

# Transforming the coffee value chain in East Africa:

## Lessons in sustainability from Ethiopia and Uganda



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# Acronyms

EA	East Africa
ECTA	Ethiopian Coffee and Tea Authority
EUDR	European Deforestation Regulation
EWC	Ethiopian Wild Forest Coffee
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
Kg	kilogramme
MOU	Memorandum of Understanding
MT	Metric tonnes
NSC	National Sustainability Curriculum
P4F	Partnerships for Forests
PFM	Participatory Forest Management
TNS	TechnoServe Inc.



# 1. Introduction

Coffee is one of the world's most consumed beverages and traded commodities, with high consumer interest in sourcing and processing of high-quality coffee<sup>i</sup>. In 2023, 168.2 million bags of coffee were produced in the global coffee market, which is valued at an estimated £104.26 billion and projected to increase to more than £131 billion by 2029. In Africa, production has decreased in recent years, with the production year ending in 2023 being the lowest in the last four years.

Partnerships for Forests (P4F) is a UK Aid-funded programme that works to transform commodity value chains that have contributed to deforestation – such as coffee, palm oil, rubber, and cocoa. In East Africa (EA), the programme has used public-private-community partnerships to channel private investment into tropical forests, with a priority placed on supporting smallholders in the coffee sector. This report discusses P4F's sustainable coffee production projects in Ethiopia and Uganda. It covers challenges, lessons learned, and recommendations for improving the efficiency and sustainability of coffee projects.

Key to P4F's East African coffee strategy is the development of specialty coffee brands in forest landscapes. The term specialty coffee is used to describe a coffee brand that differentiates itself from other commercial coffee products either in terms of 'superior quality', 'uniqueness', or origin, through which it attracts premium prices. To be termed specialty coffee, a coffee product must attain a score of not less than 80 out of 100 points based on a system of scoring popularized by the Coffee Quality Institute and Specialty Coffee Association of America. Specialty coffee is estimated to make up less than 10% of the total global coffee market<sup>ii</sup>.

Sustainable coffee production must prioritise the preservation and conservation of forests while increasing farm gate prices for smallholders and incentivising them to keep forests standing.



Field officer Solomon Hailu works on the supply side to improve the quality of the beans and establish a reliable supply for buyers at Kaffa Zone.



## 2. Partnerships for Forests and sustainable coffee in East Africa

East Africa is one of the four forest regions in which P4F operates – the others being Latin America, West and Central Africa, and South East Asia. In East Africa, programmes supporting market access and enabling conditions for non-timber forest products (NTFPs) form a key part of P4F's work. Non-timber forest Products (NTFPs) provide value for forests because they are regenerative, require minimal maintenance, and create alternative sources of income for farmers – reducing the incentive to encroach on forests. This rationale led to the choice of forest coffee as a value chain that had the potential to see transformational change.

The goal of P4F's coffee strategy was to combat deforestation and land degradation, while enhancing the prosperity of smallholder farmers and their communities. This was achieved by developing scalable forest partnerships (public-private-community partnerships) and using grants and technical assistance to embed sustainability principles throughout the value chain. The region implemented three inter-related strategic objectives:

1. Expand **premium smallholder-driven value chain** models that have proven successful in East Africa into new locations in the region.
2. Scale **landscape restoration** and afforestation models that are funded by private capital to combat deforestation.
3. **Conserve land** by scaling innovative financing models targeting smallholder-driven models to catalyse private sector investment and mobilising community involvement in forest protection and forest restoration.

The region's intervention areas were biased for smallholder-driven commodities, and smallholders were kept at the core of interventions. Activities were concentrated across five countries, Ethiopia, Kenya, Madagascar, Tanzania, and Uganda. Along with country-specific interventions, the programme implemented region-wide activities to develop mechanisms for private-sector investment in

restoration and sustainable plantation models in Africa. The programme's design aimed to tackle impact along the value chain, including improving the enabling environment for sustainable commodities.

Coffee was selected as a commodity of focus due to its potential to be adequately commercialised to generate higher prices for smallholder farmers, thereby improving their living income and incentivising them to take ownership of protecting their forests.



## 3. Context

### Coffee market in East Africa

Coffee is indigenous to Africa and the two commercially dominant species Arabica and Robusta have their origins in Africa. Africa has the largest number of coffee-producing countries globally and the largest populations involved in coffee farming and processing, most of whom are smallholder farmers with smallholdings<sup>iii</sup>. Coffee is a primary source of income for rural communities and an important source of export revenues for many coffee-producing countries.

East Africa is rich in land and conditions suitable for coffee farming such as shade, soil type, rainfall, and temperature elevations. Approximately 90% of coffee is grown by smallholder farmers on farmlands of between 1 and 10 hectares, with a small portion grown on coffee plantations. Coffee-producing countries in the region produce a variety of Arabica and Robusta coffees and have gained a reputation for the quality of coffee they produce. These countries account for over 80 percent of the total coffee produced in Africa<sup>iv</sup>. Ethiopia, Uganda, Tanzania, and Kenya are the major coffee producers, with Ethiopia at the top. In 2022, total coffee exports in Africa were valued at over \$3.6 billion. Of the top 13 exporting countries, Ethiopia and Uganda were the largest exporters with estimated earnings of \$1.5 billion and \$813 million respectively<sup>v</sup>.

Smallholder coffee farmers in Africa are faced with many challenges, the chief of which is climate change distorting weather patterns crop cycles and yield. Other farm-level challenges include a reliance on traditional farming methods, a lack of credit access, pest and insect damage, and depleting soil health. Limited processing facilities also impose a ceiling on earnings. At a market level, many smallholders rely on traditional farming methods and lack access to finances and inputs, which negatively impacts their productivity. With depleting soil health, risk of damage from pests and insects, and poor infrastructure impeding



post-harvest processing, farmers experience quality irregularities and high production costs<sup>1</sup>. Many farmers lack information about optimal times to sell their products and expected prices, leaving them in a weak negotiating position<sup>vi</sup>. As a result, many smallholder coffee farmers live in poverty and are unable to earn sufficient livelihoods – despite strong demand for coffee in the global coffee market.

