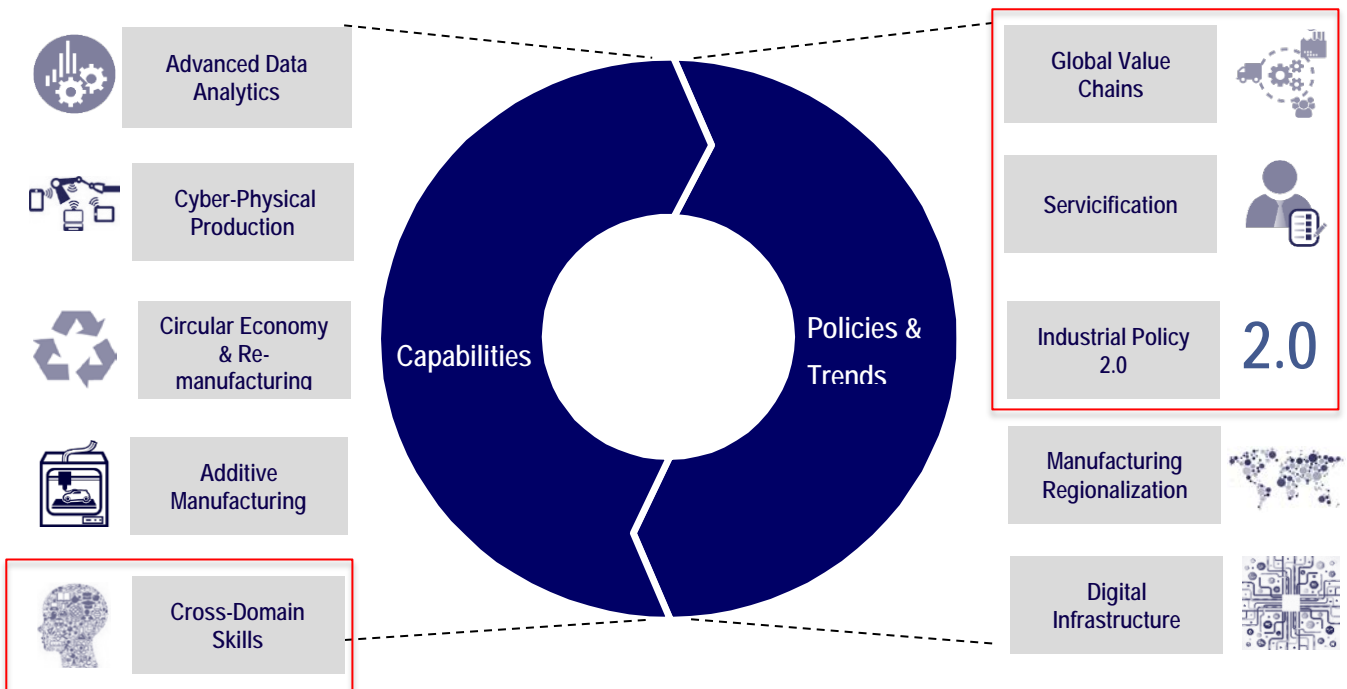


Case 14

Rwanda Coffee Sector

Drivers of the Future of Manufacturing



Source: World Economic Forum Global Agenda Council on the Future of Manufacturing, Whiteshield Partners framing



1. Challenge Confronted

In the late 1990s, the Rwandan coffee sector was on the verge of collapse. The sector was characterized by an **absence of long-term vision and global market knowledge**, low skills, minimal technology adoption and a lack of coordination among actors along the value chain. Two critical constraints were driving down revenues:

- **Insufficient quantities of coffee cherries** to attract significant demand from off-takers
- **Inadequate quality** of coffee to attract a premium price from global buyers

In addition, **vital sector infrastructure had been destroyed** during the 1994 genocide, further plunging the sector into distress and resulting in farmers' withdrawal from the sector. These challenges directly **affected export revenues, negatively impacting Rwanda's trade balance**.

2. Solution Used

The government introduced a two-pronged approach to address these challenges, with a series of key interventions along the coffee value chain:

- **Improving agricultural "technology"** and increasing production. Key interventions included distributing improved inputs, replanting coffee trees, strengthening cooperatives' governance and management practices, strengthening public-private dialogue among stakeholders, and increasing the number of wet mills or coffee washing stations in leading coffee-producing regions.
- **Boosting skills and improving quality**. Key interventions included educating producers on the benefits of producing high-quality, fully washed coffee, and improved processes to achieve value addition at all stages; establishing quality-control mechanisms throughout the value chain; **improving road infrastructure**; and restructuring the sector's main **regulatory body**.

3. Lessons Learned



1. The **government** helped to drive upgrading by embracing a more **supportive role as a facilitator of trade, reviving public-private dialogue** and no longer intervening as a direct participant in the sector by buying, selling, or marketing coffee. It has focused instead on providing a conducive environment, providing material and technical support to growers and processors, distributing fertilizer, as well as promulgating and enforcing regulations.

Rwanda Coffee Sector

Dates: 2002 - today

Keywords: agriculture, coffee, skills, value chain upgrading

Authors: Kaliza Karuretwa

Entities involved: World Bank Group (Trade & Competitiveness Global Practice)

Points of contact:

Miles McKenna

(mmckenna@worldbank.org);

Daria Taglioni

(dtaglioni@worldbank.org)

Key facts:

- The Rwandan coffee sector lacked long-term vision and global market positioning.
- Challenges negatively impacted export revenues.
- As a response, a National Coffee Strategy was developed, spelling out a clear and shared vision.
- The strategy encompassed both improving agricultural technology as well as boosting skills and improving quality.
- New partnerships played a critical role in providing necessary skill trainings, and building a whole value chain approach.
- As a result, Rwanda has developed sufficient capacity to wash almost two-thirds of all coffee cherries harvested.
- Up to 50,000 rural households have seen their incomes from coffee production more than double, and 2,000 jobs have been created
- There is a need to further integrate the entire value chain and ongoing skill development.



