Lessons Learned

The Coffee Initiative

2008 to 2011

TECHNOSERVE

BUSINESS SOLUTIONS TO POVERTY

INTRODUCTION

The emergence and rapid growth of the specialty coffee market has introduced new opportunities for smallholder farmers around the world.

In 2008, TechnoServe received a four-year $47 million grant from the Bill & Melinda Gates Foundation to help smallholders benefit from this rising demand. The organization launched *the Coffee Initiative*, which aimed to increase the incomes of East African coffee farmers by improving both the yield and quality of their coffee.

In addition to helping farmers establish cooperatives and build coffee processing facilities ("wet mills"), the Coffee Initiative provided intensive agronomy training to boost productivity. At the same time, the project worked with government and industry partners to optimize the farm-to-market value chain and help cooperatives develop relationships with leading specialty buyers around the world.

In the first four years of the project (2008 to 2011), the Coffee Initiative has demonstrated a number of effective approaches that have resulted in new insights into ways of improving smallholder livelihoods through value chain interventions. This report has been compiled to highlight specific best practices and lessons learned across four thematic areas:

- Achieving Impact at Scale: Challenges and Opportunities
- Strengthening Cooperative Governance, Transparency and Accountability
- Increasing the Participation of Women Farmers
- Building Human Capacity for Industry Development

   

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LESSONS LEARNED
At A Glance

ACHIEVING IMPACT AT SCALE: CHALLENGES AND OPPORTUNITIES

- To achieve maximum impact, all areas of the value chain must be addressed. Improving coffee processing methods and creating market linkages was not enough; it was also necessary to focus on increasing production at the farm level.
- The scale of the project allowed the Coffee Initiative to adopt a long-term view and make significant investments early on.
- Scale also permitted the Coffee Initiative to initiate dialogues with government stakeholders and help inform national policy.
- The project's scale attracted private sector investment, which helped to build sustainability and ensure that market demand drove the work.

STRENGTHENING COOPERATIVE GOVERNANCE, TRANSPARENCY AND ACCOUNTABILITY

- Farmers' informed participation is essential for building cooperative accountability and transparency.
- Successful cooperatives elect leaders who are knowledgeable, committed and have positive ethical values.
- Transparency and accountability can be encouraged by building easy-to-use tools, systems and processes.

INCREASING THE PARTICIPATION OF WOMEN FARMERS

- It is essential to mainstream gender perspectives early and to sensitize community leaders and male farmers on the importance of women's participation.
- Do not view the household as single a monolithic unit and instead understand, implement and measure the impact on the individuals *within* the household.
- There is a need and an opportunity to introduce gender awareness among cooperatives.
- The gender composition of agricultural extension staff should reflect the gender make-up of those they seek to reach.

BUILDING HUMAN CAPACITY FOR INDUSTRY DEVELOPMENT

- Get out of the cities and recruit locally.
- Go beyond interviews—observe candidates in trainings and hire the top performers.
- Invest in high-quality training and professional development, not only to support the project but to supply the industry with skilled talent.

ACHIEVING IMPACT AT SCALE: CHALLENGES AND OPPORTUNITIES

FROM ONE COUNTRY TO FOUR: BUILDING ON THE SUCCESS OF TANZANIA

TechnoServe's coffee sector development work in Africa began in Tanzania in 1998. With decades of experience strengthening rural agriculture enterprises worldwide, TechnoServe started by helping Tanzania's smallholder coffee farmers organize into business groups. Projects also introduced basic training to improve the quality of their coffee, which was traditionally processed at home using a hand-turned manual pulping machine.

While low-grade, home-processed coffee dominated the market in Tanzania, there were some privately owned industrial-sized wet mills. These facilities cost up to $200,000 to install and could process up to four tons of cherry coffee per hour. Yet, because of the country's small and underdeveloped market, these wet mills almost always operated below capacity and lost money each season. High operating costs forced the wet mills to pay low prices to farmers who delivered cherry coffee; with minimal economic incentive, many farmers were unwilling to travel long distances to supply these wet mills.

As TechnoServe began scaling up the project in Tanzania during 2001, the team looked to scale down the equipment needs of wet mills. They worked with farmers to introduce a smaller and more environmentally sustainable version: a $4,000 de-pulping machine, a simple storage building, low-cost plastic piping, a water tank and several drying tables formed the foundation of a successful cooperatively owned wet mill with total capital costs of $8,000.

These affordable and simply designed solutions meant that rural farmers no longer needed to hand-process their cherry; they would now have access to a local wet mill and could benefit from selling fully washed coffee at much higher prices to the large and growing specialty market.

However, even the capital required to install and operate a small-scale wet mill was out of reach for most farmer groups and cooperatives, which had minimal collateral and little knowledge of financing options. Therefore, TechnoServe worked with partner organizations to deliver credit, as well as marketing and other value-adding services, to its clients. These early achievements helped the Coffee Initiative and TechnoServe gain credibility, built momentum and broadened support for the work.

With a model firmly established in Tanzania and a new office in Rwanda, TechnoServe recognized an opportunity to further expand throughout East Africa, where coffee is an important earner of foreign exchange and the main source of income for more than three million smallholder farm families. Global coffee prices were rising and demand for specialty coffee was continuing to grow strongly.

While East African countries do not currently produce the volume necessary to compete with the powerhouses of Brazil and Colombia, which together account for nearly 40 percent of global Arabica coffee production, the region has a distinct advantage when it comes to producing premium coffee for the specialty market. In fact, very few places in the world can match the ideal growing conditions that exist in East Africa’s highlands: a combination of the right temperatures and rainfall patterns, as well as the very specific altitudes necessary for Arabica coffee to thrive – between 1,200 and 2,000 meters above sea level.

Quality, not quantity, is the region’s competitive advantage.

LAUNCHING THE COFFEE INITIATIVE

In 2008, with support from the Bill & Melinda Gates Foundation, TechnoServe was able to draw on its experience in Tanzania and Rwanda and scale its model to two additional countries – Ethiopia and Kenya – in what was the organization's largest and most ambitious project ever. With an overarching goal of boosting the incomes of smallholder coffee farmers, phase one of the Coffee Initiative featured three distinct interventions:

- **Improving the business viability, governance and quality management systems of wet mills.** Building on the early work in Tanzania, the Coffee Initiative helped farmers form cooperatives and install and operate small-scale wet mills. With an unyielding focus on improving coffee quality, the team advised cooperative leaders on effective management and governance practices, and trained wet mill employees on methods that would enable them to access higher priced markets and improve their profit margins. The Coffee Initiative also identified opportunities to "turnaround" existing cooperative-owned wet mills that were failing or operating significantly below capacity.

- **Increasing productivity through field-based agronomy training.** In order to increase yields at the farm level, the Coffee Initiative established a network of full-time field staff to educate farmers on good agriculture practices as part of a two-year program offered to individual farmers in Tanzania, Kenya and Rwanda.

- **Optimizing the overall farm-to-market value chain.** By working with industry partners, the Coffee Initiative addressed constraints along the coffee value chain and supported private sector investment. Coffee exporting companies, commercial banks and international roasters were linked to Coffee Initiative clients to address their financing and marketing needs. The Coffee Initiative also worked with government stakeholders to improve enabling environments and promote market-oriented reforms, such as how wet mills can market their coffee or access financing.

WHAT WAS LEARNED

1. **To achieve maximum impact, all areas of the value chain must be addressed. Improving coffee processing methods and creating market linkages was not enough; it was also necessary to focus on increasing production at the farm level.**

The Coffee Initiative team discovered that while higher prices may incentivize farmers to invest additional time and effort on their farms, there was still a lack of knowledge and expertise around how to increase production. Good agricultural practices, such as the use of fertilizer, were rarely applied to coffee trees, and coffee diseases, such as leaf rust, were taking a significant toll in some areas. It became clear that, to achieve maximum impact, it was also necessary to work directly with farmers to increase yields.

To do this, the Coffee Initiative designed and launched a two-year agronomy training program called the "Farm College" in 2009. Guided by regional agronomy and training experts and the results of farmer needs assessments, the Coffee Initiative provided intensive agronomy training to 36,033 smallholder coffee farmers by the end of phase one, exceeding an original target of 20,000 farmers.

