmers. Coffee exports have continued to be a key source of forex in the country. However, Ethiopia is highly vulnerable to climate change, facing rising temperatures, erratic rainfall patterns, recurrent droughts, and increasing land degradation challenges that disproportionately affect forested highland regions where wild Coffea arabica, a globally significant genetic resource, originates.

Amid these environmental pressures, the country faces a complex development challenge: sustaining a critical export sector while protecting the ecosystems that underpin it. Deforestation, forest fragmentation, declining soil fertility, and climate-induced yield variability threaten both the productivity of coffee landscapes and the survival of wild coffee genetic diversity. These ecological risks are compounded by new international market requirements, particularly the EU Deforestation Regulation (EUDR), that demand rigorous traceability and verification of deforestation-free production. Yet many Ethiopian producers, especially smallholders and cooperatives, currently lack the digital infrastructure, monitoring capacity, and institutional support to meet these stringent standards.

This challenge stands at the intersection of Ethiopia's national development priorities. The country's Ten-Year Development Plan (2021–2030) underscores the need for sustainable agricultural transformation, increased export competitiveness, natural resource protection, and climate resilience. Similarly, Ethiopia's National Biodiversity Strategy and Action Plan (NBSAP) prioritize the conservation of forest ecosystems and the protection of endemic species including wild Arabica coffee through community-based management and reduced deforestation. At the same time, national climate frameworks such as the National Adaptation Plan (NAP) and Nationally Determined Contributions (NDCs) call for climate-resilient agriculture, enhanced forest conservation, and strengthened monitoring and reporting systems in alignment with UNFCCC commitments.

Without targeted and timely intervention, Ethiopia risks undermining these national goals. Failure to comply with emerging global regulations including the EUDR could restrict access to major export markets, reducing foreign exchange earnings and jeopardizing the livelihoods of up to 5 million smallholder coffee farmers. Environmental degradation, if left unaddressed, threatens long-term national climate and biodiversity targets.

Addressing this development challenge therefore requires a coordinated approach that strengthens climate-resilient, protects high-value forest ecosystems, enhances digital solutions for value chain access and land-use monitoring and supports Ethiopia's development plan. By integrating climate action, biodiversity conservation, digital transformation, and market access, Ethiopia can secure the long-term sustainability and global competitiveness of its coffee sector while advancing its broader national economic and environmental priorities.

In recent years, Ethiopia's coffee-growing landscapes have come under increasing pressure, placing both rural livelihoods and globally significant biodiversity at risk. The montane forests that nurture wild Coffea arabica the world's original and most genetically valuable coffee species are being lost at an alarming rate due to climate change, erratic rainfall patterns, agricultural expansion, and unsustainable land-use practices. These forests, which generate an estimated USD 130 million annually and contribute 26–30% of Ethiopia's total coffee production, are experiencing rapid degradation and fragmentation, threatening the genetic diversity that underpins the global coffee industry. As forest cover declines, farmers are reporting reduced yields, heightened vulnerability to pests and diseases, and more volatile incomes, creating a cycle of ecological and economic instability that disproportionately affects smallholders.

This crisis is further compounded by the imminent implementation of the European Union Deforestation Regulation (EUDR) in 2026. The regulation requires strict geolocation-based traceability and verification that coffee entering EU markets is deforestation-free. Without rapid and targeted support, many Ethiopian farmers, cooperatives, and exporters will be unable to comply with the new standards due to limited access to geospatial tools, digital traceability systems, and sustainable production models. Failure to meet these requirements could result in restricted access to major international markets, including Japan, which relies heavily on Ethiopia's specialty coffee. The consequences would be far-reaching potentially impacting up to 5 million smallholder farmers, destabilizing rural economies, and jeopardizing a sector that contributes around 5% of Ethiopia's GDP.