2. **Defining a clear and shared vision** for the sector was key to attracting implementation support for the strategy from donors and NGOs, as well as the capacity-building support to **monitor quality along the coffee value chain**.



3. By working with donors and NGOs, **new partnerships played a critical role** in providing intensive skills training to farmers, boosting productivity, optimizing the farm-to-market value chain through innovation in practices, and helping cooperatives develop relationships with lead buyers around the world.



4. Addressing key constraints through a **“whole of value chain” approach** – from productivity at the farm level, to improving coffee processing methods, to creating market linkages – was crucial for upgrading in the coffee GVC.

Description of the Work Performed

In 2002, the Government of Rwanda took decisive action to reverse this situation. The **National Coffee Strategy was developed, spelling out a clear and shared vision**. The strategy **built on Rwandan coffee’s natural attributes and comparative advantages**. Today, the country produces both semi-washed (ordinary) and fully washed (specialty) Arabica coffee. Semi-washed coffee is produced using a manual washing process, often resulting in inconsistent quality. Fully washed coffee is processed through centralized coffee-washing stations, resulting in higher-quality coffee beans. Value addition is substantially higher for fully washed coffee, generating about \$0.10-\$0.70 more domestic value added per kilogram (IGC, 2015). But **delivering high-quality cherries requires specialized skills**.

The focus of the National Coffee Strategy was to **reposition Rwanda as a specialty coffee-producing country**, moving **from commodity-grade coffee towards high-value, fully washed coffee** with higher premiums and more stable prices on the world coffee market. The strategy called for building capacity and skills among coffee growers and workers at coffee-washing stations, improving extension services, strengthening and supporting producer cooperatives, promoting the construction of coffee-washing stations, replanting older tree stock, improving quality control throughout the industry and developing a Rwandan brand identity.

Rwanda’s **upgrading strategy** to position itself as producer of specialty coffee **included skills development at all levels of the value chain**, from risk management in the financial sector, field operations, implementation of traceability and personnel management at washing stations.

Through further **revisions** of the National Coffee Strategy in 2006 and 2009, the coffee **value chain was mobilized to meet increasingly stringent quality and traceability requirements**. The importance of shape, colour, taste and aroma qualities, as well as proper and efficient washing, drying, and roasting processes, was emphasized in training and upgrading of producer skills.

Key Outcomes

Today, Rwandan coffee is **internationally recognized for its quality in the specialty coffee market**. Actors along the coffee value chain are fully aware that higher quality cherries not only open the high-end coffee market to them but also attract higher price premiums.

Key outcomes include:

- According to statistics from the National Agricultural Exports Board (NAEB), in 2014 Rwanda fetched **\$59.68 million from coffee exports**, up from \$54.9 million in 2013 from an annual coffee production between 18000T to 21000T per year.

- Rwanda has developed sufficient **capacity to wash almost two-thirds of all coffee cherries harvested** – roughly 40% of exported coffee is fully washed as of March 2014, a massive increase from only 10% in 2002. The country is making good progress to deliver on the government's commitment to increase the share of fully washed coffee to 71% by 2018, as stipulated in the National Coffee Strategy.
- The **government introduced coffee-cupping competitions to develop skills among stakeholders** to recognize and promote cherries of higher qualities. Coffee cupping is like wine tasting and requires specialized training to develop a fine palette for the cuppers to recognize the higher quality cherries. Significant public investments were made in infrastructure, setting up cupping labs to develop technical expertise, and applying for certification programmes such as Starbucks Coffee and Farmer Equity (CAFE) certification. As a result, **quality ratings for Rwandan coffee have increased tremendously** both with importers and end consumers.
- In total, up to **225 coffee cuppers were trained with donor support alongside investments in cupping facilities**. Training was offered to farmers to introduce them to quality standards and attributes such as flavour, acidity and sweetness that were previously unknown to the farmers. With support from the NAEB and donors, quality certification programmes were introduced in the coffee sector, including Rainforest Alliance and Fair Trade designations.
- **Workforce development programmes** were initiated in the sector with the **provision of training** in a wide range of areas, including installation, operating and maintenance of coffee-washing stations, cherry sorting and selection, fermentation, literacy, administration and financial management to improve efficiency.
- According to USAID, approximately **50,000 rural households have seen their incomes from coffee production more than double**, and some **2,000 jobs** have been created in coffee-washing stations as a result of the reforms.
- During the first five years of implementing the National Coffee Strategy, **private investment in coffee-washing stations grew on average by 120% per year** in locations with the highest cherry availability, water supplies and road linkages. The total number of stations has risen from just two in the entire country in 1998, to 74 by the end of 2006 and to 299 as of early 2015. Coffee-washing stations are now spread across all major coffee-producing regions.

Drivers & Enablers



Privatization and Liberalization



Shared Vision and Public-Private Partnership



- Quality and quantity
- Skills and processes
- Exports

Barriers

- **Insufficient investments** and insufficient volumes of cherries, causing coffee-washing stations to run below capacity and incur financial losses.
- There is a **need to further integrate the entire value chain** if the sector is to deliver on the ambitious targets set by the National Export Strategy.
- An upgrading strategy requires not only strong stakeholders' coordination through a vibrant public-private dialogue but also **continued skills development as well as institutional strengthening** to support the growth of the sector.