In order to reach this number of farmers, it was necessary to establish a decentralized network of 130 full-time field staff, or Farmer Trainers. Farmer Trainers were each responsible for training nine to thirteen farmer groups of approximately 30 farmers; each group was trained once per month. The team found that this was an ideal number of farmers for the trainers to manage, while leaving adequate time for visits and follow-up with individual farmers. This low-cost and efficient field network allowed the Coffee Initiative to offer specialized support to farmers at a localized level, but at a large scale and across remote areas. More insights into this important aspect of the work are explained in the following sections.

The program also benefited from a practical and carefully structured curriculum. It was essential that monthly trainings were aligned with the coffee crop cycle and tailored to local conditions, such as soil acidity and rainfall. With 11 learning modules covering all aspects of good agricultural practices – from mulching to integrated pest management – the Farm College introduced techniques such as applying lime for soil acidity management in western Rwanda.

The Coffee Initiative staff also learned the importance of participatory, activity-based learning models. It was crucial to directly engage farmers rather than lecture them; hands-on activities, role playing and group discussions formed the basis of each month's lesson. Additionally, since farmers typically needed to "see it to believe it," each farmer group elected a "Focal Farmer" who provided a venue for trainings and a 40-tree demonstration plot. This approach proved to be very effective as farmers immediately practiced the techniques they learned. Demonstration plots also offered "best case scenarios" of what is possible with consistent care and attention -- when yields on demonstration plots in Rwanda increased 300 percent above the national average, farmers could not deny the benefits of the agronomy practices they had learned.

The agronomy training program went well. Farmer Trainers significantly surpassed their targets each season, and the trainings were well received by farmers. Of the more than 36,000 farmers trained, 79 percent adopted a majority of the best practices, surpassing an original adoption target of 50 percent. Due to this high level of best practice adoption, average coffee yields increased 42 percent one year after training, when compared to control groups.

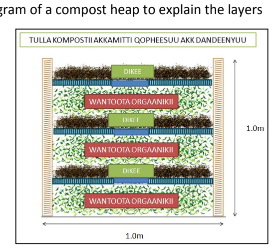
KENYA	RWANDA	TANZANIA
5,781	19,040	9,594
FARMERS TRAINED	FARMERS TRAINED	FARMERS TRAINED

However, challenges still remain. For example, the availability of agro-inputs, especially fertilizer, is a challenge in Rwanda where purchasing agro-inputs is a new concept for many farmers. With limited demand, private sector distributors have been reluctant to stock agro-inputs. If access and use of appropriate agro-inputs improves in Rwanda, the quality and yields of coffee could increase markedly.

Similarly, the team encountered farmers who believed that agriculture training is a public good. In some regions, an NGO tradition of paying farmers to attend trainings and providing free transportation and meals inflated farmer expectations, triggered dependency and, in some cases, hindered specific farmer recruitment efforts in Kenya. If the training is high quality and the benefits are clear and tangible, the Coffee Initiative found that farmers will participate. A more critical question, however, is what would motivate farmers to pay for training as their household incomes increase?

<table>
<tr><th>TIME</th><th>CONTENT OUTLINE</th></tr>
<tr><td>30 min</td><td>
Objective 5: Farmers can demonstrate how to make a compost heap.

ASK: What is a suitable site for a compost heap?
Note to the Trainer: Brain storm with the participants then review the answers.
ANSWERS:
▪ Level ground
▪ Preferably out of the full sun (e.g., under a tree)
▪ Room to turn the compost and to maintain 2-4 heaps at once.
▪ Not too far from the house so you can add kitchen waste.
▪ Away from running water where soil erosion could take place.

EXPLAIN: We are now going to build a compost heap by making layers of different organic matter.
SHOW: The diagram of a compost heap to explain the layers


ACTIVITY: Building a Compost Heap
a) Go to pre-selected site.
b) Review the stages required to build the compost heap.
c) Pass around the diagram showing the layers in a compost heap.
d) Divide the farmers into groups of 5-6 and assign each group a material to prepare and add to the heap (banana stems, manure, ash, crop residue, etc.) Note: Materials need to be cut up for composting.
e) Instruct each group when and how to add their material to the heap.
f) Provide feedback and guidance.
g) Continue until the heap is built.
h) Water if materials are dry,
i) Place the stick in the middle and cover with Banana leaves
</td></tr>
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2. **The scale of the project allowed the Coffee Initiative to adopt a long-term view and make significant investments early on.**

For a tree crop such as coffee – which does not mature until three to four years after planting and has only one harvest per year – it can take several years to see results. Thus, long-term time horizons are critical for achieving (and measuring) impact. The Coffee Initiative was originally structured as a twelve-year program. This was a departure from many other development projects, which are typically designed to last three to four years. For example, the two most prominent USAID-funded projects that focused on strengthening Rwanda's coffee industry following the 1994 genocide were each originally planned to last only three years (although they were later extended).[1]

While one cannot reasonably expect to completely change an industry in just four years, the original twelve-year timeline encouraged the team to adopt a long-term view and make significant investments early. At a regional level, the Coffee Initiative established a team of more than ten specialists who were completely devoted to project set up and implementation. With expertise in agronomy, finance, environmental sustainability, gender, information technology, adult education, coffee quality and impact assessments, members of the regional team served as dedicated advisors to country-level staff and helped build the systems and infrastructure that allowed for rapid scaling.

Experienced program managers were hired for each country, and the Coffee Initiative established specific country-level support functions: monitoring and evaluation, financial control, stakeholder relations and human resource staff, all of whom were 100 percent focused on the implementation and delivery of the project.

1. "Assessing USAID's Investments in Rwanda's Coffee Sector: Best Practices and Lessons Learned to Consolidate Results and Expand Impact," 2006, Chemonics International, Washington, DC

The twelve-year time horizon also inspired the Coffee Initiative to pursue a learning agenda. The project included various internal research and development projects – from analyzing methods of price risk management for cooperatives, to assessing the effect that alternative processing methods had on coffee quality in Kenya. This helped the Coffee Initiative establish a foundation of knowledge and contribute to industry discussions. Additionally, the project partnered with the Abdul Latif Jameel Poverty Action Lab (J-PAL) at the Massachusetts Institute of Technology (MIT) to research how information about agronomy techniques can spread informally among farmers through traditional social networks in Rwanda.

3. **Scale also permitted the Coffee Initiative to initiate dialogues with government stakeholders and help inform national policy.**

The scale of the Coffee Initiative offered legitimacy and provided a "seat at the table" when working with government partners. Throughout phase one, the Coffee Initiative helped inform national policy and promote market-oriented reforms related to the coffee industry, thereby improving the enabling environments in which the project worked and supporting efforts that were conducive to future private sector investment.

From the outset, the objectives and approach of the Coffee Initiative were strongly aligned with host government strategies for poverty reduction, namely Tanzania's "National Strategy for Growth and Reduction of Poverty," Ethiopia's "Growth and Transformation Plan" and Rwanda's "Vision 2020" as well as its national coffee strategy.

In addition to meeting regularly with ministries of agriculture and national coffee boards to share insight, the Coffee Initiative took part in several industry conferences throughout the region and supported research and policy development efforts, including, for example, work with the Ethiopia Commodity Exchange.

In Rwanda, Kenya and Tanzania, the Coffee Initiative commissioned nationwide soil and leaf studies to assess nutritional deficiencies and guide coffee nutrition recommendations. Rwanda's National Agricultural Export Board (NAEB) and Tanzania's Ministry of Agricultural later approved these recommendations as national policy. The team also worked closely with Tanzanian and Ethiopian government agencies to allow the operation of coffee service providers (private companies offering fee-based services to coffee cooperatives) using a model pioneered by the Coffee Initiative in Rwanda.

While the Coffee Initiative had many advocates and partners at the national level, the project could have benefited from stronger relationships with local leaders. In certain situations their lack of engagement and "buy-in" made it difficult for the Coffee Initiative to achieve its objectives, by either explicitly opposing the work or by remaining indifferent. When the team made the effort to establish strong connections and frequently communicate with local governments, local officials almost always became fully and enthusiastically supportive of the project.

