



Projects Committee/
International Coffee Council
18 September 2018
London, United Kingdom

**Building a sustainable and inclusive
coffee sector in Uganda
(Project summary)**

Background

1. This document is a summary of a full project proposal prepared by the Secretariat following a request by the Uganda Coffee Development Authority (UCDA) to contribute to the implementation of the national coffee roadmap formally launched on 13 April 2017 by the President of Uganda¹.
2. The Secretariat is expected to assist the country by monitoring and evaluating the project, as well as by helping to raise the necessary funds.

Action

3. The Projects Committee is requested to consider this proposal and, if appropriate, to recommend its approval by the Council.

¹ *Uganda Coffee Road Map, Vision 2040, UCDA, Government of Uganda.*

BUILDING A SUSTAINABLE AND INCLUSIVE COFFEE SECTOR IN UGANDA

Project summary

- 1. Project title:** Building a sustainable and inclusive coffee sector in Uganda
- 2. Duration:** Five years
- 3. Location:** Uganda
- 4. Project description:** The project will promote a sustainable and inclusive coffee sector in Uganda through support to increase in production and productivity with particular focus on the participation of young people and women in the value chain. The central objective of this project is to strengthen the contribution of the coffee sector in achieving the Sustainable Development Goals in Uganda through an improved and sustainable production system. The project will contribute to increasing incomes at household levels in rural areas by assisting smallholder coffee growers to adopt better farming practices and build strong associations, as well as to develop the multiplication of high quality and disease resistant planting materials. The output to be achieved is a production of 20 million bags per year by 2025-2030, generating average annual exports earnings of US\$2 billion (compared to around US\$544 million currently), and improved livelihoods for over 1.7 million smallholder coffee farmers, including women and youth. To achieve this, activities should be organized into the following main components:
 - i) Building a sustainable coffee production system through transfer of technology and capacity building of small-scale farmers and other actors of the coffee value chain.
 - ii) Climate change adaptation and environmentally responsible practices.
 - iii) Coffee quality improvement and creation of value addition opportunities.
 - iv) Coffee market development, including market intelligence.

5. **Project Executing Agency:** Uganda Coffee Development Authority (UCDA)
6. **Monitoring and evaluation:** International Coffee Organization
7. **Total estimated project cost:** US\$24 million
8. **Financing from Donors:** US\$19.3 million
9. **Co-financing by the Government of Uganda:** US\$4.7 million

Project background

Uganda covers a total area of 241,038 square kilometers with a population estimated at 41.5 million inhabitants. Uganda is both the source of River Nile and the birthplace of Robusta coffee. Robusta coffee was found naturally growing in the forest in the Lake Victoria crescent. As an indigenous crop it has played an important role in cultural practices of the people, being traditionally used as a sign of friendship and hospitality. The coffee sector has continued to be a major contributor to the national economy in terms of revenue and employment, as around 2.5 million people directly depend on coffee growing and trading for their livelihood. Moreover, Uganda has the largest number of small-scale coffee farmers in the world, totalling over 1.7 million with an average farm size of 0.25 hectare. Despite the fluctuations in world prices and the government policy of diversification, coffee still remains the engine of the national economy. During the last five years the country exported annually 3.4 million bags of coffee generating over US\$417 million in export earnings. Like many developing countries, 84% of the total population of Uganda live in rural areas, where poverty is widespread and concentrated among women and young people. The Government of Uganda regards coffee as a strategic commodity whose development should be accelerated to enhance agricultural production and productivity since it will make a significant contribution to the second National Development Plan (NDP2). Within this context the Uganda Coffee Roadmap launched by the Government in 2017 aims to achieve a production of 20 million bags per year by 2025-30, generating around US\$2 billion per year against its coffee year 2016/17 level of US\$544 million from 4.6 million bags exported. Therefore, substantial capital investment and technical cooperation are required to address the following challenges:

- 1) **Low productivity:** The national average yield is less than 600kg per hectare for Robusta and 500kg per hectare for Arabica.
- 2) **Low profitability for small scale coffee growers.**
- 3) **Ageing coffee farming population:** Coffee being less attractive, young people are leaving their villages to migrate to urban areas.
- 4) **Deficient farm management practices.**

- 5) Weak farmers' organization: Around 257,000 smallholder farmers belong to organizations, representing only 15% of the total of 1.7 million smallholder coffee growers.
- 6) Low value addition (off-farm processing, export grading and roasting, marketing and consumption): Little value addition at farm level and coffee farmers continue to sell unprocessed coffee, resulting in lower earnings than if they were selling processed coffee at the farm-gate stage. All coffee exports of the country are in green bean form.
- 7) Limited access to input credit, including a limited use of fertilizer and the use of family labour.
- 8) Limited funding for the National Coffee Research Institution (NaCORI), resulting in little research in areas such as genetic diversity, new varieties, etc.
- 9) Limited capacity to address coffee diseases and pests: Inadequate national research and development agenda validated by stakeholders.
- 10) NaCORI has a limited capacity to monitor and address climate change impact: Limited knowledge and slow pace in implementation of adaptation technologies.
- 11) Weak statistics especially at farm level (domestic consumption, production, etc.); insufficient data coverage (farm level, marketing, value addition, etc.).

Project objectives and rationale

The project aims to contribute to the implementation of the Road map launched in 2017 by the Government of Uganda to transform the country's economy and reduce poverty by increasing coffee production from 5.2 million bags to 20 million bags per year by 2025-2030 in order to improve the livelihoods of 1.7 million small-scale farmers and generate export earnings of US\$2 billion per year. The project will therefore develop a more sustainable and inclusive coffee sector that will generate income for coffee-farming communities, including youth and women, reducing poverty among small-scale coffee farmers, while providing resources for the sustainable economic growth of the country. It should be noted that Uganda has the youngest population in the world, since 78% of its population (around 30.3 million) is below the age of 30. The project will support youth and women entrepreneurship both in coffee farming activities and in processing and distribution. Increased productivity of coffee production will generate additional income for smallholder farmers, even without increasing planted areas. The involvement of youth in coffee production will assure the sustainability of the sector. The entire value chain of the sector should associate production with consumption in order to ensure that potential increases in production can be absorbed by national and regional markets. Moreover, promoting domestic consumption will help create additional local markets that will contribute to reducing the negative impact of price fluctuations in international market.

Project components and activities

Component 1: Building a sustainable coffee production system through transfer of technology and a capacity-building programme

1. Creation and multiplication of high yield and pests and disease resistant varieties.
2. Capacity building for women and youth led farms creation and development of Small and Medium Enterprises (SMEs) in the coffee sector.
3. Strengthening of the capacity of existing cooperatives and creating additional organizations for small scales farmers.

Component 2: Climate change adaptation and environmentally responsible practices

1. Establish weather monitoring and information system.
2. Strengthening the capacity of the NaCORI to develop and distribute new high yielding and drought, pest and disease resistant planting materials.
3. Promote sustainable land management practices.
4. Develop capacity to develop rain water harvesting technologies.

Component 3: Green coffee quality improvement and value addition

1. Promote environmentally sound primary post-harvest processing at farm level.
2. Improve the quality of the Ugandan coffee through certification.
3. Strengthening the capacity of local roasters and baristas.

Component 4: Market development for coffee farmers

1. Improve market access for farmers and their organizations (logistics, better platforms, and branding, etc.).
2. Identification of market opportunities.
3. Promote domestic consumption of coffee.
4. Build capacity of farmer organizations in market and competitive intelligence.
5. Compile a Coffee Farmers Register.

