

**Support to Cash Crop (Cocoa/Coffee) Production
in the Districts of Kenema, Kailahun and Kono
Sierra Leone**

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European Union: Use of Stabex Transfers, SL/RFMO/2006/003



Deutsche Welthungerhilfe

Evaluation Report

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I. Summary

1 Brief description of the project and framework conditions

The project "Support to Cash Crop (Cocoa/Coffee) Production in the Districts of Kenema, Kailahun and Kono" in the Eastern Province of Sierra Leone (SLE 1006-07, EU: SL/RFMO/2006/003) is under the Stabilization of Export Earnings of Agricultural Commodities (STABEX) programme of EU.

The project is aiming at improving income and well-being of farm households through supporting cocoa and coffee production by:

- increasing the quantity of production through training in improved production techniques
- increasing the quality of production through training on improved processing, provision of fermentation and drying facilities, the provision of stores, the establishment of a quality control system and the development of an organic production and marketing manual
- improving the marketing through support of organic and fair trade certification, setting up an Internal Control System (ICS) for quality produce, market studies on coffee and cocoa, provision of transport for the produce, improvement of feeder roads and building up exporting capacities of farmer associations
- strengthening farmer associations through supporting the institution building process, the process of obtaining fair trade and organic certification, exchange visits and access to finance.

Farmers will produce higher quantities of good quality cocoa and coffee. Joint marketing, exports through the cooperatives and fair trade, as well as organic certification, will secure higher than average farm gate prices and reduce the risks of high price volatility.

The project is expected to reach a target group of about 3.500 farm households. The budget is 1.800.211,00 Euro. The EU is co-financing the project; Welthungerhilfe is responsible for implementation.

Sierra Leone has gone through a civil war from 1991 to 2002 that resulted in tens of thousands of deaths and the displacement of more than 2 million people and devastated the country's economy. Today Sierra Leone is striving towards social, economic and political stabilisation, but it is still considered as one of the poorest countries in the world. The human development index of the UN human development report 2007/2008 ranks Sierra Leone as the 177th country out of 177 countries.

While possessing substantial mineral, agricultural and fishery resources, the physical and social infrastructure of Sierra Leone is not well developed and hampers economic development.

For most people in the project region agriculture is the main and often only source of income. Traditional farming systems include three main components: slash and burn shifting cultivation with upland rice as the main crop intercropped with numerous other crops, lowland rice cultivated in swamps and cocoa and coffee plantations intercropped with other crops such as pineapple, ginger, mango, oranges, banana, plantain, cola nut and timber trees.

In Sierra Leone, traditional farming systems are low-input and capital-extensive systems. Farmers are reducing risks by diversifying crops. As labour is a limiting factor for production, farmers are seeking for the most efficient ways to utilise the existing labour force.

The tree crop cultivation as practised by farmers in the project area is especially well adapted to the agro-ecological conditions of the area and is ecologically and socially sustainable. The majority of farmers have cocoa and coffee fields. After the war almost all cocoa and coffee plantations were completely overgrown and the farmers are still struggling to get them back into

production by cutting shade trees, removing vines which had overgrown the tree crops, and under brushing the area.

2 Outcomes and Impacts

An analysis of project impact is difficult as there has only been one harvest of cocoa completed within the project cycle (in 2008) and almost no marketing under fair trade and no marketing under organic certification has taken place so far. The cocoa harvest of 2009 has just started and will not be completed even before the end of project, so these figures will not be available for impact assessment before the end of project. The full impact cannot be analysed if the cooperatives have not yet bought the crop at the full premium.

All stakeholders contacted agreed that even though the time frame of the project was much too short, there are a number of positive impacts which will be even more visible after the end of the project. While improvements in quality of produce through better processing can already be noticed, an increase in yields can be expected only after the end of project. Overall farmers' incomes will increase because of project intervention.

Economic impacts through project activities can be expected on several levels:

- Rehabilitation of existing plantations and replanting activities will increase yields per hectare. Farmers can sell higher quantities of produce and thus increase their household incomes
- Improved quality produce will render higher prices on the world market
- Organic and fair trade certification will render additional premium payments to farmers
- Higher prices and increased amounts of exported produce will create more revenue for the government from increased taxes

An estimate of total annual benefits which can be realised once organic and fair trade marketing is in place, including impacts through rehabilitation, replanting, higher prices and premiums, adds to about 576.000 USD/year. This means that the total investment of 1,8 million Euro by EU and Welthungerhilfe would be paid off in 4,5 years.