4. **The project's scale attracted private sector investment, which helped to build sustainability and ensure that market demand drove the work.**

In some parts of the East Africa coffee sector, private sector investment remains nascent. But as the industry evolves private sector investment is growing.

Coffee value chains can work effectively for smallholders when three elements are in place: financing support (*i.e.*, working capital to cooperatives), operational support (*i.e.*, cooperative management and quality control) and marketing support (*i.e.*, dry milling and export sales). However, in many situations, not all of these elements are present.

In Rwanda, a supportive policy environment permitted the Coffee Initiative to implement and promote a coffee service provider (CSP) model, whereby four private coffee exporting companies provide cooperative-owned wet mills with fee-based services, such as working capital financing, price risk management, export logistics and links to international coffee buyers.

The CSP model in Rwanda has produced efficient outcomes with participating farmers receiving 80% of export prices compared to other farmers who often receive as little as 60%. Since 2008, CSP services have grown to provide over $6 million per year of working capital to cooperatives through this model, supporting cooperative annual revenues of $8.5 million.

The results in Rwanda have demonstrated the commercial viability of the CSP model, which may be replicable in other parts of East Africa. The project is actively working with industry and government partners in Ethiopia and Tanzania to explore this option.

Throughout the region, the scale of the project has attracted attention from the wider coffee industry. Leading specialty coffee roasters have developed close partnerships with the Coffee Initiative during phase one, resulting in an increase of their purchases from East Africa. For instance, Peet's Coffee & Tea has purchased a total of 1.7 million pounds of green coffee from Coffee Initiative clients in East Africa over the past four years, at a cost of nearly $5 million and an average differential of $0.70 (31%) above the average New York "C" market price during this time. Peet's "Uzuri African Blend" consists entirely of coffee from Coffee Initiative clients and represents the first African coffee blend launched by the company.

Coffee Initiative clients generated total green coffee revenue that surpassed $50 million, with a region-wide, annual volume of over 9,000 metric tons. By the end of phase one, more than 20 different international coffee buyers had sourced their beans from Coffee Initiative clients. Without scale, the project would not have been able to gain the attention of these buyers and provide confidence that supplies would grow.

> "TechnoServe's work in developing the Coffee Initiative has garnered huge support internally at Peet's, taken root and resonated with our staff company-wide resulting in an unprecedented sense of connectivity with the farmers who supply the product."

Shirin Moayyad, Director of Coffee
Peet's Coffee & Tea

Additionally, because Coffee Initiative Business Advisors continually provided feedback to wet mill management and cooperative leaders on the importance of coffee quality, the team discovered that private sector practices are now more commonly understood throughout the value chain. This feedback has helped clients to understand the link between the production process and the price they receive for their coffee. Today, cooperative management and many member farmers increasingly recognize that they are part of a global market.

However, despite this recognition, one area where further training would be valuable is the issue of price risk management. There are over 1,000 wet mills in East Africa that are buying cherry coffee from farmers and selling green coffee a few months later without any protection from a fall in the market price. Over the course of phase one, the New York "C" commodity coffee price has shifted between a $1.28/pound low and a $3.08/pound high, with intra-day fluctuations of over six percent at times.

While producers of specialty-grade coffee are typically less prone to such volatile price shocks, the unpredictable boom-and-bust nature of the market remains a challenge for all. For cooperatives, the easiest solution is to sell their coffee to exporters often, rather than holding supplies and waiting for a better price (which may never come). Selling often will help cushion cooperatives and their members from volatile price swings and enable them to receive an average of market prices during the season.

As a result, there exists a major opportunity to offer cooperatives price risk management services to further reduce smallholder vulnerability. To date, such services are only being offered on a small-scale in Rwanda by one coffee service provider.

Unlocking Finance for Rural Cooperatives in Ethiopia

Much of the Coffee Initiative's efforts were focused on cross-cutting issues, such as access to finance. Coffee cooperatives require large sums of money early in the season to purchase supplies, hire labor and offer advance payments to local farmers who deliver cherry coffee to the wet mills.

In Ethiopia, regulatory constraints, such as strict lending policies and government-mandated collateral requirements, make it nearly impossible for smallholder farmer cooperatives to obtain financing without a loan guarantee. This made it very difficult for wet mill clients, most of which have limited track records and no formal collateral. It was not possible for the project itself to provide financial backing for the large volumes of credit required by cooperatives in Ethiopia.

Amid these constraints, the Coffee Initiative led an initiative in 2010 to unlock substantial amounts of capital for clients by helping to establish a new relationship between the International Finance Corporation (IFC) and Nib International Bank, one of Ethiopia's largest private commercial banks. With a new $10 million Risk Sharing Facility from IFC, Nib has made available a revolving loan facility to 62 coffee cooperatives, representing approximately 47,000 farmers. The facility offers up to $250,000 per cooperative, disbursed against cash flow requirements and collateralized by coffee stocks. This facility, which is valid through 2013 with the option of further extensions, allows Nib to extend more credit to cooperatives than otherwise would have been possible.

Because of this credit, these previously unbanked cooperatives have been able to export over two million pounds of high-quality, washed coffee to 12 international buyers in Europe and the United States, receiving premiums averaging 40 percent above the price of low-quality, unwashed coffee. By the end of phase one, this had fueled revenue of $11 million at the participating cooperatives and directly contributed to over 1,000 wet mill jobs.

In addition to the loan guarantee provided by IFC, the Coffee Initiative secured guarantees from Rabobank and Falcon Commodities, a major coffee buyer. As part of these guarantees, local Ethiopian banks increased their share of credit risk from zero percent initially to 35 percent when lending to Coffee Initiative clients. There is an expectation that by gradually increasing local banks' risk appetite and experience lending to the coffee sector, the financial services available to coffee cooperatives will continue to expand.

STRENGTHENING COOPERATIVE GOVERNANCE, TRANSPARENCY AND ACCOUNTABILITY

THE POTENTIAL OF COOPERATIVES

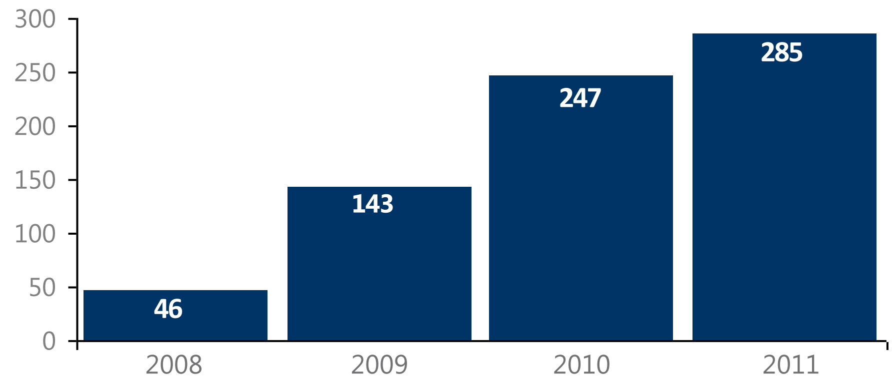
Cooperatives play a crucial role in economic and social development in many local communities throughout East Africa. For smallholder farmers, cooperatives offer opportunities to pool resources, acquire agro-inputs, access services and information, and sell to markets that would otherwise be inaccessible. Apart from the economies and benefits of scale they offer to farmers, cooperatives provide important opportunities for rural employment, and participating in a cooperative as a member, elected leader or employee often brings with it enhanced status and voice in the community.

However, despite their many advantages, cooperatives are prone to significant challenges that can impede their true potential. These rural businesses can fail to achieve profitability because of insufficient planning, poor investment decisions and weak management.

Corruption can also be an issue. This can take many forms, such as theft or abuse of power. Corruption at the leadership level quickly results in distrust at the farmer level. When corruption occurs, farmers vote with their feet – they sell their coffee elsewhere, thereby reducing the capacity utilization of cooperative-owned wet mills and threatening the commercial viability of those businesses.

