

# Yes Africa Can

*Success Stories from a  
Dynamic Continent*



THE WORLD BANK

# A Better Brew for Success in Rwanda

## Economic Liberalization in the Coffee Sector

*The average export price per kilogram of Rwandan coffee nearly doubled between 2003 and 2008, from \$1.60 to \$3.10*

*Coffee washing stations have produced both jobs and important indirect benefits, in the form of informal business cooperation and learning*

### Challenge

Agriculture is the main source of livelihood for 90 percent of the Rwandan population. Though most farmers are subsistence farmers, some produce crops for export. Coffee is chief among these. For many years, however, the coffee sector was stuck in a “low-quality/low-quantity trap.” Compulsory production, substantial export taxes, and a monopsony export control agency meant that producers had little incentive to invest in the production of high-quality coffee. Erratic world coffee prices in the 1980s (and the government’s profit-taking during years when prices were high), coupled with the economic destruction of the country during the genocide in 1994, left coffee producers in an even worse situation.

### Approach

Changes in Rwanda’s coffee sector were implemented in several waves. The first began shortly after the genocide, when the government removed a variety of barriers to trade, created incentives for groups and individuals to transfer their efforts from semi-washed to fully-washed coffee as an end product, and facilitated entrepreneurship in the coffee industry. More substantial reform efforts began in 2000, when the government, working with consultants and donors, studied the potential for adding value to Rwandan coffee through the production of higher-quality, washed, and fermented specialty coffee. In 2002, the government issued a National Coffee Strategy that outlined a plan for capturing a larger share of the specialty-coffee sector. In the intervening years, more than 100 coffee washing stations have been built.

### Results

Rwanda’s approach to liberalizing its coffee sector has resulted, most importantly, in the country’s 500,000 coffee farmers now having the opportunity to sell higher-quality beans for a higher price. Indeed, the average export price of coffee nearly doubled between 2003 and 2008. For smallholder farmers and other participants in the coffee value chain, producing specialty coffee means not just more income, but expanded connections to world markets and positive effects from informal economic cooperation at coffee washing stations. Importantly, coffee washing stations had created 4,000 jobs as of 2006. Rwandan coffee exports generated more than \$47 million in revenue in 2008, compared with \$35 million in 2007.

### Lessons Learned

Perhaps most importantly, aspects of the approach to the coffee sector could be replicated in other sectors, thus helping push Rwanda toward its goal to become a stable, middle-income economy.

The shift in incentives from the public to the private sector in the context of the coffee sector reforms is also significant. Finally, it is clear that Rwanda could take steps to further improve the coffee sector—for example, by implementing further price incentives for producers to focus on high-quality coffee, improving management of producer cooperatives, and reducing still-high transportation costs related to poor infrastructure and Rwanda’s landlocked status.

*Author: Karol C. Boudreaux, Mercatus Center, George Mason University*