Component 5: Project management

1. Project implementation units.
2. Project coordination by UCDA.
3. Project Monitoring and Evaluation (M&E) by the ICO.

INITIAL PROJECT COSTS AND MODE OF FINANCING

Components	Estimated cost (000 US\$)	SOURCE OF FINANCING		
		Government	Grants	Loans
I. Building a sustainable coffee production system through transfer of technology and capacity building programme	10,000	4,000	6,000	
II. Climate change adaptation and environmentally responsible practices	4,000		4,000	
III. Green coffee quality improvement and value addition	6,000		2,000	4,000
IV. Market development for coffee farmers	3,000	500	1,500	
V. Project management	1,000	200	800	
TOTAL PROJECT COSTS	24,000	4,700	14,300	4,000

LOGICAL FRAMEWORK MATRIX

Project title: Building a sustainable and inclusive coffee sector in Uganda

Result chain		Indicators	Baseline 2016/2017	Target		Mean of verification	Assumptions
				2025/26	Year 2030		
Impact	Increased coffee productivity and production	<ul style="list-style-type: none"> Increased farm productivity Increased production level 	Robusta: 600 kg/ha Arabica: 500 kg/ha Production: 5.2 million bags	Robusta: 1,320kg/ha Arabica: 1,600 kg/ha Production: 10 million bags	Robusta: 4,000kg/ha Arabica: 3,000 kg/ha Production: 20 million bags	UCDA statistics ICO statistics	Enabling environment Government strong support
Impact	Improved livelihoods of small scale coffee growers, including youth and women	<ul style="list-style-type: none"> Reduction of poverty in rural communities (Reduced number of rural people as % of those living in extreme poverty) Increased average household income of small-scale farmers 	Over 30% live below poverty line Average income/ha for Kiboko (US\$383/year) Average income/ha for FAQ (US\$848/year)	Less than 20% Below poverty line of US\$1.90/day Average income/ha US\$768/year (Kiboko level) Average income/ha for FAQ (US\$1,696/year)	Less than 10% Average income/ha US\$1,536/year (Kiboko level) Average income/ha for FAQ (US\$3,391/year)	IMF & World Bank report IFAD Rural poverty report National statistics by UBOS ICO statistics IFAD Rural poverty report	* Extension services provided to farmers Farm gate price at current level of 2,400 UGX/kg for Kiboko and 5,300 UGX/kg for FAQ

Result chain		Indicators	Baseline 2016/2017	Target		Mean of verification	Assumptions
				2025/26	Year 2030		
Impact	Increased contribution of coffee to the economy	<ul style="list-style-type: none"> Increased coffee exports volume (metric tonnes) Increased coffee export value (billion USD) Increased employment generated by coffee sector 	4.6 million bags US\$544 million 6% (2.5 million people)	7 million bags US\$1 billion +30%	16 million bags US\$2 billion +50%	ICO statistics UCDA reports UBOS reports National statistics ICO statistics	Increased investment in the coffee value chain will lead to increased employment, increased production, income and exports and greater contribution to GDP
Impact	Improved role and participation of women and youth in the coffee value chain	<ul style="list-style-type: none"> Reduced average age of coffee growers Increased women and youth participation in the management of decision making of coffee farmer organizations Increased number of youth and women in coffee value chain 	60 years 17% 10%	50 years 40% 20%	40 years 70% 30%	ICO statistics, national statistics Research Monitoring Reports	Youth would be attracted to the sector due to increased use of technology, productivity and income
Outcomes	Increased value addition by coffee sector	<ul style="list-style-type: none"> Increased share of roasted & soluble coffee exports Increased volume of domestic consumption (metric tonnes) 	0% 250,000 bags (4.5% of total production)	5% 10% 1 million bags	10% 20% 4 million bags	National statistics ICO statistics ICO Statistics,	African Agribusiness will be willing to invest in the coffee value addition
OUTPUTS	Component 1: Building a sustainable coffee production system through transfer of technology and capacity building	<ul style="list-style-type: none"> Mass production of high and resistant genetic materials Old coffee farms rehabilitated 	0				