In East Africa's coffee sector, donor efforts often focus on supporting the creation of new producer cooperatives or constructing new wet mills. Yet, they often devote less attention to ensuring that a viable business model and capable leaders are in place. The Coffee Initiative initially focused capacity building efforts on helping cooperatives become more competitive, more profit-oriented and more professional. Activities included: assisting cooperatives to develop business plans, strengthen management practices and enhance accounting systems, improve processing and storage techniques, and establish relationships with banks and coffee service providers to secure necessary financing. Over the course of the project, in response to those experiences, the team also introduced new capacity building activities focused on improving governance, including support to draft cooperative bylaws and the development of transparency and auditing systems.

Number of Wet Mills Installed or Improved



Cumulative, 2008 to 2011

WHAT WAS LEARNED

1. **Farmers' informed participation is essential for building cooperative accountability and transparency.**

The importance of farmer participation and information sharing within cooperatives is broadly understood. In working with cooperatives to establish or renovate 285 small-scale wet mills over the past four years, the Coffee Initiative came to understand these are critical ingredients for success. In fact, we found them to be among the greatest determinates of how accountable a cooperative will be to its members. When farmers understand expenses, profits and payments, they feel more dedicated and remain loyal suppliers. For cooperatives to be most successful, member farmers must fundamentally believe that they own, control and benefit from the cooperative.

When launching the Coffee Initiative, the team's experience was that, as a general rule, many farmers were unclear of their rights in cooperatives, often believing that leaders "owned" the groups in which they were members. To help combat this idea, it was necessary to inform farmers of their roles as cooperative members and strengthen their ability to demand levels of performance from their leaders. It was essential that Coffee Initiative Business Advisors worked closely with the cooperatives, with weekly visits during the season and participation in general assembly meetings throughout the year. They were able to continually sensitize leaders on the importance of transparent, two-way communication and educate farmers on their rights and responsibilities.

However, because the onus of information sharing still rests primarily with cooperative leaders, there is a need for easy-to-use systems that provide member farmers with on-demand access to financial and performance data. For instance, farmers could benefit from receiving an SMS that offers information about their cooperative. "Your cooperative is ranked 1st of

100 coffee cooperatives in terms of the price paid to farmers," or "Your cooperative is ranked 75th of 100 coffee cooperatives in terms of wet mill operating cost." Such a platform would take financial transparency to the next level.

2. **Successful cooperatives elect leaders who are knowledgeable, committed and have positive ethical values.**

During cooperative elections, members typically selected strong leaders who maintained a "farmer first" attitude and were committed to producing large volumes of high-quality coffee. However, this was not always the case, and sometimes members chose leaders for reasons other than merit. Through this experience, the team came to understand how local politics can (and often do) play a significant role in elections.

However, once cooperative leaders were elected, Business Advisors diligently worked with them and provided training on roles and responsibilities, including effective organizing, farmer mobilization and stakeholder relations. The Coffee Initiative required and supported committee members to conduct a SWOT analysis and asked them to critically assess the cooperative to identify areas for improvement. This exercise led to an action plan for ongoing follow-up and monitoring throughout the season. Perhaps the most important activity in preventing and identifying incidents of corruption was having Business Advisors train cooperative audit committees on how to conduct a proper internal audit.

Additionally, the team learned that while strong values and ethical leadership are not necessarily inherent; these things can be learned. To help change the mindsets of certain cooperative leaders and encourage them to adopt more ethical governance practices, the team found it beneficial to arrange visits with leaders from top-performing cooperatives nearby. These visits allowed cooperative leaders to see illuminating examples of what is possible with strong and transparent governance, such as enthusiasm and loyalty among member farmers, rather than skepticism and distrust.

Revitalizing a Failed Cooperative in Rwanda

Koakagi has a unique history, and one that demonstrates the importance of good governance. Established in 2008, the cooperative suffered a corruption scandal which cost Koakagi $1,000 during its first year of operations. As a result, farmers lost confidence and participation declined the following year, leading to an annual loss of $2,220.

With the cooperative in danger of collapsing, Valence Shumbusho, a Coffee Initiative Business Advisor, met with local government officials and members of Koakagi's leadership committee, all of whom shared his concern and agreed to hold an extraordinary general assembly meeting to hold new elections.

In late 2009, Koakagi's members elected Justine Mukantegano, a retired female schoolteacher and life-long coffee farmer who ran on a platform of improving governance. Since Justine became elected as Chairperson, Koakagi has been revitalized.

After the election, Valence and other Business Advisors helped Justine and the rest of Koakagi's management improve their business practices and mobilize member farmers. After a modest but important profit of $2,400 in 2010, Koakagi earned an unprecedented $30,000 profit in 2011 and fetched its highest-ever price from an international roaster: $2.75 per pound. At the end of the season, Koakagai paid their largest second payment ever to farmers who delivered cherry coffee that season and offered a first-ever dividend to its members.

When asked what she attributed Koakagi's revival to, Justine responded: "patience, clear communication and teamwork."

3. Transparency and accountability can be encouraged by building easy-to-use tools, systems and processes.

Rigorous financial management, transparent accounting procedures and consistent reporting are important for the long-term success of cooperatives. However, the Coffee Initiative found that accountants traditionally relied on informal and inconsistent pen-and-paper bookkeeping systems to record the high number of financial transactions during the harvest season. Some cooperatives did not even have an accountant on staff.

In Rwanda, the Coffee Initiative introduced universal bookkeeping standards for clients and trained their accountants how to use simple SMS-based reporting, allowing them to log the volume of cherry delivered by farmers each day and receive a confirmation of their available funds. The bookkeeping system and the SMS reporting have streamlined accounting practices, reduced common errors and strengthened the ability to detect corruption. At the end of each season, the financial information reported by cooperatives is combined with industry-supplied purchasing and finance data to develop Transparency Sheets. These two-page documents contain comprehensive information on wet mill finances – from the total amount of cherry collected to the amount of money being spent on transportation, labor and dry milling.

Gisuma (Rwanda) | **2011 Transparency Sheet**

Province: Western
Coffee Service Provider: KCC

TechnoServe

Production

Type	KGs	%
Cherry	224,176	
Parchment	46,679	
Green	35,885	
15+	*31,414*	88%
13,14	*2,336*	7%
Low grades	*2,135*	6%

Washed Coffee Production Ratios

Cherry to Parchment	4.80
Parchment to Green	1.24
Cherry to Green	5.93

Green Coffee Sales (FOT Actual and FOB Equivalent)

Buyer	KGs	US$/KG (FOT or Equiv)	US$/KG (FOB or Equiv)	FOB Revenue US$
Falcon (Green - 15+)*	9,986	$7.10	$7.26	$72,498
Falcon (Green - 15+)*	20,442	$6.90	$7.06	$144,321
Schluter (Green - 13,14)*	2,336	$5.00	$5.16	$12,054
KCC (Green - 15+)*	986	$5.90	$6.06	$5,975
KCC (Green - Low grades)*	2,003	$2.20	$2.36	$4,727
KCC (Green - Low grades)*	132	$0.50	$0.66	$87
KCC (Parchment)*	1,772	$1.50	$1.66	$2,942
KCC (Parchment)*	556	$2.67	$2.83	$1,573
Total Sales	38,213	$6.23	$6.39	$244,177

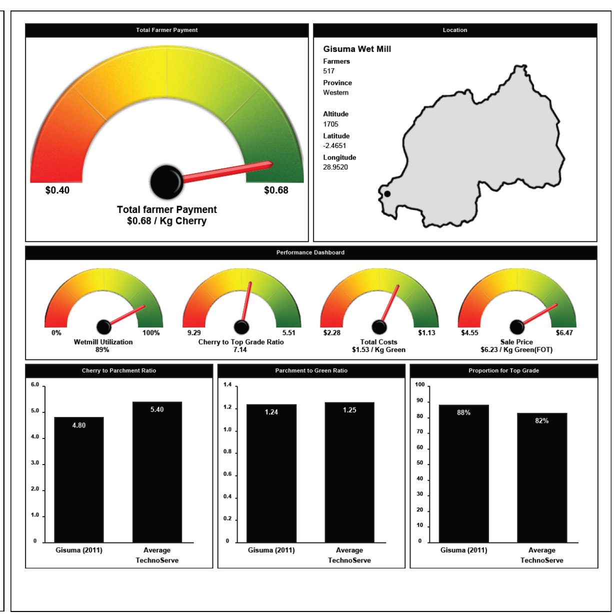
** Sale was FOT originally*

Working Capital

Working Capital Received	$138,065
Working Capital Utilized	$121,835
Working Capital Repaid	$0