### Ethiopia

Covering an area of 1,112,000 square kilometres, Ethiopia is well-positioned for international trade because of its proximity to the Middle East and Europe, and accessibility to major ports in the region<sup>vii</sup>. After Nigeria, Ethiopia is the second most populous country in Africa, with approximately 123 million people as of 2022<sup>viii</sup>.

Ethiopia is naturally endowed with a rich genetic diversity of Arabica species<sup>ix</sup> and is, therefore, unsurprising that Ethiopia is credited as the origin of coffee, in particular Arabica coffee<sup>x</sup> - a species perceived to be higher in quality than Robusta,

<sup>1</sup> International Trade Centre (2020). *More from the cup: Better returns for East African coffee producers*. ITC, Geneva



which is grown in greater quantities. In Ethiopia, coffee is grown mostly in Harar, Limmu, Sidamo-Yirgacheffe, Djimmah, Bebeke-Tepi, and Gimbi-Lekempti. Ethiopia is credited as having some of the world's premium specialty coffees, such as Harar, Sidamo and Yirgacheffe<sup>xi</sup>, which have been trademarked by the Ethiopian government.

Coffee grows under four production systems in Ethiopia. **Forest coffee** grows wild in the forest and accounts for 10 percent of total coffee production; **semi-forest coffee** is grown under forest conditions by farmers with little maintenance and accounts for 35 percent of total production; **garden coffee** is grown by farmers on their land and represents 45 percent of total production; and **plantation coffee** is grown on a large scale and represents 10 percent of total production<sup>xii</sup>. Forest, semi-forest, and garden coffees are part of the smallholder coffee farming system.

Ethiopia is uniquely positioned as both a major producer and consumer of coffee in Africa. The country consumes almost half of the coffee it produces. Coffee is Ethiopia's major export commodity and source of foreign revenue, employing nearly 20 percent of Ethiopia's population<sup>xiii</sup>. In 2023, Ethiopia produced 8.35 million bags (each 60kg) of coffee, consumed 3.5 million bags, and exported a total volume of 4.82 million bags of coffee, making it the fifth largest producer of coffee in the world<sup>xiv</sup>. Ethiopia exports its coffee to an estimated 50 countries, with the European Union, particularly Germany, as its largest export destination<sup>xv</sup>.

In Ethiopia, coffee generates livelihoods for 15 million smallholder farmers, who along with cooperatives produce up to 95 percent of the coffee<sup>xvixvii</sup>. Smallholders typically practise a farming system that heavily relies on rainfall with minimal or no use of fertilisers and pesticides, which often results in low yields. Consequently, coffee farmers are ill-prepared to cope with climate variability and climate extremes, and expansion of farms into forest areas is common – as is cutting down trees for fuelwood. In 2022 alone, Ethiopia lost 19,900 hectares of tree cover<sup>xviii</sup>.

Despite these limitations, opportunities abound. Ethiopia has abundant genetic Arabica diversity growing wild in its forests, suitable land, fertile

soil, optimum temperature, and other conditions to produce high-quality specialty coffee not limited to Arabica coffee sustainably. More than 90 percent of coffee produced in Ethiopia is grown organically and Ethiopia's established coffee consumption culture<sup>xix</sup>, the high global demand for Ethiopian coffee and increasing private sector interest in investing are additional opportunities<sup>xx</sup>.

## Uganda

Uganda, with a population of 47 million, sits on a landmass of 241,555 square kilometres<sup>xxi</sup>. 30.1% of Ugandans live below the poverty line of \$1.77 (£1.40) per person per day<sup>xxii</sup>, with poverty greatest in rural areas, and farmers at greater risk of falling into poverty<sup>xxiii</sup>.

A large area of Uganda is located between 1,000m and 1,300m above sea level, providing favourable conditions to produce Arabica and Robusta coffees. Unlike Ethiopia, Robusta is indigenous to Uganda, constituting approximately 85 percent of annual coffee production. Coffee production is dominated by smallholder farmers growing coffee on less than one hectare of rain-fed farmland intercropped with other food crops. Intercropping is implemented as a protection mechanism for when one crop underperforms. In Uganda, coffee is grown in five agricultural regions: Central, Western, South Western, Northern, and Eastern. While Robusta largely grows in the central and northern lowlands, Arabica is grown in the eastern, western, and south western highlands<sup>xxiv</sup>.

Coffee is Uganda's chief export commodity and a major contributor to its economy and source of export revenue<sup>xxv</sup>. Although Uganda has conditions favourable for producing Arabica, the country produces only about 1 percent of global Arabica coffee quantities<sup>xxvi</sup> while Robusta represents roughly 75 percent of its yearly coffee production<sup>xxvii</sup>. In 2023, 6.85 million bags of Robusta coffee were produced and 6.5 million were exported<sup>xxviii</sup>. This makes Uganda the sixth largest producer of coffee in the world. The EU is Uganda's major coffee importer, with 219,473 metric tonnes imported in 2022; other major markets include the United States, Morocco, and India.



Deforestation is a problem in Uganda and is driven largely by the agricultural expansion activities of farmers. Other factors indicated in deforestation are logging and charcoal production, which is a major source of energy for rural areas. Although both logging and charcoal production are illegal, both are still widespread<sup>xxix</sup>. Uganda lost 64,099 hectares of tree cover in 2022, and roughly 806,000 hectares between 2010 and 2022<sup>xxx</sup>.