Urgent action is therefore essential to safeguard both Ethiopia's ecological heritage and the livelihoods of millions of coffee-producing households. Immediate investment is needed to secure farmers and cooperatives' long-term access to high-value export markets through improved monitoring and reporting capacities, enhanced digital traceability, and strengthened private sector/buyer partnerships. Support through the Japan Supplementary Budget (JSB) is timely and strategic, helping to reduce the risk of diminished supplies of Ethiopian coffee particularly the uniquely valuable C. arabica due to deforestation and climate impacts. By accelerating compliance with emerging market requirements, this support will contribute to both Ethiopia's rural resilience and the stability of Japanese coffee markets that depend on high-quality, sustainably sourced Ethiopian coffee. Japan's technology transfer will applied by introducing advanced processing, quality control, and digital traceability systems that meet premium market standards.

Furthermore, the project will be supported by **Key Coffee Inc**. which is one of Japan's oldest and most prominent fully integrated coffee corporations. Headquartered in Tokyo, the company oversees the entire coffee supply chain—from operating overseas agricultural plantations to manufacturing, commercial distribution, and running retail food and beverage concepts. Key Coffee's engagement in this project will include awareness raising and knowledge sharing on sustainable coffee production and deforestation-free practices that respond to Japan market needs; and facilitate South-South exchanges among coffee-producing countries and value chain actors across Africa, Latin America, and Asia.

## II. EXPECTED OUTCOME AND OUTPUT

**Expected Outcome:**

The overall goal of the project is **to enhance sustainability, traceability and international market access of Ethiopia's coffee sector for the benefit of climate, nature, and people.** This project is strongly aligned with Pillar 1 of the Climate Promise by advancing nature-based climate mitigation, climate-resilient livelihoods, and private-sector engagement across Ethiopia's coffee landscapes. It also contributes to the global "Climate Promise: Pledge to Impact Programme", especially its Output 1.5: Implementation of NDC measures is advanced in key sectors and cross-cutting thematic areas. The project catalyzes private-sector investment in climate mitigation measures, consistent with Outcome 4 of the Climate Promise, by working with exporters and Japanese importer Key Coffee to invest in sustainable production systems, improved processing technologies, and traceability infrastructure that reduce environmental impacts across the value chain. Together, these actions reinforce both national climate priorities and the Climate Promise commitment to integrative, nature-based, and market-supported climate action. These objectives will be achieved through the following outputs:

**Expected Output:**

**Output 1. Digital coffee traceability system is piloted in one region, integrating deforestation analysis, and scale up farmer data collection to meet Japanese and other international market standards and show proof of concept to scale at the national-level.**

Capacity will be strengthened for cooperatives, ECTA, and Ethiopian government, for digital traceability of deforestation-free coffee integrated with deforestation analysis, including provision of digital data collection technologies and piloting a farm-to-port data value chain. This pilot will utilize the ECTA traceability system to test aggregation, deforestation-free analysis and labelling, working closely with Key Coffee (and Lavazza) and targeting small lot export if quality standards meet the threshold. The output will work closely with a JICA project implemented by Key Coffee in the Sidama region (August 2025 – August 2027) to enhance synergies with conservation of genetic biodiversity in arabica and a deforestation mitigation strategy that is developed through the JICA project. Capacities of farmers and cooperatives will be enhanced through provision of improved coffee processing technologies including harvesting, washing, storage, and drying technologies to process coffee beans to meet quality standards of international markets. In addition, specialty coffee and tea branding, labelling and market access will be enhanced.

**Output 2. Deepened collaboration with exporters and buyers (including, Japanese coffee companies and others) to facilitate access to sustainable and specialty coffee markets from Ethiopia and improve marketing capacity.**

To strengthen the coffee sector, the project will focus on enhancing partnerships between ECTA, farmers' cooperatives, and buyers by creating robust market linkages, while also facilitating structured dialogue and collaboration among at least 20 cooperatives, private companies, and other key stakeholders. These efforts will be complemented by compiling lessons learned from the pilot in the Sidama to be used for development of a national system. In addition, the initiative will invest in building continental industry expertise through specialized training in coffee cupping, processing, and business management, ensuring that cooperatives and enterprises alike are equipped with the technical skills and managerial capacity needed to compete effectively in regional and global markets.