Profit and Loss

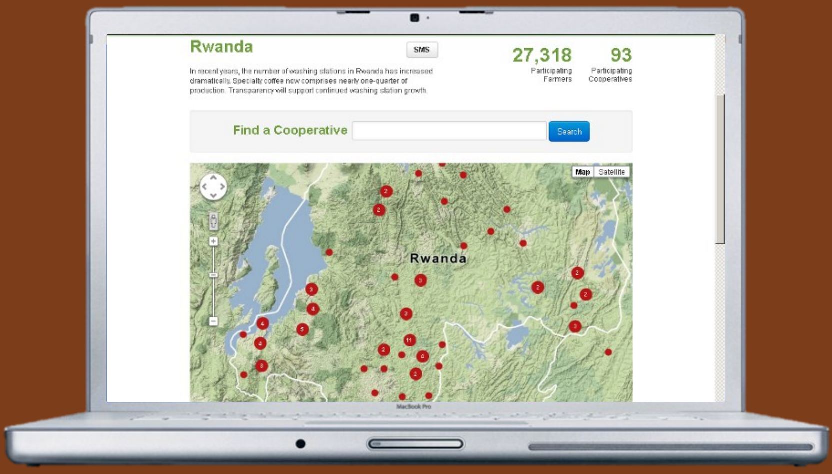
	Gisuma Total (US$)	Gisuma US$/KG Green	Average Client US$/KG Green	Best Client US$/KG Green
TOTAL REVENUE	$244,177	$6.80	$5.99	$7.16
Washing Station Expenses				
Cherry Advance	$105,192	$2.93	$3.41	$2.07
Labour (Full Time)	$767	$0.02	$0.07	$0.02
Cherry Transport	$4,867	$0.14	$0.15	$0.00
Labour (Casual)	$4,192	$0.12	$0.12	$0.06
Other Expenses	$6,818	$0.19	$0.34	$0.17
Total Washing Station Expenses	$121,835	$3.40	$4.09	$2.44
Total Non-Advance Expenses	$16,643	$0.46	$0.68	$0.34
Milling, Marketing and Export Expenses				
Freight and Insurance **	$6,114	$0.17	$0.17	$0.16
Milling	$2,532	$0.07	$0.08	$0.07
Hand Sorting	$1,248	$0.03	$0.03	$0.00
Export Bagging	$1,437	$0.04	$0.03	$0.00
Parchment Bags	$0	$0.00	$0.00	$0.00
Transportation	$1,010	$0.03	$0.01	$0.00
Storage and Handling	$443	$0.01	$0.01	$0.00
Government Taxes, Fees and Deductions	$1,702	$0.05	$0.06	$0.03
Marketing Fees	$11,548	$0.32	$0.26	$0.00
Total Milling, Marketing and Export Expenses	$26,033	$0.73	$0.65	$0.32
Working Capital Financing Expenses				
Working Capital Interest	$9,303	$0.26	$0.20	$0.07
Working Capital Fee	$0	$0.00	$0.01	$0.00
Total Working Capital Financing Expenses	$9,303	$0.26	$0.22	$0.09
CAPEX Financing Expenses				
CAPEX Principal Repayment	$2,474	$0.07	$0.17	$0.00
CAPEX Interest	$495	$0.01	$0.04	$0.00
Total CAPEX Financing Expenses	$2,969	$0.08	$0.20	$0.00
TOTAL EXPENSES	$160,140	$4.46	$5.16	$3.20
FOREIGN EXCHANGE LOSS (GAIN)	$790	$0.02	-$0.01	-$0.06
TOTAL PROFIT (LOSS)	$83,247	$2.32	$0.84	$2.46



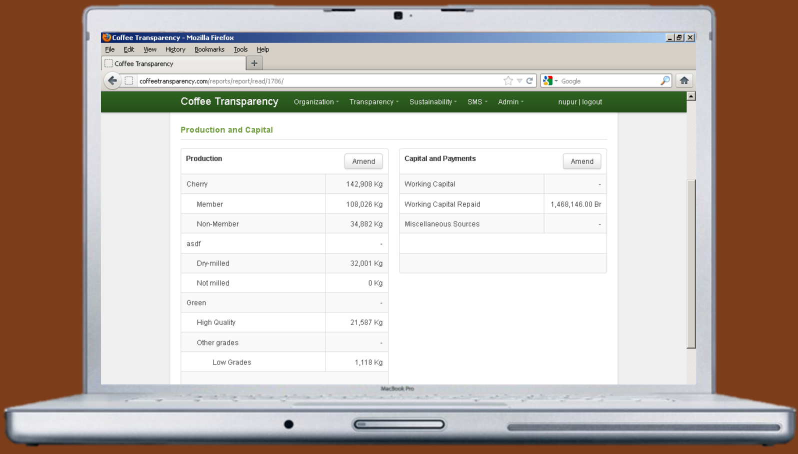
Transparency Sheets provide the Coffee Initiative, industry partners and local governments with a complete, consistent and accurate picture of participating wet mills' performance, annually and relative to client averages. This has allowed the Coffee Initiative to benchmark all clients within each country and identify operational inefficiencies. Transparency Sheets are often discussed by cooperative leaders at annual general meetings and used to help communicate the organization's financial position to its members.

Providing Real-Time Analytics with CoffeeTransparency.com

In East Africa's coffee sector, there are few industry tools to collect, analyze and track information about wet mill performance in a comprehensive and consistent way across the supply chain. The Coffee Initiative uses a cloud-based platform called CoffeeTransparency.com, which provides information to coffee service providers, banks and international buyers.



Accountants at wet mills report via SMS the total volume of cherry delivered and the amount paid to farmers each day. This information is collected in CoffeeTransparency.com where it is accessible to users of the system. At the end of the harvest season, this information is combined with final purchasing data supplied by the industry to create a full picture of each client's performance, which is comparable over time and across wet mills.



This transparency tool has allowed banks to remotely monitor wet mill cash flows and issue loan disbursements in a timelier manner. Likewise, export companies have benefited by having real-time data on coffee volumes weeks before the coffee is delivered to their facilities, providing them an opportunity to hedge against future price fluctuations.

> "We are able to look at coffee volumes every day on CoffeeTransparency.com and put a new hedge on the books."
>
> **James Dargan**, Director of Sales
> Rwanda Trading Company

Holding Cooperatives Accountable

External financial audits are an essential tool for holding cooperative leaders accountable and reducing the probability of corruption.

In 2011, the Coffee Initiative facilitated external financial audits of 35 active cooperative clients throughout Rwanda. The project partnered with coffee service providers who advanced credit to their cooperative clients and were able to negotiate a bulk rate for auditing services – a third of what it would have cost cooperatives to contract the audit themselves.

Field research conducted by Harvard University economist Benjamin Olken confirms the value of audits: when it comes to fighting corruption, top-down monitoring by government auditors is more effective than bottom-up monitoring through grassroots tactics, such as village meetings and anonymous reporting. Even the threat of an audit can result in a substantial and statistically significant decline in corruption.[2]

The limited resources of government agencies make it difficult to institutionalize audits, despite their inclusion in national regulation. In Rwanda, the team worked with Coffee Service Providers to organize financial audits for cooperatives, which has been effective in ensuring annual financial audits take place. Overtime, strengthening national institutions would also enable this important work to be implemented on a consistent national basis.

2. Olken, B., 2007, "Monitoring Corruption: Evidence from a Field Experiment in Indonesia," *Journal of Political Economy,* Vol. 155, No. 2, Pg. 200—249.

The team determined that it was necessary to ensure that productivity gains do not come at the expense of environmental protection and social responsibility. Thus, the team was able to further instill accountability practices by training cooperative leaders and wet mill staff on sustainability standards and by implementing annual sustainability audits, which are led by Business Advisors. Initial audits conducted at the beginning of the harvest season allowed the team to benchmark wet mills on how their practices compared to the recommended standards, and then coach them on how to implement needed improvements.

