Background

1. This document has been submitted by the Intercontinental Coffee Organization (IACO), and contains a summary project proposal to unlock the potential of coffee consumption in Africa to contribute to maintaining a fair balance between world supply and demand.

2. The project will be funded by the African portion of the Special Fund in accordance with Resolution 459 on the use of Special Fund approved by the International Coffee Council on 22 September 2016. The Secretariat will monitor and evaluate the implementation of the project.

Action

3. The Projects Committee is requested to note this proposal.
I. PROJECT SUMMARY

1. **Project title:** Promoting domestic coffee consumption in Africa
2. **Project Objective:** Increasing the volume of coffee consumption in IACO member countries
3. **Duration:** 2 years (2019 and 2020)
4. **Location:** IACO member countries
5. **Project supervision:** IACO
6. **Project implementation units:** Coffee authorities in selected participating countries
7. **Project Monitoring and Evaluation:** International Coffee Organization (ICO)
8. **Project estimated budget:** US$510,000
9. **Project source of financing:**
   - ICO Special Fund: US$420,000
   - Project counterpart contribution: US$90,000.

II. BACKGROUND AND RATIONALE

The potential for Africa as an important market for its own coffee is an issue of prominent discussion. Africa contributes about 10% of global coffee exports but, except for Ethiopia, has limited domestic consumption. Nonetheless, serious concerns also exist about falling levels of productivity and production, which have led to a drop in Africa’s share of the global market from 20% in the 1970s and 1980s to about 10% today. It is important to note that the economic fortunes of most of the producing countries in Africa depend on coffee. Thus, the Intercontinental Coffee Organisation (IACO) is leading an effort to address the issues of productivity improvement while also promoting domestic consumption in its Member States and also developing partnerships for promoting consumption in other African countries as part of the African Union’s promotion of intra-African trade.

The proposed programme of promotion of domestic consumption aims to take advantage of increasing urbanization in Africa and the growing interest of local investors in cafes and coffee shops in urban areas. This will help unlock the huge potential of Africa’s coffee sub-sector, provide a stable market for African coffee, and contribute to improving the standards of living in rural communities. It is believed that this will particularly impact women, who play a major role in coffee and other forms of agriculture, thus generating increased incomes for their families.
The promotion of coffee consumption is part of IACO’s five-year strategy approved by members at its 57th Annual General Assembly, held in February 2018 in Grand Bassam, Côte d’Ivoire. This effort will be part of the key programmes of the African Coffee Facility (ACF). All African coffee-producing countries that are signatory to the International Coffee Agreement 2007 are members of IACO and, in accordance with guidelines established by the IACO General Assembly, will benefit from the activities of the ACF.

III. PROJECT OBJECTIVE AND RATIONALE

Agriculture is the economic fulcrum of most African countries and holds considerable promise for growth and job creation. The agricultural sector employs over 70% of Africa’s workforce and accounts for about a third of the continent’s GDP. Poverty in Africa is significant in the rural communities, in which the coffee producers are found. This is due to the fact that more than 70% of the continent’s poor live in rural communities and depend on agriculture for food and wealth creation.

The African continent has the largest number of coffee-producing countries and the industry is essential to many countries, since it is a primary source of income for more than 12 million households and contributes a significant proportion of tax income in a number of these countries. The list of leading African coffee-producing countries is attached as an Annex. Indeed, the coffee sub-sector in Africa will continue to offer opportunities for growth, raising earnings and transforming the lives of farming communities. It holds great potential for catalysing private sector development, creating jobs and generating incomes for both the public and private sectors—including farmers, processors, cooperatives, exporting private enterprises, governments, etc.

Africa needs to fully exploit the existing opportunities in the transformation of the African coffee value chain, focusing on both the national and regional markets, in promoting domestic demand and thus consumption, which could help to promote long-term coffee-propelled growth in IACO Member States. It is against this background that IACO, representing the interest of its 25 Member States, hereby requests the International Coffee Organization to transfer Africa’s portion of the Special Fund to assist in addressing the challenges of promoting domestic consumption in Africa as part of the transformation of the African coffee value chain.

With coffee being one of the largest agricultural exports for Africa, given the total population of mostly smallholder farmers of about 12 million households that are engaged in the sector, its impact has significant potential to improve the economic wellbeing of the producers. Noting that developing the market will reduce the imbalance between supply and demand and improve coffee prices, the International Coffee Organization is encouraging coffee-producing countries to promote local consumption.
Moreover, support for demand creation initiatives and improvement of domestic consumption promotion efforts could affect a significantly large proportion of low-income rural inhabitants. Africa is characterized by increasing urbanization with the youth comprising over 70% of the population, presenting entrepreneurial and consumption potential for the transformation of the Africa value chain. Therefore, a great need exists to build capacity in the value chain for the appreciation of good quality coffee, to build competencies of coffee cuppers, local roasters and café operators, and to create awareness among producers regarding the attention and care that is needed at the farm-level.

**Project objective:** To increase the volume of domestic consumption in African coffee-producing countries. Increasing domestic consumption provides a safety net for coffee farmers, making them less vulnerable to external shocks such as declining world prices. The project is expected to carry out a set of activities grouped under 4 components outlined below:

i) Review of coffee consumption in selected African countries.
ii) Support to national strategies for local roasting and domestic consumption.
iii) Strengthen communication on coffee roasting and coffee and health.
iv) Project management, and monitoring.