Uganda's coffee sector is challenged and threatened by several factors common to smallholders in East Africa, including variability in rainfall patterns due to climate change, pests and diseases, inefficient farming methods and soil management, limited market information, and limited agricultural inputs and processing capacity.







## 4. Case studies

### Creating Ethiopia's premium coffee brand: Ethiopian Wild Coffee

Forest coffee, with limited processing, was widely consumed in Ethiopia but had a reputation as being of poor quality. It also lacked traceability, which was increasingly becoming a requirement for export coffees. Consequently, forest coffee was sold as commercial-grade coffee at discount rates below what it could obtain in the export market. It was also not produced in quantities that would satisfy export demand.

The Ethiopian Wild Coffee (EWC) project was P4F's first coffee project in East Africa. It was designed to rebrand Ethiopia's forest coffee and position it as a premium coffee brand suited for the export coffee market. The project was implemented from 2015 to 2024 in three phases: EWC 1.0 from 2015 to 2018; EWC 2.0 from 2020 to 2023; and EWC Platform from 2022 to 2024. Before any of these phases began, P4F undertook a pre-project commencement activity to identify where in the value chain the quality of the forest coffee was reduced, verify that forest quality had the potential as a premium, high-quality coffee, and verify there was a demand for forest coffee in the international coffee market. They took samples of forest coffee from coffee-growing regions, cupped them, and verified their taste profiles. They also surveyed more than 100 coffee buyers in different parts of importing countries, like the US and Europe, to ascertain that there was indeed demand for forest coffee.

*"...what we found was very encouraging. These coffees were obviously of very high quality and there was a demand for them. What we heard from these buyers was yes, of course, we would love to buy this coffee if it was provided to us in the quality and quantity that we need"*

– Feker Tadesse, Regional Manager, East Africa, P4F

The project then developed an ambitious multi-pronged plan to transform an undervalued and inconsistent product into a recognisable, specialty forest coffee brand that commanded premium prices and could compete in the coffee export market. **The first phase of the EWC project** focussed on strengthening the foundations of a fragmented forest coffee value chain, by liaising with key partners and introducing forest coffee to the global market. **The second phase** aimed to build the capacity of private sector leads to carry on the work done through the first phase – improving the value chain and continuing sourcing from forest landscapes, resulting in an exit strategy for each landscape. In the third and final phase, the data and knowledge accumulated through the project was turned into a practical tool for coffee producers and stakeholders via a digital platform that remains available.

The project's theory of change lay in incentivising farmers and communities to protect the nearby forests and increase the quality and quantity of forest coffee. This involved interventions to improve the harvesting and post-harvest processing of forest coffee by building farmers' capacity to pick the right types of forest coffee beans and supporting them in processing the coffee. It also involved securing premium prices for their coffee by partnering with private sector partners to offtake their coffee and helping farmers diversify their income generation, which would contribute to improving their overall standard of living.

*"For example, they [farmers] were involved in building coffee drying beds that were elevated from the floor to ensure that the coffee did not retain the moisture from the ground whereby in the past they just had poor post harvesting and production techniques that resulted in poor quality."*

– Semra Hailelul, Project Coordinator, EWC, P4F



This pillar was complemented by rebranding forest coffee – creating a story for forest coffee that connected its value to its origin and helped consumers understand the source of their coffee. This would require building strong traceability processes, which forest coffee lacked.

*“...if you’re not going to get high prices for your coffee then you’re not going to invest a whole lot into ensuring quality processing, right? So, at the time you know, coffee in Ethiopia was being exported through the ECX, the Ethiopian Commodity Exchange ... forest coffee was lumped under one category ... there wasn’t any way to ensure traceability.”*

– Feker Tadesse, Regional Manager, East Africa, P4F

## EWC 1.0

The initial design of the EWC project aimed to involve private sector actors from the start; however, the enabling environment where the project was located required greater support. H Consequently, P4F engaged two organizations, German development agency GIZ and non-profit TechnoServe Inc. (TNS) to implement the project. The first phase, EWC 1.0, was implemented from 2018 to 2021 in five forest areas: Kaffa, Sheka, Bench-Maji, Bale, and Illubabor. GIZ managed the supply side of the project, which involved creating a strong supply chain for the forest coffee value chain and improving its collection, processing, supply, and traceability. TNS managed the demand side, by promoting the creation of Ethiopia’s premium forest and semi-forest coffee brands and encouraging global coffee roasters to create their forest coffee brands. Other sub-partners involved in project implementation were the University of Huddersfield, Farm Africa, Moplaco, and Coqua. The project also partnered with the Ethiopian Coffee and Tea Authority (ECTA), the Ethiopian Commodity Exchange (ECX), the Environment, Forest and Climate Change Commission, the Ministry of Agriculture, and the National Bank of Ethiopia.

### Behaviour adoption and traceability

GIZ provided a series of training sessions to

improve the quality of forest coffee, targeting farmer members of Participatory Forest Management (PFM) groups and cooperatives. Training on forest management and forest coffee certification was given at the higher level, with coffee unions, so PFM groups under the union could maintain their organic and forest coffee certifications. Other training sessions were on harvesting and processing and practical cupping (coffee tasting). The sessions were also an opportunity to educate farmers on the value of standing forests and how they stood to benefit from keeping forests standing.

GIZ built traceability into the forest coffee value chain by commissioning a company called Cropster to trace and register the flow of coffee from the community level to export. When buyers scanned the QR codes placed on the export bags, they could clearly see the steps and processes their coffee took along the supply chain to reach them and the members.

Additionally, GIZ developed a GIS analysis for the coffee producing zones, by creating maps of forest coffee collection zones for targeted Kebeles, which are small administrative units in Ethiopia. They also mapped existing infrastructure including coffee collection centres, warehouses, and washing stations.