At the end of the harvest season, second-round audits provided another opportunity to assess the cooperatives. Designed to overlap with major certifications, such as C.A.F.E. Practices by Starbucks and Utz, the sustainability standards offer guidance on more than 50 best practices across five areas: social responsibility and ethics, occupational health and safety, environmental responsibility, economic transparency, and production and farm management. If a cooperative wishes to pursue formal certification in the future, the sustainability standards and training provide a strong foundation.

The Power of Naming and Shaming Clients

Doyo, a cooperative in southern Ethiopia, was formed during the communist regime and reactivated by the Coffee Initiative in 2009. Soon after the project began supporting Doyo, weak leadership quickly caused it to become one of the worst performing clients.

Doyo's poor performance across all three business indicators – quality, volume and cost control – earned them the "Lemon Award" at the Coffee Initiative's annual award ceremony for active clients – an award created by TechnoServe's field staff, despite the initial discomfort of management. After first recognizing the accomplishments of all the strong performing cooperatives with trophies and certificates, the Lemon Award was presented to Doyo. With this came the mandate to improve performance and handover the award to another weak cooperative the following year.

Doyo lived up to this challenge and made a significant turnaround in 2010. Despite being a low crop year, Doyo more than doubled its cherry volumes. They attributed this to a change in leadership and the embarrassment they felt by being named the worst cooperative in 2009. Along with higher volumes, Doyo improved its quality and was able to secure direct sales to specialty roasters Peet's Coffee & Tea and Intelligentsia. Their coffee was described as "clear and sweet" with "bright lemon acidity and floral aromatics," and was promoted nationally in the United States as a special offering by Intelligentsia. Some of Doyo's coffee sold to exporters for more than $3.50 per pound. This enabled Doyo to repay their loans ahead of schedule and still attain a net profit of over $10,000. The profits were used to pay dividends to the 769 member farmers who delivered cherry coffee to the cooperative in 2010.

"We've already begun to see some excellent results and have every expectation that these once unheralded coffees will begin to compete on a more even playing field with coffees from areas in the south and east."

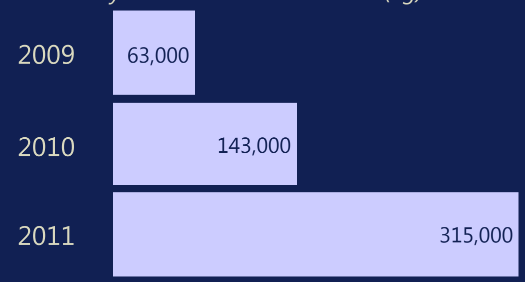
Geoff Watts, Green Coffee Buyer
Intelligentsia Coffee

At the next award ceremony, Doyo's turnaround was shared with other cooperatives as testament to the benefits of good leadership. Doyo had the pride of handing the Lemon Award to a different cooperative.

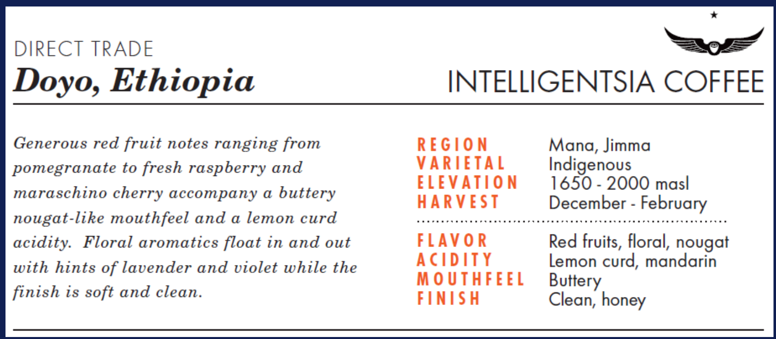
In 2011, Doyo's metamorphosis from a "client at risk" to a model cooperative enabled it to receive financing directly from the Cooperative Bank of Oromia for the first time. They again more than doubled their cherry volumes and were one of the top performing cooperatives in the entire region. They repeated their sales to Peet's Coffee & Tea and Intelligentsia, and attracted interest from additional buyers in the U.S., Europe and Australia.

Production at Doyo Cooperative

Cherry delivered to the wet mill (kg)



Through this experience, the Coffee Initiative learned that it can be valuable to publically recognize both achievements and failures of cooperative clients. This sends a powerful message and encourages healthy competition. Recognizing and owning up to failure is often difficult, and appropriate means may vary, but cooperative leaders must feel a sense of responsibility and accountability for failure.



INCREASING THE PARTICIPATION OF WOMEN FARMERS

THE COST OF GENDER INEQUALITY IN AGRICULTURE

Although women make substantial contributions to agricultural production in East Africa, like women in developing nation around the world, they often have considerably less ownership and control of land, and they face significant barriers to accessing agriculture training, improved agro-inputs and financial services compared to men. These challenges are often made even more difficult by entrenched social norms that have strong and negative impacts on women. Throughout the region, the Coffee Initiative frequently encountered women farmers who were uninterested in participating in the project because they believed "coffee is a man's crop."

Over time, the project came to terms with several key questions: How can female coffee farmers be encouraged to participate? What can be done to ensure that interventions benefit both men and women equally? How will gender issues affect the sustainability of the project's results? How can the project positively affect gender dynamics longer term?

MAINSTREAMING GENDER

At the outset of the Coffee Initiative, highly focused on meeting market demands, the team adopted a largely gender-neutral approach to the project's design. For example, the project did not actively seek to incorporate gender policies into the work with wet mills. And the project focused interventions at the household-level, based on the guiding principle that everyone within the household – men, women and children – would all benefit from coffee-related income increases.

Over the course of the project, this view evolved. In order to ensure the project's success and achieve the intended impact, the team realized that they could not ignore the central role that women play. Therefore, the project started to introduce several gender-aware perspectives. Most of these were created in the field: informally, organically and at the grassroots level. As a result, the project was able to recruit a significant number of women into the agronomy training program – as participants and trainers – and women's participation grew over time through specific practices that proved highly replicable across all four countries.

Today, gender is a core component of the Coffee Initiative and is integrated across all project activities. TechnoServe's East Africa Gender Technical Advisor, a newly created position that stems from lessons learned in phase one of the Coffee Initiative, now oversees regional gender strategies for all TechnoServe programs – no longer only the Coffee Initiative. And the project has set ambitious targets to further increase participation of women farmers as the Coffee Initiative expands activities in Ethiopia in phase two.

WHAT WAS LEARNED

1. **It is essential to mainstream gender perspectives early and to sensitize community leaders and male farmers on the importance of women's participation.**

   Since mindsets are established fairly quickly, the project found that the most effective strategy to reach and support greater numbers of women farmers is to integrate them at the outset of the project; it is significantly more difficult to change direction mid-course after setting a precedent about women's expected levels of participation. Therefore, when entering a new region, it was critical to sensitize stakeholders to the importance of having women's participation.

   To do this, Farmer Trainers were encouraged to ask male farmers to include their wives during visits and meetings, and it would be explained to men that they would benefit if their wives attended agronomy training as well. When wives were in attendance, the practice of asking a man to explain to the group why he brought his wife allowed the project to further sensitize farmer groups from a different perspective. The project also asked respected community leaders to hold farmer meetings to help explain the importance of female participation.

   The Coffee Initiative learned that introducing strategies and tactics to achieve greater gender equality did not necessarily require significant levels of funding. Instead, it involved applying a gender lens to the design, implementation and measurement of activities. So rather than adding line items to the budget, it is necessary to ask:

   - Do we understand how this activity will impact women as well as men?
   - Can we design this activity so that it benefits both women and men?
   - How do we measure the impact of this activity on both women and men?

Once farmer groups were established, the project continued to sensitize the community and introduce specific gender-aware policies and practices. First, if farmer groups elect a male Focal Farmer, the farmers are required to elect a female deputy Focal Farmer. Second, training times are selected which are convenient for both women and men. Third, men and women are trained on all best practices, regardless of whether the tasks are viewed as “men’s work” or “women’s work” by the community. Finally, women were specifically encouraged to bring their children to trainings to reduce the likelihood that childcare would prevent them from participating.

By the end of phase one, approximately 33 percent of the 36,033 farmers trained were women.