A very positive impact of project intervention is a growing awareness regarding quality production. Currently buyers tend to buy any quality of cocoa for the same price, so the farmers do not have any incentives for producing a better quality. Cooperatives are buying good quality cocoa only and are expected to establish favourable prices for better qualities. Through training in processing and awareness raising on importance of quality, many farmers managed to deliver good quality cocoa. It is expected that the market will increasingly encourage quality production by higher prices. This could break the downwards spiral of deteriorating quality and high deductions from world market prices on Sierra Leonean cocoa.

At the farm level, one extra bag of cocoa production (result 1) equals an additional income of 62 Euro per year, and ¼ bag of coffee production equals to an additional income of 12 Euro. Higher prices in the range of 15-30% for good quality and premiums would render farmers an additional income of 64 to 128 Euro per year, which is quite significant if one takes into account that the annual total income in 2008/2009 season from cocoa was 202 Euro. So there is the potential of increasing farmers' cocoa income by 50%.

At the cooperative level the implementation partner Agro Eco has carried out some cost benefit analysis for the three cooperatives and shown that they could operate viably, if they manage to export bigger quantities.

In some villages the project intervention has triggered off some interesting self-help activities. The members of the cooperatives have formed smaller subgroups and started some self-help activities within these groups. Some meet regularly to exchange labour in their plantations and have therefore started to reduce their dependency on a paid labour force and accordingly on

crop pre-finance credits. Elderly people and female headed households do especially benefit from this activity as they are included in the exchange labour.

The main impact on organisational level has been through the support of the three cooperatives. One cooperative, MCGC, has almost completed the organic certification process and hopes to market this year's cocoa production already as organic. Fair trade certification has already been applied for and should be obtained by the beginning of 2010.

For all organisations, basic administration, financial management, and leadership are critical. The project concentrated on intensive training on the technical aspects of inspection and certification and on setting up cooperative structures, while not enough attention was paid yet to the basic functions. All cooperatives still have problems in analysing their figures and making good cost-price calculations by themselves.

There are now three functional cooperatives in the project region, with some funds for purchasing. Farmers are being made aware that they should increase their ownership of the cooperative structures.

The advocacy activities carried out by the project regarding the institutional support of cocoa and coffee production have increased the awareness that government policies are sometimes contradictory, e.g. the national agricultural policy is in favour of smallholders' cocoa and coffee production and the marketing through cooperatives, while parts of the Ministry of Trade are setting rules which threaten the smaller exporting organisations and the small holder marketing chances.

Increasingly the national policy level becomes more aware of the chances fair trade and organic farming can bring to the country. "Why not turn Sierra Leone organic?" one of the interviewed stakeholders suggested. The project is a pilot regarding fair trade and organic certification in Sierra Leone and therefore there is an interest in project results at national level and the project experiences might influence national policy.

The environmental impact of the intervention is very positive regarding the support of environmentally sound farming techniques. The small holder approach to cocoa and coffee production, with the inclusion of agroforestry and intercropping and the tree crops as perennial crops is sustainable and ideal regarding the agroecological conditions of the intervention area. The traditional shaded method of cultivation is environmentally friendly and plantations serve as a habitat for many species. Soil erosion is prevented and soil fertility preserved.

3 Sustainability

Overall sustainability of project intervention is a major concern, as the project period is much too short to produce sustainable results.

Improved tree crops management, agroforestry practices for outplanting and organisational development of the cooperatives require a longer timeframe to show sustainable impact. Especially the ability of the cooperatives to sustain project results without outside support is doubtful for at least two of the three cooperatives.

Cooperatives will have various tasks to manage: pre-finance for farmers; pre-finance for their own buying; establishing a buying system; transporting of produce; agricultural advice to farmers; dealing with the requirements of fair trade and organic certification; taking care of negotiations with the importer, and of the export procedures; calculate prices and follow-up cash flows. Management capacities of cooperatives though seem to be quite low, and it is doubtful if all three cooperatives can already manage their organisation as profit-oriented enterprises, including members as owners of the process.

Cooperatives have rapidly increased their membership as farmers are joining and expect better prices, training and inputs. There is the risk that cooperatives will be overstretched and will not be able to supply their members with sufficient training, and not be able to buy the produce due to cash shortages.

As several NGOs and international donors are interested in supporting tree crops, the most likely scenario for the future is that cooperatives will approach other agencies for further funding and support. This would be a good solution regarding the fact that at this point in time cooperatives will probably not be able to successfully manage their activities.

4 Relevance

The core concern of the target group is to secure their livelihood through income from agricultural production. Increasing income from cocoa and coffee is relevant to the core problems of the target groups as the income can be used for staple food purchase.