*The proposed project is aligned with the following sectors and targets in the NDC, NAP, and/or NBSAP:*

| NDC sector and target | NAP sector and target | NBSAP sector and target | Proposed project Output |
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| **Agriculture** – Promote climate-smart agriculture; improve productivity; enhance value-chain resilience; and strengthen traceability and low-emission production systems. | **Agriculture** – Build resilience of smallholder farmers; promote climate-smart practices; improve post-harvest handling and value-chain efficiency. | **Agrobiodiversity & Sustainable Agriculture** – Mainstream biodiversity in agricultural landscapes; promote sustainable farming practices that protect genetic resources. | **Output 1:** Digital coffee traceability system is piloted in one region, integrating deforestation analysis, and scale up farmer data collection to meet Japanese and other international market standards and show proof of concept to scale at the national-level. |
| **Forest** – Reduce deforestation and forest degradation; expand forest cover; adopt sustainable land-use and agroforestry practices. | **Forest** – Strengthen forest landscape restoration; improve community-based forest management; enhance monitoring of forest resources. | **Forest Ecosystems** – Conserve Forest biodiversity; protect wild Coffea arabica habitats; restore degraded forest landscapes. | **Output 1:** Digital coffee traceability system is piloted in one region, integrating deforestation analysis, and scale up farmer data collection to meet Japanese and other international market standards and show proof of concept to scale at the national-level. |

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| **Climate Change –** Build adaptive capacity; strengthen climate information systems; increase resilience of vulnerable rural communities and commodities. | **Climate Change Adaptation –** Improve climate data access, early warning, and risk management for agriculture and forest-dependent communities. | **Climate-related Biodiversity Protection –** Protect climate-sensitive ecosystems; implement ecosystem-based adaptation in biodiversity hotspots. | Output 1: Digital coffee traceability system is piloted in one region, integrating deforestation analysis, and scale up farmer data collection to meet Japanese and other international market standards and show proof of concept to scale at the national-level. |
| **Natural Resources –** Promote sustainable land and water management; ensure conservation of high-value ecosystems and genetic resources. | **Natural Resource Management –** Strengthen sustainable use of forests, soil, and water resources; enhance integrated landscape management. | **Biodiversity Conservation & Sustainable Use –** Protect high-value natural assets (including wild Arabica); strengthen monitoring and knowledge systems. | **Output 1 & 2:** improve traceability to ensure deforestation-free production and ecosystem protection and Deepen partnerships with exporters and international buyers. |
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| **Livelihood –** Improve rural livelihoods, reduce poverty, support diversification, and enhance resilience of smallholder farmers. | **Livelihoods –** Reduce climate-induced livelihood risks; enhance adaptive capacity of vulnerable households and cooperatives. | **Community-based Conservation –** Engage communities in sustainable resource management to support livelihood security. | **Output 2:** Strengthen farmers' and cooperatives' capacity for traceability and quality processing and value addition to enhance incomes. |
| **Economic –** Increase export competitiveness; strengthen value chains; build economic resilience in key export sectors such as coffee. | **Economic Resilience –** Promote climate-resilient value chains; strengthen market systems and rural enterprise development. | **Sustainable Use of Biodiversity for Economic Development –** Promote biodiversity-friendly value chains that support national economic growth. | **Output 2:** Deepen partnerships with exporters and international buyers (including Japanese companies) to expand access to specialty and sustainable markets. |