2. **Do not view the household as single a monolithic unit and instead understand, implement and measure the impact on the individuals *within* the household.**

Research has shown that households do not act as one when making purchasing decisions and do not necessarily pool their resources, including information. Because of firmly established gender norms within households, the impact of interventions can vary drastically, and monitoring and evaluation results can be distorted due to who is being tracked.

During phase one, the project maintained a “unitary view” of the household, which meant that attendance of any member of the household was recorded, by their sex and under the name of the household head. In 2012, with the commencement of phase two, this approach was changed to track each individual who attended a training, irrespective of their position within a household. This method allowed the Coffee Initiative to capture the name, sex, coffee tree ownership, household affiliation and attendance history of every farmer.

3. There is a need and an opportunity to introduce gender awareness among cooperatives.

The team learned that there is a need and an opportunity to further integrate gender-aware practices throughout the value chain, particularly among client farmer groups and cooperatives.

Based on experiences in phase one, the Coffee Initiative added a gender policy to the standards used for training cooperatives on sustainability practices. In phase two of the Coffee Initiative, cooperatives are now trained and evaluated on how well they have worked to provide women with equal opportunity with respect to leadership, membership and employment. Additionally, at meetings, female members of the cooperatives are asked to elect a women's representative who is responsible for addressing women's issues in relation to the cooperative and its wet mill.

4. The gender composition of agricultural extension staff should reflect the gender make-up of those they seek to reach.

Women are clearly an important part of the agricultural labor force, and agriculture is equally important to women as a source of employment. However, according to the UN Food and Agricultural Organization (FAO), only 15 percent of the world's extension agents are women. In the countries where the Coffee Initiative works, women often play even less of a role in government extension services. For example, from 2004 to 2008, Ethiopia's 25 agricultural training institutes had conferred three-year diplomas to 62,764 extension staff; only 12 percent of these students were women.[3]

3. Davis, K., B. Swanson, et al, 2010, "In-Depth Assessment of the Public Agriculture Extension System of Ethiopia and Recommendations for Improvement," IFPRI Discussion Paper 01041. The International Food Policy Research Institute, Washington, DC

The Coffee Initiative found that female Farmer Trainers were an important factor in encouraging female farmers to attend the agronomy training program. To effectively recruit women as Farmer Trainers, several practices were introduced and a female quota of at least 30 percent was set for each stage of the recruitment process. To start, the project advertised these positions around markets, churches and other areas where women traditionally congregate, and the advertisements explicitly encouraged women to apply.

Additionally, recognizing that women in this context typically interview more poorly than men and may not have the same levels of self-confidence and experience, the project used an eight-day training with teach-backs as the primary selection tool, rather than interviews. This enabled women to demonstrate their ability.

The Coffee Initiative continued to support female Farmer Trainers by identifying high- potential female staff and providing them with special development opportunities, offering free childcare during training sessions and enhancing TechnoServe's maternity leave policies. These practices were essential to achieving, and later exceeding, the 30 percent female target.

By the end of phase one, women comprised 40 percent of Farmer Trainers and 38 percent of Coffee Initiative management staff throughout East Africa.

“What Does a Woman Know About Coffee?”

Lydia Wafula never thought she would actually be offered a job as a Farmer Trainer with the Coffee Initiative. A former kindergarten teacher in a village near Mount Elgon in Western Kenya, she didn’t think she was qualified but decided to apply anyway. “For the sake of it,” she said.

Most women in the area did not even submit applications.

As she took part in the Coffee Initiative selection process and joined the eight-day evaluative training, it became clear to the management team that Lydia was among the best and brightest in the applicant pool. They promptly offered her a position.

However, as soon as local farmers heard that a woman would be their trainer they complained and demanded that the job be given to a man instead. Even members from her own cooperative protested, arguing that she would be unable to “walk the long distances” and that working as a trainer would “take her away from her family duties.”

“What does a woman know about coffee? This is a man’s field of work,” claimed one farmer. “TechnoServe needs to recognize that. I can assure you that no one will come for the trainings if you don’t bring a man.”

The Coffee Initiative management team in Kenya stood their ground and informed the cooperative and farmers that the project would not replace Lydia. After the first two months, the story had changed. Farmers expressed their deep appreciation for Lydia and recognized that she performed all the tasks just as well as a man. Her cooperative was also impressed and quickly acknowledged that they were wrong in opposing Lydia as their trainer simply because she was a woman.

Today, Lydia trains an average of 270 farmers each month – 32 percent are female – and attendance at her trainings continues to increase. This in a region where coffee is considered a man’s crop.



Overcoming Gender Barriers: The Story of Oromia, Ethiopia

The importance of providing women full and equal access to agricultural extension and training is well established. However, gender inequality in agriculture remains a constant challenge as demonstrated by the Coffee Initiative's experience in the Oromia region of Ethiopia, a socially conservative Muslim area.

Towards the end of phase one, the Coffee Initiative was curious to understand how receptive Ethiopian farmers would be to the agronomy training curriculum—which was previously only offered in Rwanda, Tanzania and Kenya. In 2011, a Senior Business Advisor was tasked with piloting an agronomy training in four villages in Oromia region.

Unfortunately, the Senior Business Advisor failed to implement any of the gender strategies developed in Rwanda, Kenya and Tanzania; he himself was not convinced of the important role that women play (and the Coffee Initiative quickly replaced him following the pilot).

Of the approximately 1,500 farmers who participated in the pilot training, women made up only one percent. Over the course of the pilot, the percentage of women attending slowly grew to 3 percent and then to 5 percent. The following year, the project officially launched the Farm College in Ethiopia and adopted all of the same gender sensitization strategies that were tested and proven elsewhere in East Africa.

Recognizing the socially conservative nature of the area and how few women farmers attended the pilot training, the team set a moderate target of 12 percent average female attendance for year one. They later increased this target to 15 percent, although many staff were adamant in their belief that even 12 percent female attendance was highly ambitious.

By May 2012, Farmer Trainers in some villages reported female farmer attendance of up to 30 percent.

The story of what occurred in Ethiopia proves the importance and power of starting off on the right path by mainstreaming gender perspectives early and sensitizing entire communities. Prospects for achieving greater gender equality during the pilot trainings quickly faded as mindsets were already established, but a strong and consistent focus on gender at the outset of new trainings led to surprising and incredibly positive results.

BUILDING HUMAN CAPACITY FOR INDUSTRY DEVELOPMENT

ESTABLISHING A TEAM OF MORE THAN 300

Launching a large regional project can result in many challenges, particularly one that involves the recruitment and training of more than 300 staff. For instance, where does one find quality staff in the numbers needed? How do you deal with complaints that the project is "poaching" talent from the region's coffee institutes? How do you manage the outplacement of large numbers of staff upon project completion? And, how can project staffing be intentionally used as a springboard for broader industry capacity building?

WHAT WAS LEARNED

1. **Get out of the cities and recruit locally.**

   One of the most salient lessons learned was the importance of hiring field staff who were actually from the field. To build a team from the ground up, the Coffee Initiative recruited the majority of its field staff not from an existing pool of individuals currently employed in the coffee industry, as agreed with the major coffee companies in East Africa, or the development community, but from the best and brightest talent that could be recruited in rural areas.

   Through job advertisements placed at local government offices, churches and markets, the Coffee Initiative hired Farmer Trainers from local coffee growing communities. Applicants were often coffee farmers themselves, or were the sons or daughters of coffee farmers, and the project specifically targeted high school graduates who were unemployed and eager to learn new skills.

2. **Go beyond interviews—observe candidates in trainings and hire the top performers.**

   During phase one, the team came to rely on using special trainings as the primary method for hiring field staff, and came to see it as far more effective than conducting traditional interviews. In this way, the project was able to really see who had the potential to become a strong Farmer Trainer, rather than who could simply interview well. For example, does the candidate understand how group dynamics work? Are they patient, and can they follow a lesson plan? This method was particularly important when evaluating women applicants, who often lacked confidence and did not have as much public speaking and interviewing experience as many of the male candidates.

   To do this, the project shortlisted top candidates and invited twice the number of applicants needed to a multi-day training session, during which the team could observe them and identify top performers.