GIZ also installed centralised coffee drying stations at cooperative unions and raised drying beds. They also worked with PFM groups to strengthen communities’ ability to manage forests and ensure coffee is collected sustainably

PFM groups are critical stakeholders in the forest coffee value chain, as coffee grows on 40% of the land under their management and the groups rely on the production of coffee to help keep operations going. PFMs have the authority to penalise farmers for not following proper protocols.



without harming the forest. Working through PFMs cut out middlemen, allowing farmers to sell directly to buyers and accrue higher prices. This was possible only after a new law was passed that allowed international buyers to source coffee directly from cooperatives.

TechnoServe developed the story of origin and sustainability around the forest coffee. This was important for promoting the brand as consumers were increasingly interested in the origin of their coffee and is a feature of specialty coffees traded in the export market. Techno Serve built a presence at events like roadshows and roundtable, that targeted buyers and key forest coffee stakeholders.

## Inclusion

The project made deliberate efforts to involve women and youth. Although the number of male farmers involved in the project far outweighed their female counterparts, which was due to the composition of the existing PFM groups and cooperatives, the project included women and youth in capacity building and awareness activities and supported their membership in cooperatives.

*“At the time of capacity building trainings and awareness creation workshops the women and youths invited and included. On top of this the project lobbies the women and youths to be member of the cooperative and deliver their products and get better benefit.”*

– Solomon Hailu, Former GIZ Field Coordinator

## Creating governing structures

To create a conducive environment for forest coffee to reach its full potential, the project collaborated with relevant government entities in Ethiopia including the ECTA. GIZ and TNS signed a memorandum of understanding (MOU) with ECTA, which reflected P4F’s efforts to influence an enabling environment for forest coffee. The collaboration with ECTA led to the creation of a new list of geographic coffee origins in Ethiopia, which helped to bolster the reputation of forest coffee in the international market. The project worked with the ECX to improve the traceability of forest coffee and conduct trade shows and

cupping sessions to promote forest coffee.

Techno Serve established a governance forum for forest coffee, the Forest Coffee Forum. The forum comprised coffee experts and implementers who discussed forest coffee value chain-related issues, including traceability and forest protection. The Forum also created policy recommendations and worked towards developing a national framework for forest coffee in Ethiopia.

The exit strategy for EWC 1.0 was to pass on the approaches, knowledge, and best practices from the project to private sector players to embed into their value chains and practices. This was a way to ensure the sustainability and continuity of the project’s outcomes.

## EWC 2.0

Between 2021 and 2023, the second and third phases of the project were implemented – EWC 2.0. This phase pursued the original design of having the private sector implement the project to ensure its long-term viability. Consequently, strategies focussed on empowering private sector players to take on more responsibility within their operating landscapes, including training farmers themselves, providing a guaranteed market for the coffee produced in the area, and providing relevant additional social benefits to the community.

*“...the solution that P4F was trying to implement is that if the buyers were directly engaged with the farmers, then they could provide additional social benefits, such as building schools or digging wells as a value addition to the community, which ends up establishing a good working relationship and trust between the community and the buyers.”*

– Semra Hailelul, Project Coordinator, EWC, P4F

P4F approached major coffee exporters, such as Union Coffee, Moyee, Happy Goat and Solino, to pitch the rebranded forest coffee, with the aim of the companies becoming guaranteed offtakers of the forest coffee - at premium prices for farmers. The project partnered with two key private sector



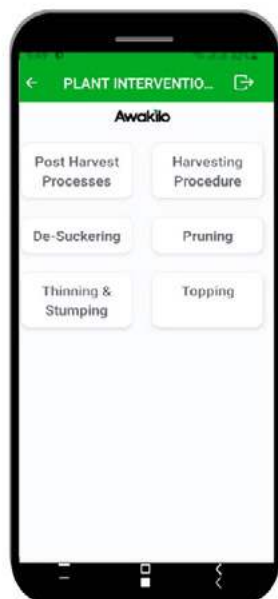
partners, Union Coffee and Moyee. UK company Union led the project in the Yayu Biosphere Reserve region, and expanded the sale of the Yayu specialty forest coffee in the UK market. Moyee, an Ethiopian company with Dutch connections, led the project in the Sheka Biosphere Reserve. Their role was to establish a direct sourcing model with farmers. GIZ was also involved in this phase of the project, using their expertise to support Union and Moyee.

### EWC 3.0

The last phase of the project, EWC 3.0 or EWC Platform, was concerned with ensuring the wealth of knowledge that had been created from the first and second phases was made readily available to farmers, buyers, and other interested stakeholders. It was also a means of continuing to build farmers' capacity on good agronomic practices.

P4F partnered with Bagersh Coffee Producers to develop a digital extension service platform, Awakilo, to serve as a dissemination hub for knowledge from the EWC project. The platform provided advisory services to farmers and PFM groups and served the secondary purpose of linking farmers to buyers offline.

Awakilo, which means 'all knowing', is available in English and three Ethiopian languages - Afaan Oromo, Kafficho and Sidamo. It is accessible from the web, as a mobile application, and through Telegram. For extensive reach, the platform will also be available via USSDP, a form of SMS mobile communication technology that is used to send text between a mobile phone and an app without the need for an internet connection.



*“Currently, in this phase, our marketplace is offline, meaning we attempt to facilitate transactions by linking PFM-associated co-ops, which are co-ops which are members of the participatory forest management schemes.”*

**– Nebil Hailemariam, Project Manager, EWC Platform**

The project conducted capacity-building activities, engaging PFM groups and cooperatives. These sessions were primarily to educate farmers on pre- and post-harvest best practices and introduce Awakilo.

*“One complaint they [farmers] had, and this is something that I took back from our sessions, was that the traders that they sell to sell their coffee with other coffees of [unknown quality], which ultimately affects the quality of their coffee.”*

**– Nebil Hailemariam, Project Manager, EWC Platform**



### Results

The EWC project successfully developed the forest coffee specialty brand and introduced it into the export market, while protecting thousands of hectares of forest many of which are UNESCO protected areas. Other achievements include:

1. Training 18,613 farmers, of whom 2,990 were women.
2. Increasing farmgate prices from an average



of £2.60 per kg to £9 per kg, which increased farmer incomes.