## III. MANAGEMENT ARRANGEMENTS

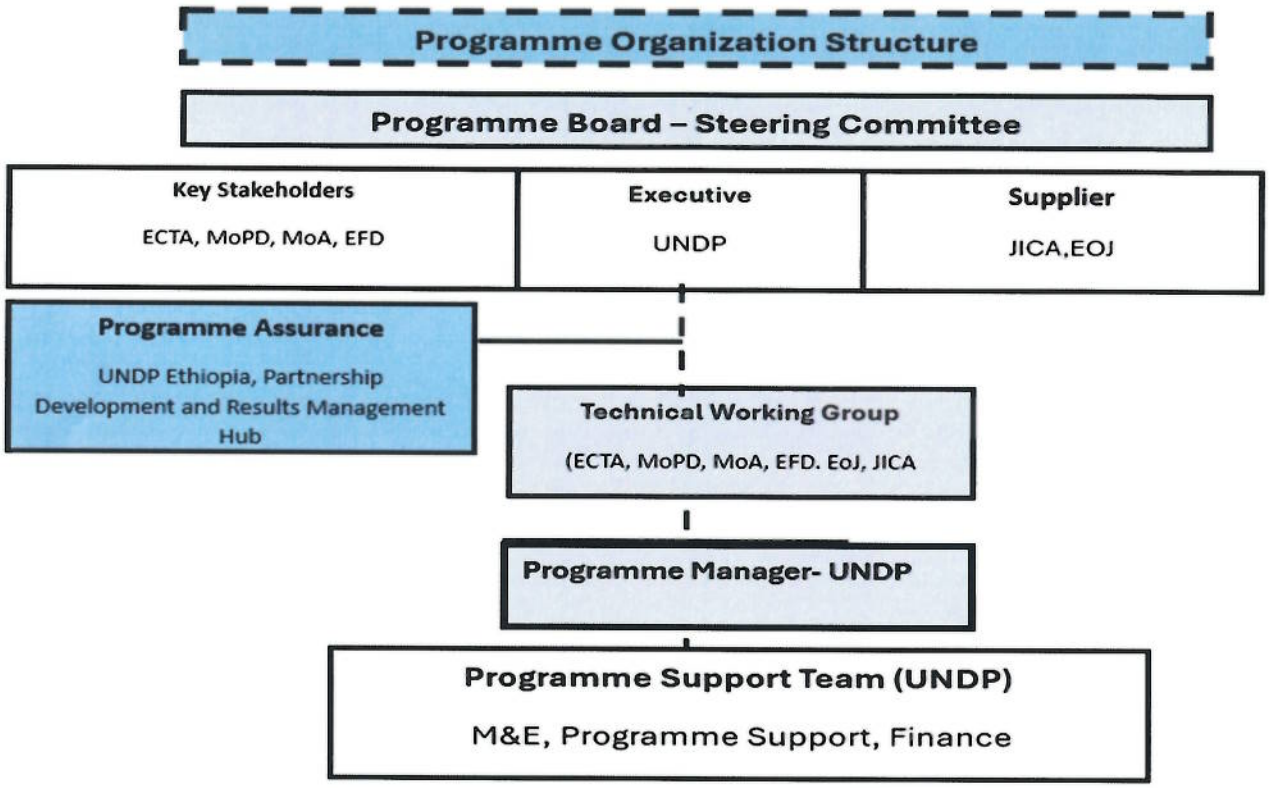
The project will be managed through a structured, collaborative, and multi-level governance arrangement designed to ensure effective implementation, accountability, and alignment with national priorities. Funded by the Government of Japan, the project will be administered by UNDP, which will serve as the responsible organization for overall programme oversight, fiduciary management, quality assurance, and timely communication with the donor. UNDP will apply its results-based management standards, monitoring and evaluation frameworks, and procurement and financial management procedures to guarantee transparency, efficiency, and compliance with international guidelines.

The project will be delivered under UNDP's Direct Implementation Modality. Activities will be implemented by UNDP Ethiopia Country Office Inclusive Economic Transformation (IET) unit under the direct supervision and overall monitoring of the Deputy Resident Representative and Team Leader of CRES unit.

The project board, who will be responsible to oversee the implementation of the project and approving its work plan and is comprised of the following bodies. 1) the Embassy of Japan, 2) JICA, 3) Key Coffee, 4) UNDP, 5) the Ethiopian Tea and Coffee Authority, 6) Ministry of Agriculture, 7) Ministry of Planning and Development, 8) Ethiopia Forest Development.

The project is also closely linked with **UNDP Ethiopia's Food Systems, Land Use and Restoration (FOLUR)** Project which focuses on promoting sustainable coffee value chains across the four major regions, covering 22 districts. It addresses challenges related to EU deforestation regulations and low farm-gate prices, with goals to improve the coffee production, productivity and livelihoods of people through the restoration of 10,500 hectares of coffee gardens, management of 450,000 hectares of farmland, and conservation of over 61,500 hectares of forests.