The relevance of the project for the objectives of Welthungerhilfe as set out in its statutes (reducing hunger and poverty and helping people help themselves) is high.

5 Effectiveness

Project implementation is well on its way. Activities are carried out professionally, generally timely and without major problems. The project will be able to render the outputs stated in the logframe. All stakeholders appreciate the quality of project execution.

The management supervised project progresses in such a way that necessary adaptations and changes were identified and implemented in good time. The only major inadequacy is the short duration of the project. While the hardware components of the execution will probably all be delivered, the time frame for technical advice and organisational development is much too short, so implementation of these activities will have to stop somewhat in the middle of execution.

6 Efficiency

With a project budget of 1.800.211 Euro for a project period of two years, 3.500 families in three districts are expected to benefit from project intervention. This equals to an average of 514 € per beneficiary family for the whole project period and about 257 € per family per year. This seems to be a rather high investment compared to other projects of Welthungerhilfe in Africa. On the other hand, as has been explained above, the pay back period for total investment is 4,5 years, if project benefits can be sustained and developed.

From a general perspective the cost/benefit ratio of the project seems good, with the risk that the cooperatives might not be able to perform in the future.

7 Annual cross-cutting theme: "Helping people help themselves"

"Helping people help themselves" is a core concern of the project intervention. Target groups at all levels are empowered to be able to continue to grow cocoa and coffee and to market it, benefiting as much as possible from the chances good quality production and fair trade and organic certification constitute. Thus self-help is a crucial element for project success and is incorporated in all phases of the project cycle.

The project strongly follows the self-help approach of Welthungerhilfe and actual practice fully conforms with the principles underlying the Welthungerhilfe self-help approach.

8 Most important recommendations

To project management

- External support for financial planning (business plans and cash flows), based on the experiences and data of last year's buying season, and a close backstopping of the upcoming season, should be a priority up to the end of project

- Alternative solutions to pre-financing to farmers should be promoted (e.g. by exchange visits to communities which work with working groups based on labour exchange, including widows)
- Since this is a pilot project, lessons learnt have to be comprehensively documented.

For a future project

- Future projects for the support of coffee and cocoa production should include a strong advocacy component
- For a future project it would be interesting to analyse the farming systems as a whole and analyse the contribution of upland rice farming, swamp rice and cocoa and coffee production including intercropping crops to the total farm income.

To Welthungerhilfe head office and regional office

- Welthungerhilfe should assess if experiences with fair trade and organic marketing could be developed and applied in other rural development projects within the institution, as the focus on fair trade and organic production seems very suitable for Welthungerhilfe's objectives and concepts of rural development
- Welthungerhilfe has become the leading agency regarding tree crop support and organic and fair trade certification in Sierra Leone. It should apply for further funds in this sector under the 10th EDF and aim at continuing activities in the sector for a longer period of time (5 to 10 years) in order to develop it in a sustainable way
- Closing down the project in December 2009 and starting all over again under a 10th EDF that will most probably not disburse funds before 2011 contains the risk that project results cannot be sustained, other organisations take the lead position and qualified staff are contracted by other agencies. Head office should try to bridge the expected gap and defend Welthungerhilfe's lead position. A low cost option would be a technical part time advisor or "backstopper" with a small fund for training measures, seminars, etc. concentrating on cooperatives general management and business performance. This would cost about 100.000 Euro for a year, about the amount Welthungerhilfe would need as contribution for co-funded projects. As the project seems ideal for fundraising for Corporate Social Responsibility (CSR) projects of enterprises involved in chocolate and sweets or coffee (e.g. Starbucks), alternative sources of funding should be explored.

9 General conclusions

- Focus on fair trade and organic production seems very suitable for Welthungerhilfe's objectives and concepts of rural development and could generate synergies with other institutions
- It needs more than two years to achieve sustainable results in tree crop production support as development takes time and improvements in agricultural practices are coming on gradually
- Cooperatives have very few entrepreneurial skills. They need support at all management levels and on organisational development in order to achieve any results. Business targets are almost always overly optimistic and have to be adjusted and revised during the course of the intervention
- The ability of cooperatives to pay higher prices to farmers and their ability to perform are the key factors for success or failure
- In the long term there is the need for the government to provide an enabling environment
- Trade finance is another key factor. Cooperatives do need money for buying produce, processing and exporting it. As long as there is no source for trade finance available to cooperatives, they will have difficulties in performing
- A non-chemical situation in a small country with established sustainable cash crop production systems is suitable for developing quality and niche markets such as fair trade and organic