3. Bringing 148,806 hectares of land under sustainable land use.
4. Exporting 2,861 metric tonnes of forest coffee, worth about £18 million.
5. Securing five buyers of Ethiopian forest coffee.
6. Supporting a total of 69 cooperatives (58 during EWC 1.0 and 11 during EWC 2.0).
7. Buy-in secured from ECTA into the Awakilo platform, resulting in a line of communication being established between the platform users and ECTA.
8. Engaging 236 cooperatives across the three projects
9. The platform succeeded in reaching more than 33,000 farmers in the coffee growing regions.

## Challenges

A major challenge that the project experienced, which resulted in one of the private sector partners pulling out during EWC 2.0, was farmers not delivering the quantity of coffee stipulated in the contract signed. It was commonplace for cooperatives to sell to the buyer who offered the higher price despite having signed a contract to supply to another buyer. Unfortunately, there are no existing regulatory frameworks to insulate buyers from breaches of contract.

In order to mitigate such issues, EWC 2.0 project was designed with a focus to strengthen the partnership between COOPs/PFM and the off-takers, by facilitating stronger ownership in each landscape. This includes supporting activities like capacity building trainings, diversifying income streams, and creating additional employment opportunities.

## Lessons

1. **The involvement of stakeholders at all levels of a smallholder project is critical for building trust and sustaining project outcomes.** Involving key stakeholders early in the project was critical to the project's success. The involvement of PFM and cooperatives helped build trust with and give the project access to smallholder farmers and their

communities, who in turn needed to build trust with project implementers. Obtaining buy-in from the appropriate government authorities created enabling conditions for project implementation. The trust built and support from the government helped shorten the initiation phase of EWC 3.0, as the partner already had access to PFM groups and the ECTA.

2. **Creating awareness of project results is important for attracting government interest.** A strong profile of each project and its achievements helped attract government interest and support for the initiative in the immediate term – as well as other key players in the sector. It is worth noting that a significant public profile can also open a project up to increased scrutiny and attention, which can be distracting. Organizations should build in measures to manage their external relations and reputational risks before they occur – including crisis management plans.
3. **Influencing behavior is a long-term goal.** Behavior change does not happen overnight. It requires consistent messaging, providing access to tools and resources to make behavior adoption easier, and involving existing community structures to lead and influence behavior change efforts. EWC 1.0 was implemented over four years, which provided the time to see farmers train and adopt new practices such as picking only red cherries and using raised beds to dry the cherries.
4. **Having the right technical expertise supports the achievement of project goals.** Both GIZ and TNS brought a wealth of technical, on-the-ground expertise and experience in the coffee sector to the EWC project. Beyond their expertise, their involvement gave the project access to support mechanisms that contributed to overall success.
5. **Consistent stakeholder engagement fosters uniformity of purpose.** The Forest Coffee Forum and multistakeholder roundtables that were implemented in the project helped stakeholders with different interests find a common vision, and eventually helped smallholders achieve stronger premiums for the sale of their coffee.



## Producing environmentally and socially sustainable coffee: UGACOF

The EWC project, which focused on Ethiopia's coffee sector, helped develop lessons and models for sustainable coffee production and landscape protection relevant for other East African landscapes. This led to the development of the UGACOF project.

In keeping with P4F's strategy of designing public-private-community partnerships that could protect and restore forests, the UGACOF project was designed to promote a nature-positive approach to producing Arabica coffee in export quantities in Uganda. From 2021 to 2023, P4F partnered with UGACOF to implement the project in Rubirizi and Bushenyi districts – both located on the fringes of the Queen Elizabeth National Park, which has experienced high levels of deforestation and land degradation. UGACOF is a subsidiary of Sucafina, a leading coffee processor and exporter, that worked mainly in western Uganda near the Rwenzori Mountains.

P4F supported UGACOF to conduct a variety of baseline studies to identify the on- and off-farm causes of deforestation, key challenges and underlying factors impacting agricultural productivity, gender dynamics, and living income in the districts. The studies revealed that both locations experienced low coffee yields linked to land degradation and reduced soil productivity. They also found that farmers relied on poor coffee management techniques, with coffee plantations lacking shade trees, soil and systems for proper water management, and minimal implementation of agronomic practices – and particularly, regenerative practices. Farmers typically used traditional drying methods to dry their coffee beans, which often resulted in spoilage. Additionally, the gender analysis study showed that women performed most on-farm activities (such as weeding and mulching), while men championed the marketing and sale of coffee.

### Baseline and mapping studies

- Landscape governance study to assess existing landscape governance system.
- Deforestation mapping study to identify the key threats to the landscape.
- Carbon footprint assessment to develop and test a survey for on-farm assessment of carbon emissions and to conduct a carbon footprint baseline for Arabica in Uganda.
- A field-level deforestation assessment tool was developed to complement Sucafina's existing GIS-based deforestation mapping technique 'Trade In Space'.

### Embedding nature-positive practices

To encourage farmers to adopt nature-positive practices, which are linked to improved soil fertility, yield, and carbon sequestration, UGACOF implemented a diversified agroforestry system in the landscape. They provided capacity building to farmers on Good Agricultural Practices (GAP) and developed a landscape governance system. Farmers received training on agroforestry and regenerative agriculture practices, with the significance and advantages of intercropping coffee with other trees and methods to identify suitable crops to intercrop with their coffee core content.

UGACOF also supported farmers with inputs and facilities. The project distributed fertilisers and seedlings to farmers, as well as installing two coffee washing stations (CWS) near forest areas. The CWS eliminated the problem of coffee loss due to spoilage from farmers using traditional sun-drying methods to dry their coffee beans, and also provided a central point for distribution of farming inputs.