The UNDP RR or DRR will ensure timely implementation of the project in compliance with UNDP's Programme and Operations Policies and Procedures (POPP), its Financial Regulations and Rules and Internal Control Framework.



## IV. MONITORING

Standard UzNDP Reporting, monitoring and evaluation procedures will apply to this project.

## V. LEGAL CONTEXT

The activities specified in the AWP will be implemented in accordance with the operational and financial rules and regulations of UNDP. In particular, Sub-section 2.5 under the Defining a Project section of UNDP User Guide 2.5 applies to this initiation plan as specified below. Considering the project is implemented through Direct Implementation Modality (DIM) by the UNDP country Office, the UNDP Ethiopia may approve and sign the plan, which serves as authorization to incur expenditures of the programme.

## I. ANNUAL WORK PLAN, JUN 2026 – MARCH 2027 (EFY 2018/2019)

| EXPECTED OUTPUTS<br>And baseline, indicators including annual targets | PLANNED ACTIVITIES<br>List activity results and associated actions | PLANNED BUDGET – 2026/2027 | | | | Responsible Party | Source of funding | Budget Description | Total Budget USD FY 2026/2027 |
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| | | Q2 | Q3 | Q4 | Q1 | | | | |
| **Output 1: Digital coffee traceability system is piloted, deforestation analysis, and farmer data collection scaled up and coordinated in one region (Sidama) to meet Japanese and other international market standards and show 'proof of concept' to scale at the national-level.** | | | | | | | | | |
| **Activity Result 1.1: Cooperatives and farmers' capacity strengthened for digital traceability of deforestation-free coffee.**<br><br>**Indicators:** Coffee farmers geolocated and using digital tools for coffee production and sustainable trade in Sidama region<br><br>**Target:** 300 (50% women)<br><br>**Baseline:** Limited no. of coffee farmers geolocated and using digital tools<br><br>**GEN= 2** | **A .1.1.1:** Strengthen cooperatives', ECTA, and government capacity for digital traceability of deforestation-free coffee and access to sustainable trade, including provision of digital data collection technologies | | 55,000 | | | UNDP | Non-TRAC | Workshop Training<br>Purchase of IT equipment | 55,000 |
| | **A.1.1.2:** Aggregate data within ECTA traceability system and pilot the use of land register, deforestation free analysis and traceability data format that meets both Japanese and EUDR standards, working with Key Coffee (and Lavazza). | | | 30,000 | | UNDP | Non-TRAC | Expert and Technical consultation Stakeholder workshop | 30,000 |
| **Activity Result 1.2: Sidama regional has an operational pilot traceability system and improved data collection, integrating existing initiatives and platforms that supports a supply of coffee that meets international trade standards and a possible trade** | **A.1.2.1:** Develop an MVP for traceability generating QR code and identification of production of deforestation-free coffee to be traced from the farm to the consumer | | | 60,000 | | UNDP | Non-TRAC | Expert and stakeholder workshop<br>Purchase of traceability + IT equipment | 60,000 |

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| **agreement with an international importer, and with a view of scaling to other regions.**<br><br>**Indicators:** digital solutions piloted to trace coffee production from farm to consumer and assess deforestation impacts in one region, to be scaled nationally.<br>**Target:** 1 digital solution piloted<br>**Baseline:**<br>**GEN= 2** | **A.1.2.2:** Integration of data collection tools and systems (i.e. EFD forest data, UNDP deforestation-free assessment tool (MonBo), cooperative data, national land data) and defined forest data into one ECTA traceability system | | | | 40,000 | UNDP | Non-TRAC | Expert and stakeholder workshop<br>TA (data expert) | 40,000 |
| **Activity Result 1.3: National processes are strengthened for verification of deforestation-free coffee production through integration of forest MRV systems with ECTA coffee data and agricultural data**<br><br>**Indicators:** No of national system and coordination mechanism strengthened to define EUDR forest baseline, deforestation data and methodology development including farm traceability and deforestation monitoring –towards meeting international traceability and marketing standards<br>**Target:** 1<br>**Baseline:** 0<br>**GEN= 2** | **A.1.3.1:** Scope a national process, through inter-ministerial and sectoral coordination, for a national process for verifying deforestation-free coffee production. | | 20,718 | | | UNDP | Non-TRAC | Expert and stakeholder workshop | 20,718 |
| | **A.1.3.2:** Support a national system and coordination mechanism to define EUDR forest baseline, deforestation data and methodology development for deforestation analysis of coffee production. | | | 35,000 | | UNDP | Non-TRAC | Workshop<br>Training<br>Material preparation | 35,000 |
| **Sub Total Output 1** | | | | | | | | | **240,718** |