From Farmer Trainer to Cooperative Manager

In March 2012, the executive committee of Buhanga Coffee Cooperative hired Claudine Mukamuganga as their new wet mill manager. A former Farmer Trainer in the area, Claudine had already built strong relationships with coffee farmers throughout the community. Once she began working at Buhanga, she was able to apply her agronomy skills to make improvements at the wet mill. For example, Claudine introduced a vermicompost program to provide member farmers with nutrient-rich organic fertilizer based on how much cherry coffee they delivered. Longer term, Claudine says she is interested in returning to school to study agriculture.

The Limits of Agricultural Extension Services

East African governments are making notable investments in their agriculture sectors, and countries like Ethiopia are committed to developing large agricultural extension systems that support increased production of both staple food crops and high-value export crops.

However, because of resource constraints and what is typically a "one-size-fits-all" approach, the project recognized that government-run extension services alone would not be able to deliver the specialized training needed to have significant impact on smallholder coffee farmers. Most government extension officers are required to work as general practitioners, irrespective of their training or background, even in regions where the vast majority of households grow coffee.

When in the field, they are responsible for a multitude of disparate activities, from data collection to agro-input delivery, and they must advise on everything from animal health to soil and water management. A recent assessment of Rwanda's agricultural extension system found that district and sector agronomists had even been tasked with monitoring housing construction.[4] Time spent actually training farmers is limited, and when training is offered to farmers, it rarely takes place on a coffee farm. It is therefore important to note that "agricultural extension" is not always synonymous with "farmer training."

The project needed individuals who could be 100 percent focused on the needs and challenges of coffee farmers, understood adult learning techniques and embraced the Coffee Initiative's hands-on participatory approach to training. To ensure that the efforts of Farmer Trainers and local extension officers were aligned and that the project ran in parallel with broader government-led efforts, the Coffee Initiative offered extension officers a one-week course on the Farm College, and extension officers often shadow Farmer Trainers in the field.

4. Swanson, B., J. Mutimba, et al, 2011, "Comprehensive Assessment of Extension Services in Rwanda," Modernizing Extension and Advisory Services (MEAS), USAID, Washington, DC

3. **Invest in high-quality training and professional development, not only to support the project but to supply the industry with skilled talent.**

Upon hiring Farmer Trainers, the Coffee Initiative implemented extensive training programs in each country to build necessary expertise. Farmer Trainers first took part in an intensive five-day agronomy training course plus a three-day adult learning training. They then received monthly trainings on the specific lesson to be delivered to farmers that month. Business Advisors first introduced the training to Farmer Trainers, and then Farmer Trainers practiced "teach-back." By the time Farmer Trainers taught this lesson in the field, they had already gone through it multiple times.

This rigorous and comprehensive approach to training was critical to the success of the Farm College. It enabled the field staff to become master trainers, who in turn had the opportunity to spread their technical knowledge to several thousand farmers.

With this and other methods of training, staff at all levels were ideally suited to step into entrepreneurial roles in the private sector. As such, a new cadre of coffee professionals with business management skills and agronomy training are now acquiring employment and helping to build East Africa's coffee industry. A survey conducted six months following the end of phase one found that 80 percent of recently retrenched management staff and Business Advisors had attained employment after leaving the Coffee Initiative; the majority of these individuals reported that their roles are in or related to the coffee sector. And of those retrenched staff working in the coffee sector, 60 percent had no coffee experience prior to working with the Coffee Initiative.

Investing in Training: Cupping for Quality

In addition to agronomy training, the project educated staff on the importance of coffee quality.

With the exception of Ethiopia, there is little domestic coffee consumption in the countries where the project operated. As such, producers of fully washed coffee are often unable to personally evaluate the quality of their beans. Without the ability to discern quality, farmers cannot properly interpret market price signals and have little incentive to improve their coffee.

Therefore, the Coffee Initiative first developed a program to train staff how to "cup" coffee and determine quality using standard industry guidelines that judge attributes like flavor, fragrance, acidity, body and sweetness. By the end of phase one, the Coffee Initiative helped to install 35 low-cost cupping labs and offered specialized cupping training to 225 individuals across the industry. This cupping expertise is essential for the growth of the region's specialty coffee industry.

Injecting Talent into East Africa's Coffee Sector

- **Bahati Mlwilo** joined the Coffee Initiative as an intern and was quickly promoted to coffee quality advisor in southern and northern Tanzania, a position she held for two years. In January 2012, she received a full scholarship from illycaffè, the Italy-based multinational coffee company, to attend a master's program in coffee economics and science. Bahati was one of seven individuals from around the world selected to travel to Italy and participate in the six-month program, which provided her with in-depth knowledge of everything from coffee genetics to models for direct trade marketing. Her research dissertation focused on barriers that smallholder farmers face in accessing and competing in the global coffee market. She returned to Tanzania in July 2012 and is currently working with the Tanzania Coffee Research Institute.

- **Dorcas Mutie** worked with the Coffee Initiative for two years as a Farmer Trainer in Kenya. During this time, she witnessed how important it is for farmers to be able to access necessary agro-inputs, particularly fertilizer. In July 2012, Dorcas opened her own agro-input supply shop, fulfilling an entrepreneurial dream she has had for several years and providing a source of income for her family. In an effort to attract more customers, Dorcas also provides farmers with advice on application rates and agricultural best practices.

- **Wilfred Muturi**, a former Assistant Business Advisor, now serves as an Agribusiness Relationship Manager with Equity Bank. In this role, he liaises daily with producer cooperatives in Eldoret, Kenya to help them access financial services and financial literacy training. While working with the Coffee Initiative, Wilfred says he was able to build his leadership skills and learn about the unique financial needs of coffee cooperatives.

- **Lydia Mwangi** worked with the Coffee Initiative in Kenya as a Quality Assistant and received training on coffee cupping. Today, she is leveraging this knowledge in her current work at Dormans Coffee, where she is responsible for classifying and managing samples for auction at the Nairobi Coffee Exchange.

- **Luc Havyarumana** returned to Burundi after working with the Coffee Initiative in Rwanda as a Business Advisor for more than two years. Currently, Luc serves as the Head of Production at Webcor Burundi Coffee Company, where he supervises 25 employees and is responsible for forecasting coffee volumes. He also oversees efforts to achieve and maintain Utz certification for several washing stations.

- **Celestine Majyambere** started working with the Coffee Initiative in 2008 as a Farmer Trainer in eastern Rwanda and was later promoted to Assistant Business Advisor. In October 2011, he left to manage Kibuye Mountain Coffee, a private wet mill on the shores of Lake Kivu. In his first season as manager, the wet mill purchased 280 tons of cherry from nearly 2,000 farmers and sold 55 tons of parchment coffee directly to Dormans Coffee.

Additional Post-Coffee Initiative Employers

- Land O'Lakes
- Tanzania's Ministry of Agriculture
- Ethiopia's Agriculture Transformation Agency
- Tanzania Coffee Board
- Yara International
- Tanzania's Ministry of Finance
- Ecom
- Government of Kenya

TechnoServe Former Employee Survey, April 2012

THE WAY FORWARD

Strong and growing demand for high-quality coffee continues to provide smallholder farmers with unprecedented opportunities to earn life-changing income, and East African nations have established ambitious targets for the future development of their coffee industries.

Substantial local capacity has been developed during the past four years: the yields of 36,033 trained farmers continue to increase; the percentage of women farmers receiving agronomy training has grown far beyond expectations; 285 wet mills throughout the region are now hubs of rural employment and are benefitting from trained managers, accountants and quality control staff; with over $30 million in working capital loans disbursed, banks are more receptive to lending to rural cooperatives; private sector investment in the sector continues to grow; and specialty coffee continues to play a transformational role for East Africa's smallholder farmers.

However, specialty coffee production is still in its infancy throughout the region and, in many ways, the greatest challenges lie ahead as smallholders begin to make new investments in their coffee farms, cooperatives learn to do business with private companies and the industry works together to improve accountability of cooperative leaders.

The lessons emerging from the Coffee Initiative have much to offer other sectors. Across a wide range of agricultural value chains, for both export and domestic markets, host governments, donors, civil society and both private sector actors are increasingly aligned in wanting to extend growth opportunities to smallholder producers. This requires new and creative ways of broadly building capacities among farmer organizations and forging mutually profitable linkages with upstream and downstream value chain actors.

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