UGACOF also purchased unprocessed coffee beans from farmers, removing the additional cost of processing, as an additional incentive to influence behaviour change and support for improved incomes. UGACOF implemented a stewardship model to drive knowledge transfer, by training a subset of lead farmers in the Queen Elizabeth National Park buffer zone. These ‘stewards of the environment’ could then help transfer knowledge and further entrench sustainable coffee production practices within their bases.

## Access to finance

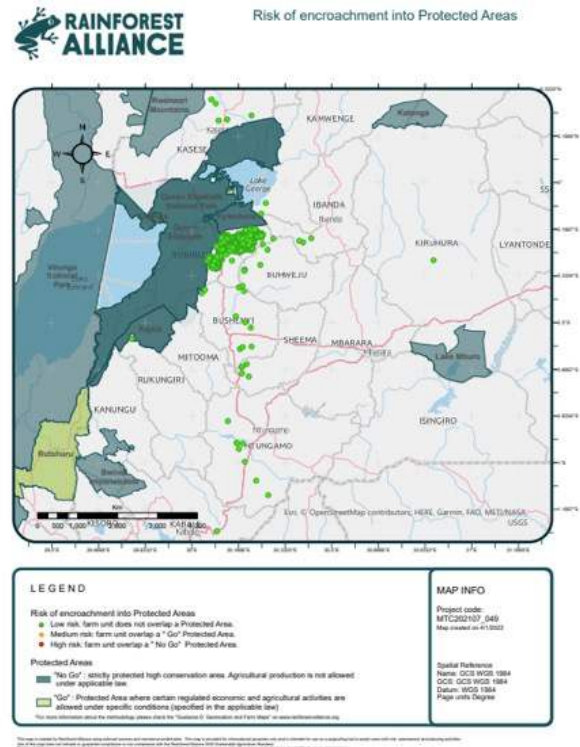
To improve farmers’ access to finance, UGACOF partnered with Musoni System and LendXS BV to increase access to loans for smallholder coffee farmers through their subsidiaries in Uganda. The Musoni-LendXS leveraged the farmer traceability platform CropIn for UGACOF. The platform facilitated access to conditional loans for farmers at reduced interest rates, based on how farmers performed against certain ecological and sustainability criteria. CropIn improved operational efficiencies and LendXS-Musoni integrated multiple modes of repayment including through mobile, and helped UGACOF develop a safe, cost-efficient, and stable means to expand loan provision to its smallholder coffee farmers.

### Musoni-Systems

Musoni is a Dutch financial software company that owns and deploys the Musoni-System, a platform to support microfinance and other financial institutions.

### LendXS BV

LendXS BV is the digital credit services platform of Financial Access, which helps financial institutions and agricultural sector businesses in rural communities provide rural lenders access to low-cost, high-impact digital loans.



## Creating governance structures

P4F supported to develop a landscape governance model – an approach which aims to deliver multi-stakeholder consensus on how land and natural resources are used in a certain area, and how actors in the space will treat each other. In this case, the model included the formation of a Landscape Governance Committee as a means of mobilising the community to take ownership of protecting their forests, preventing encroachment, and propagating sustainable coffee farming practices. The Committee, which was had stakeholder representation from government, women and youth groups, religious organisations, and lead farmers groups, was a link between participating farmers and the local government. It was responsible for coordinating the implementation of regenerative systems and ensuring conformity with regulation.



## Results

1. 2377 hectares of land owned by 2,500 farmers was brought under sustainable management.
2. £1,277,277 of private sector investment mobilised and £2,640,892 of revenue from coffee exports.
3. Improved crop yield and revenue for 2500 farmers. By using the new CWS, and with UGACOF offtaking beans from participating farmers, farmers increased the quantity of coffee beans produced overall and earned 20 percent more income from the sale of their coffee.
4. 2756 farmers trained on GAP, agroforestry, waste management, and organic fertilizer usage. They also received training on gender equality, diversity, and inclusion.
5. 100 lead farmers trained as stewards of the environment, creating an opportunity for knowledge to be shared through the community.

6. 10 demonstration farms and two nurseries established, 43,000 shade trees planted, and 28,000kg of pulp fertiliser distributed.
7. 150 loans of \$2000 disbursed to farmers.
8. Comprehensive landscape governance model implemented.

## Challenges

Time constraints were a challenge for the project. The UGACOF project was implemented for a little over a year, which included conducting baseline studies, designing the project, and implementation. Though strong results were achieved in the timeframe, long-term adoption of new farming practices and behaviours can take time to achieve. A longer implementation period may have done more to validate the project's approach and fully embed landscape governance, gender inclusion



UGACOF's field team tour a demonstration garden as part of their agroforestry training programme in Southwestern Uganda.





and regenerative farming practices within the community.

## Lessons

- 1. Financial incentives are key in encouraging adoption of new farming practices.** Farmers were financially incentivised to obtain resources and support to aid their adoption of agroforestry and to act as agents for transforming on- and off-farm land management. This includes building in mechanisms to link traceability and GAP to access to finance. Having this access to credit was critical to farmers being able to completely transition to regenerative agriculture in the long term.
- 2. Aligning incentives with farmer pain points can support behaviour adoption.** The project design responded to insights from the research conducted. These insights provided a picture of the challenges in the two districts from both the farmer end and the environment. For instance, installing CWS to help improve coffee processing and quality, and having a guaranteed offtaker both led to improved income for farmers who previously had low earnings due to lower-quality coffee.
- 3. Encouraging community ownership of a project is critical to its sustainability.** P4F and UGACOF created a strong enabling environment by engaging heavily with smallholders – from baseline studies through to project design and implementation. A landscape governance model and using lead farmers – stewards of the environment – from the communities were key strategies to achieve this, with stewards helping to propagate knowledge and entrench agroforestry techniques in communities
- 4. Inclusion.** The gender analysis study highlighted some important gender gaps in coffee farming in the project locations. To address the underlying factors responsible for the gender gaps, UGACOF implemented the Gender Action Learning System (GALS) approach to mainstream gender equality in the project. GALS is “a community-led empowerment methodology that uses principles of inclusion to improve income, food and nutrition security of vulnerable people in a gender-equitable way ” – which saw farmers

given training on the sharing of household revenue and responsibilities.