Result chain	Indicators	Baseline 2016/2017	Target		Mean of verification	Assumptions
			2025/26	Year 2030		
<p>Output 1: Creation and multiplication of high yields, pests and diseases resistant varieties</p> <p>Output 2: Capacity building for women and youth led farms creation and development of small and Medium Enterprises in the coffee sector</p> <p>Output 3: Strengthening the capacity of existing cooperatives and creating additional organizations for small scales farmers</p>	<ul style="list-style-type: none"> Increased number of modern coffee farms owned by women and youth Increased number of commercial farmers Increased number of small scales farmers' organizations 	<p>0</p> <p>1% of women 0% of youth</p> <p>0</p> <p>15% of small scales farmers belong to cooperatives</p>	<p>40 million seedlings</p> <p>50% rehabilitated farms</p> <p>Women farm ownership Increased by 10% Youth ownership increased by 10%</p> <p>Increased to 40%</p>	<p>80 million seedlings</p> <p>100% farms rehabilitated</p> <p>Women farms ownership increased by 20% Youth farms ownership increased by 20%</p> <p>Increased to 90%</p>	<p>Statistics UCDA & Ministry of Agriculture</p>	<p>Compensation package for crop losses accepted by farmers</p> <p>Land ownership laws facilitate women and youth access to lands</p>
<p>Component 2: Climate change adaptation and environmentally responsible practices</p> <p>Output 2.1: Establish weather monitoring and information system</p>	<ul style="list-style-type: none"> Reduced farmers' vulnerability to climate change Improved weather information and monitoring system Number of farmers having access to weather information 	<p>100% of small scales farmers are vulnerable to climate change</p> <p>No system</p>	<p>40% of coffee farms covered by the system</p>	<p>100% coffee production zones covered</p>		<p>Farmers will understand the effect of climate change and adopt new climate smart technologies</p> <p>Farmers will be willing to adopt</p>

Result chain		Indicators	Baseline 2016/2017	Target		Mean of verification	Assumptions
				2025/26	Year 2030		
Output 2.2: Strengthening the capacity of NaCORI to develop and distribute new yielding and drought, pests and disease resistant planting materials	<ul style="list-style-type: none"> New climate change resilient planting materials developed and distributed to farmers 	0	20% of farms planted with new climate resilient materials	60% of farms planted with new climate resilient materials		new planting materials Farmers will be willing to adopt appropriate agro-forestry systems	
Output 2.3: Supporting the development of irrigation infrastructure	<ul style="list-style-type: none"> Coffee farms irrigation infrastructure developed 	1% of coffee farms are irrigated	20% of farms irrigated	40% of farms irrigated			
Output: 2.4 Promote sustainable land management practices	<ul style="list-style-type: none"> Number of farmers trained in sustainable land management practices 						
Component 3: Green coffee quality improvement and value addition creation	<ul style="list-style-type: none"> Improved coffee value chain Improved green coffee quality at farm level 	5%	20%	40%			
Output 3.1: Promoting environmentally sound primary post-harvest processing at farm level	<ul style="list-style-type: none"> Increased number of coffee washing stations Transfer of technologies 	2% of total exports	10%	50%			
Output 3.2: Improve the quality of the Ugandan coffee through certification	<ul style="list-style-type: none"> Increase of certified Ugandan coffee 	1%	5%	20%			
Output 3.3: Strengthening the capacity of local roasters and baristas	<ul style="list-style-type: none"> Increased share of processed coffee in total exports 						

Result chain		Indicators	Baseline 2016/2017	Target		Mean of verification	Assumptions
				2025/26	Year 2030		
Component 4: Market development for coffee farmers	Output 4.1: Improve market access for small scales farmers and their organizations (logistics, branding, etc.)	<ul style="list-style-type: none"> Strengthened logistics for a better market access by small scales farmers and their organization Market opportunities increased and diversified for coffee farmers 	0	40% of small scales farmers have direct access to the market	80% have direct access to the market		
	Output 4.2: Identification of market opportunities (niche markets, certified coffees)	<ul style="list-style-type: none"> Increased sales in niche markets 	3% sales to specialty market	30%	50%		
	Output 4.3: Promoting domestic consumption of coffee	<ul style="list-style-type: none"> Increased demand of green coffee for local processing for domestic consumption 	2%	10%	20%		