IV. PROJECT COMPONENTS AND ACTIVITIES

**Component 1: Review of coffee market in selected African countries**

1. Survey of local roasters.
2. Review of coffee imports.
4. Survey of different forms/types of coffee consumed in selected countries.

**Component 2: Support to national strategies related to coffee roasting and domestic consumption**

1. Provide training to local baristas and cuppers.
2. Provide technical assistance to improve coffee quality.
3. Support to local coffee roasters and promote youth entrepreneurship.
4. Develop the concept of “coffee kiosk” in some exporting countries.
5. Hold regional workshops on coffee consumption and share experiences.
6. Strengthen IACO’s cup-tasting centres (Abidjan, Kampala, Lusaka, and Douala).
7. Organize coffee caravan across country.
8. Organize knowledge exchange visits to Ethiopia, the main consuming country in Africa.
Component 3: Strengthen communication on coffee and health

1. Organize workshops with the participation of medical professionals.
2. Conduct awareness campaigns on coffee consumption among young people (schools, universities), in the administration and public places.
3. Elaborate leaflets and organize radio and television debates on coffee and health.

Component 4: Project management

1. Project Executing Agency:
   As the Project Executing Agency (PEA), the Inter african Coffee Organization is responsible for the overall coordination of the project implementation in each of the selected countries.
2. Implementation partners in selected countries: Each coffee authority in selected countries will be responsible for the implementation of project activities. National project coordinator will be appointed by the coffee authority and approved by IACO.
3. Programme monitoring and evaluation by the ICO.

V. INSTITUTIONS INVOLVED AND RESPONSIBILITIES

IACO
i) Assume responsibility to oversee implementation of the project by the partners.
ii) Ensure the release of funds from the ICO Special Fund.
iii) Ensure timely implementation and coordination of the project.
iv) Prepare annual project activities and budget.
v) Prepare and provide to the ICO six-monthly and annual reports including consolidated technical and financial reports from participating countries.
vi) Facilitate monitoring and evaluation by the ICO.
vi) Provide annual audit report to the ICO.
viii) Organize regular progress reports to ICO Members.
ix) Inform ICO of any incident or situation that may disturb the proper implementation of the project.

ICO
i) Ensure the timely release of the funds for the implementation of the project.
ii) Provide the project monitoring and evaluation.
iii) Assess progress report received every six months from the IACO.
Project implementation agencies

Coffee Authorities in each participating country will be responsible for the implementation of the project activities under a close supervision of IACO.

i) Appoint a national coordinator
ii) Ensure day-to-day implementation of the project
iii) Prepare timely technical and financial reports to submit to IACO
iv) Facilitate project monitoring and evaluation by the ICO
v) Facilitate project coordination by IACO.

Collaborating institutions: Agency for Robusta Coffee of Africa and Madagascar (ACRAM) and African Fine Coffees Association (AFCA)

AFCA and ACRAM will be consulted to provide institutional support to IACO during the implementation of the project. More specifically, they are expected to mobilize the private sector to collaborate in performing some project activities, such as surveys of roasters and coffee consumption outlets.

VI. REPORTS AND REPORTING REQUIREMENTS

As Project Executing Agency, IACO will provide the following reports:

i) Inception report and project management plan: Following the project inception workshop, IACO will prepare a detailed management plan with updated activities and budget. The report will also include milestones and deadlines for major tasks and results.

ii) Annual workshops of project participants: End-of-year workshop to report activities and results by each partner country. Lessons learnt and best practices identified will be shared among all participants. Planning of activities for the following year will be presented.

iii) Annual report of the project: IACO will prepare and submit to ICO annual report to compare to the annual management plan.

iv) Six-monthly reports: IACO will provide mid-year report on activities outlining the progress or any impediments.

v) Technical reports on specific socio-economic surveys regarding coffee consumption.

vi) Final report of the project following a project-closing workshop, including financial and technical reports.
VII. KEY OUTCOMES

i) Available data on the potential of coffee domestic consumption in selected African producing countries.

ii) Capacity of roasters and other stakeholders is built.

iii) Raised awareness of coffee consumption among African population.

iv) Domestic consumption increased.

v) Developed coffee consumption culture among youth.

vi) Other African coffee-producing countries not involved in the project share the results.

vii) Develop two markets for coffee farmers (local and international).

viii) Raised awareness of coffee quality.

VIII. PROJECT FUNDING

The total cost of the project is estimated at US$510,000, including US$420,000 from the ICO Special Fund and US$90,000 of counterpart contribution by the beneficiary member countries.

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<th>Components</th>
<th>Total</th>
<th>ICO Special Fund</th>
<th>Counterpart contributions</th>
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<td>Component 1: Review of coffee market in selected African countries</td>
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<td>Component 2: Support to national strategies of domestic consumption</td>
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<td>Component 3: Strengthen communication on coffee and health</td>
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<td>Component 4: programme management</td>
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Including:

1) IACO management                             | 30,000 | 30,000         |

2) ICO monitoring and evaluation               | 15,000 | 15,000         |

3) National Coffee Authority – Coordination & implementation | 49,000 | 27,000 | 22,000 |
MAP OF AFRICA SHOWING LEADING COFFEE PRODUCING COUNTRIES