*“...we adopted a gender action learning system, a system that improved participation in decision-making and reduced the social risk in the supply chain. One approach was recruiting, encouraging, and ensuring that women were attending these trainings.”*

– Gelila Alemayehu, Project Coordinator

- 5. Flexibility to changing project conditions is key to successful project implementation,** particularly when the timeline to implement the project and generate results is constrained. Flexibility was demonstrated on the UGACOF project by adjusting the project plan to include the requirement for the formation of an interim governance body. This included conducting a study to identify an interim body that would be responsible for deploying the proposed landscape governance approach for the project area.
- 6. The right partner can support transitioning from a successful pilot to scale up.** Following the strength of forest partnership projects EWC and UGACOF, scaling some of the models and solutions identified was the next priority for P4F’s coffee strategy in East Africa.



## Strengthening forest protection and enabling policies for sustainable coffee: Global Coffee Platform

GCP was established as a multistakeholder platform in 2016 to support collaboration in scaling sustainable coffee production. Today, GCP has more than 150 organisational members, with representation across the coffee value chain, including producers, traders, retailers, roasters, governments, associations, donors, and NGOs. GCP's 2030 goal is to transform prosperity for more than one million smallholder farmers.

The GCP project under P4F was implemented from May 2022 to June 2023. The project was directed at incorporating regenerative and agroforestry practices into coffee value chain processes to improve farmers' income and strengthen forest protection. It also aimed to leverage GCP country platforms to enhance governance structures at national and regional levels in Kenya, Tanzania, and Uganda. In Uganda, the project was implemented in three districts.

The project commenced with a review of the existing policies and laws related to forest protection and agroforestry in Uganda and other country platforms. GCP used insights from the analysis to develop policy recommendations on how agroforestry practices could be used to increase coffee yield and assure environmental sustainability. In Uganda, members of the Ugandan GCP Country Platform recommended the incorporation of agroforestry into the Ugandan Coffee Act. Other recommendations were that agroforestry training for farmers should be local rather than centralised, incentives should be provided to farmers to encourage tree growing (such as the provision of seedlings), and efforts to implement agroforestry should be coordinated. GCP presented the recommendations via a series of consultation and validation events to key stakeholders, including district and local government representatives, representatives of the Ministry of Agriculture and the Uganda Coffee

Development Authority (UCDA), agricultural extension officers, and implementing partners.

### Creating governing structures

To improve the chances of adoption of agroforestry in Uganda, creating awareness of practices and support available was vital. Agroforestry Working Committees (AWC), made up of representatives from natural resources offices, environmental officers, youth representatives, and UCDA, were created to build community awareness of agroforestry's benefits. These groups also helped with the provision of agroforestry quality assurance support services and guidance on agroforestry implementation, coordination of inputs, tree seedling, distribution, and other Country Platform activities.

The project supported the launch and revision of the National Sustainability Curriculum (NSC) guidelines on good agricultural and sustainability practices by the Country Platforms in Kenya, Uganda, and Tanzania. The NSC guides the development of materials used to provide extension services support to coffee farmers. The NSC was updated with new information on the integration of agroforestry and forest protection as climate-smart practices that can support coffee farming.

### Inclusion

In 2022, before the commencement of the project, the Uganda Country Platform had established a collective action initiative, the Ugandan Youth for Coffee initiative. The initiative created opportunities for young service providers in the coffee sector to provide renovation and rehabilitation services to coffee farmers, helping improve their yield and income. Renovation and rehabilitation are methods used to increase the productivity of coffee farms where factors such as tree age, diseases and pests, poor agricultural practices, and climate change have severely affected the productivity of coffee trees. Renovation involves the removal of old trees and replanting with seedlings or shade trees while rehabilitation is the act of pruning or cutting down trees to the stump. GCP further strengthened this existing initiative by integrating agroforestry. This resulted in the training of youth in agroforestry



and their employment in agroforestry including as distributors of shade and fruit tree seedlings to farmers.

*“...through each quarter of the project, we were looking at our reach to women. So, the gender part, [was] not a stated output on its own, but was integrated into the reach of the project. Youth...was even stronger because youth is a central goal of the collective action initiative work. It is directly targeting youth employment and the lack of opportunities in rural areas to fight migration to cities and the youth leaving. And that is the whole purpose of using the youth as the ones to provide the services.”*

– Lauren Weiss, GCP Program Manager (Countries)

### Replication and scaling

GCP hosted learning and sharing events to encourage replication and scaling of regenerative agriculture practices. Each learning event focused on a specific thematic area: the first event focused on regenerative agriculture, the second was on sustainable landscape governance and regenerative practices, the third was on multistakeholder collaboration, and the fourth focussed on sharing best practices and learnings from the P4F-GCP agroforestry project.

### Positioning for changes in the international coffee market

The process of reviewing the regulatory environment for the coffee sector produced a report that brought legislative, policy, and practice gaps around agroforestry and forest protection to the attention of the government of Uganda. The process placed the Uganda Coffee Platform as a key convener of stakeholders to start discussing and taking measures to plug identified gaps. The platforms strengthened the capacity of the Ugandan Government (through the UCDA) to respond to changing legislations in the international coffee market, such as the European Deforestation Regulation (EUDR) that came into enforcement in 2023.