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| **Output 2: Deepened collaboration with exporters and buyers (including, Key Coffee) to facilitate access to sustainable and specialty coffee markets from Ethiopia.** | | | | | | | | | |
| **Activity Result 2.1: Dialogue and partnership facilitated among ECTA, Ethiopia government, farmer cooperatives, companies and other sectors with a view to secure purchase agreements for deforestation-free and traceable coffee.**<br><br>**Indicators:** # of private sector partnerships fostered for deforestation-free and traceable supply chains to meet Japanese and other international standards.<br><br>**Target:** 2<br><br>**Baseline:** 0<br><br>**GEN= 2** | **A.2.1:** Dialogue and experience sharing between companies, ECTA, Ethiopia government, farmer cooperatives, and buyers on potential business pipeline with Japanese and other international buyers. 2-3 virtual meetings with key coffee and other international coffee companies to exchange on the topics of traceability, EUDR compliance<br><br>**A 2.2:** Workshop with ECTA, exporters, Ministry of Agriculture, Ministry of Forest, cooperatives from Sidama region. The workshop will combine 1 session on data / digital technology sensitization session from NEC and 1 session from Key Coffee on sustainable coffee for the Japanese market, as well as invite international experts to validate additional improvement needs on the ECTA traceability system. The workshop will be jointly organized with JICA and EoJ. | | 20,000 | | | UNDP | Non-TRAC | Communication, visibility, + outreach<br>Expert and stakeholder workshop<br>Travel | 20,000 |
| **Activity Result 2.2: Capacity of farmers, cooperatives, and ECTA enhanced in coffee cupping, processing, and business management.** | **A.2.2.1:** Enhancing continental industry expertise through specialized training in coffee cupping, processing, and business management. | | 35,000 | | | UNDP | Non-TRAC | Expert and stakeholder workshop<br>Travel | 35,000 |

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| **Indicators:**<br># of beneficiaries on specialized training in coffee cupping, processing, and business management<br># of cooperative members knowledge enhanced on improved coffee processing technologies<br># of improved coffee processing technology equipment provided to farmers cooperatives<br><br>**Target:**<br>20 Cooperatives with x members (50% women) knowledge enhanced on improved coffee processing<br>3 technologies improved<br>1 exchange visit held<br><br>**Baseline:** 0<br>**GEN= 2** | **A. 2.2.2:** Enhance capacity of ECTA, and knowledge of farmers and cooperatives through exchange visits, provision of training and equipment on improved coffee processing technologies including harvesting, washing, storage, drying technologies/technologies to process coffee beans to meet quality standards of international markets | | | 119,117 | | UNDP | Non-TRAC | Expert and stakeholder workshop<br>Travel<br>Procurement of coffee processing technologies | 119,117 |
| **Sub Total Output 2** | | | | | | | | | **174,117** |
| **Monitoring & Evaluation - Communication** | | | | | | | | | **45,000** |
| **Net Programme** | | | | | | | | | **459,835** |
| **Direct Project Cost (5%)** | | | | | | | | | **22,991** |
| **General Management Support (8%)** | | | | | | | | | **38,626** |
| **UN Levy (1%)** | | | | | | | | | **5,214** |
| **Grand Total** | | | | | | | | | **526,666** |