*“...it placed both the Uganda and Kenya Coffee Platforms very centrally to those discussions so that they became the key conveners of continuing to discuss these issues, even after the P4F project ended. The EUDR can be seen as a threat to smallholder farmers’ income because if they’re not able to meet the regulations, or if it’s too expensive they could be left out of being able to export their coffees to the European market. So, [a] very key piece of work to be able to begin the discussions on how to appropriately prepare for and respond to EUDR.”*

– Lauren Weiss, GCP Program Manager (Countries)



Dissemination of policy recommendations under the Global Coffee Platform at Café Africa in Uganda



## Results

1. 2834 people from Uganda, Tanzania and Kenya directly benefitted from the project. This included: 2,191 smallholder farmers who accessed agroforestry inputs, tree seedlings, and infrastructure; 184 youths, of whom 29 were female, were hired in business units in Uganda and accessed additional income; 623 people were trained in sustainable coffee farming practices as part of piloting the revised NSCs; and 20 people gained improved decision-making skills through their participation in the Agroforestry Working Committees (AWCs).
2. GCP raised £395,747 in private sector investment through collective action initiatives in two of their Country Platforms, including Uganda.
3. Due to the integration of agroforestry into the Ugandan Youth for Coffee initiative, the Ugandan Coffee Platform received an unsolicited small grant that led to the establishment of four additional community nurseries.

## Challenges

Some partnership management challenges emerged in the project. As new partners, unfamiliar with P4F processes, GCP experienced some difficulties adapting to P4F's financial reporting requirements. In particular, the team struggled with the frequency and iterations of feedback and further refinement of financial reports. This was addressed by collating internal inputs into fewer touchpoints.

## Lessons

1. **Resources, time, and funding are required before discussions on policy changes begin.** Given the critical need for input from stakeholders across the value chain, and in public, private and community settings, a reasonable timeframe and resources are required. In Kenya, for example, the dissemination and adoption of the NSC requires the engagement of all stakeholders and training of extension workers to become familiar with the practices.
2. **Different approaches need to be applied across different landscapes and countries.** The coffee sectors of coffee-producing countries in East Africa are not all at the same level of development in enabling conditions for coffee production and export, knowledge and awareness of sustainable coffee production practices, and productivity. For instance, coffee agroforestry practices are not commonplace in Tanzania, especially western Tanzania – where they are practiced, there is a need for capacity building to address the low levels of awareness of which trees can be intercropped with coffee. These practices were found to be more widespread in other countries. Consequently, support and approaches should be tailored to the context and realities of individual countries.
3. **Adoption of new behaviours or practices at the country or national level does not automatically translate to adoption at other levels.** Considerations should be given on how to influence adoption beyond the national level. For instance, the inclusion of agroforestry in the National Sustainability Curriculum will likely increase its adoption at the national level in Tanzania. However, to influence adoption on the ground or at the farm level, more engagement may be needed.
4. **Well-designed multistakeholder forums must be designed to ensure all parties have an opportunity to share concerns, as well as to transfer knowledge and experiences.** In Uganda, there is significant interest in climate change mitigation and adaptation by local government, which was evidenced by the strong contributions made by local government stakeholders during the public-private partnership events.
5. **Incorporating capacity building into partnership management can help overcome challenges partners may encounter with responding to documentation or reporting requirements.** Incorporating an onboarding process to build the capacity of and familiarise new partners with grantee requirements can reduce compliance issues around documentation or financial reporting and improve partners' responsiveness to P4F requests.



## 5. Recommendations

With continuous strengthening, the coffee sector has the potential to positively impact the economies of countries in East Africa and improve the socioeconomic circumstances of smallholder farmers as well as mitigate factors that foster deforestation and land degradation.

These P4F case studies demonstrate that with the right incentives and support, smallholder coffee farmers can be motivated to adopt new approaches or techniques to farming, earning higher incomes, and contributing to efforts to protect forests and ultimately reduce deforestation.

A key to the success of the P4F project is that lessons from previous projects informed the design of subsequent projects. This approach of continuous learning and improvement is a strong model to strengthen sustainable coffee production in East Africa.

To continue this momentum, the following are recommendations for future programmes or organisations planning to implement coffee projects in East Africa.

### **Develop appropriate governance structures to effectively implement interventions**

Identify existing governance structures and empower or adjust them to support the creation of an enabling environment. Where there are no governance structures, create one, ensure the membership is reflective of key stakeholders in the value chain, and empower them to take shared ownership in strengthening the value chain and influencing policy changes that benefit the sector.

### **Provide capacity building for project partners**

This is particularly relevant for new partners who are unfamiliar with specific grantee processes and procedures. Providing onboarding and capacity building on technical and financial reporting requirements, brand management, lines of communication, and other areas of importance at the early stage of the partnership, can reduce errors and delays, and enhance project and partnership management.

### **Build adaptability into projects**

Predicted and unpredicted changes are frequent on a multistakeholder, multi-landscape project – environments evolve, new policies and laws are enacted, products are not delivered as promised, and community entry and behaviour change take longer than anticipated. Consequently, project design should be adaptable to allow pivoting during project implementation.

### **Incentives should be conditional and have a transition plan**

The use of incentives can support the adoption and retention of behaviour, but relying on project-supplied incentives alone is not sustainable for the long term. To improve the chance of behaviour change beyond the project, it should be communicated from the outset that incentives are conditional upon the adoption and implementation of behaviour and provided in the short term. Strategies should be put in place to empower project participants to continue behaviour beyond the project.

### **Support buyers to build long-term relationships with farmers**

Beyond purchasing from farmers, buyers need to build relationships with farmers and the communities from which they buy. Creating conditions for buyers to practically participate in improving the value chain, such as through membership in governance forums and providing training or infrastructure can help build buyer-farmer trust and lead to better chances of a long-term working relationship.



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