# PROJECT COMPLETION REPORT

Capacity building on price risk management strategy for cocoa smallholders in Africa

## I Project Summary:

1. Title: Capacity building on price risk management strategy for cocoa smallholders in Africa
2. Number: CFC/ICCO/44/FA
3. Project Executing Agency (PEA): Twin
4. Location: Camerooneroon, Nigeria, Sierra Leone, Togo
5. Starting Date: 1 July 2014
6. Completion Date: 31 March 2017
7. Financing:

| | |
|---|---|
| - Total Project Cost: | USD 654,217 (contract) of which: |
| - CFC Financing (Loan/Grant): | USD 313,828 (grant) |
| - Co-financing by other donors: | USD 52,647 (AFD) |
| | USD 34,797 (Other donor, not identified) |
| - Counterpart Contribution: | USD 125,580 (in cash) and |
| (from participating countries) | USD 127,365 (in kind) |

## II. Background and Context in which the Project was Conceived:

1. Key Commodity Issues

Cocoa is one of the world's important food crops, essential to the livelihoods of 40-50 million people globally. World production is at record levels estimated at 4.7 million tonnes for 2016/17 season, with world supply outstripping demand by as much as 335,000 tonnes (ICCO estimates Nov. 2017). Yet, most cocoa farmers live in desperate poverty and present cocoa trading practices do not provide the possibility of a living income for farmers and their families (Cocoa Barometer, 2015).

With a production of about 3.565 million tonnes of cocoa beans for the 2016/2017 season, Africa remains the largest cocoa growing region, and holds a share of over 76% of world production. Cameroon, Nigeria, Togo and Sierra Leone, the four participating countries in this project, commercialise approximately 15% of global production.

When the project was being designed, cocoa production had been low globally. Many observers believed that the cocoa sector was entering a period of structural supply deficit with a crisis expected by 2020. This prospect was causing considerable and legitimate concern in the cocoa and chocolate industry.

In fact, cocoa prices have varied significantly over the past twenty years; from a historical high of USD 15,000 per tonne in July 1977 to below USD 1000 per tonne in November 2000 on international market prices, on constant terms.  Current prices with the start of the new 2017-18 season in West Africa have been around USD 1900 per tonne, potentially indicating the start of a slow recovery following several turbulent years for cocoa farmers.

Short-term price volatility is a particular feature of the cocoa sector. This is essentially linked to the strong impact of weather patterns on cocoa yields and the very high concentration of world production in West Africa. In addition, unforeseeable variations in supply and demand, (such as from pests and diseases or changes in consumer disposable incomes on chocolate consumption) generate price fluctuations on the world cocoa market that impact negatively on cocoa prices in cocoa producing countries.

In Africa, cocoa is produced predominantly by smallholder farmers. It is estimated that about 95% of African cocoa production originates from these smallholders. Price uncertainty creates volatile incomes that prevent these smallholder cocoa farmers from saving and deter them from investing in their farms. They are unable to provide for the families, access education and health services, or improve their livelihoods. Locked in a cycle of poverty, they are unable to protect themselves from fluctuating cocoa prices and the associated risks.

Price risk for cocoa farmers, producer organisations, exporters and national boards in producing countries consists essentially of the uncertainty as to the price they will receive for future harvests and future cocoa sales.

Most cocoa producing countries have opted not to introduce policies stabilizing domestic coca prices. As a result of the lack of understanding about the sources of price risk or how to assess and manage these, many cocoa producers continue to operate without clear price risk management strategies and remain seriously exposed to fluctuations in the international cocoa market and market shocks.

## 2. ICCO Cocoa Development Strategy

The International Cocoa Organization (ICCO) is a global organization, established in 1973 to work towards a sustainable world cocoa economy. ICCO is unique in bringing together representatives from governments of both cocoa producing and cocoa consuming countries with experts from the cocoa and chocolate trade and industry.

ICCO's work, related to sustainable cocoa production and consumption, includes: the co-ordination and rationalization of production policies and programmes of cocoa producing countries, the improvement of knowledge available on cocoa resources in producing countries, the compilation of an inventory on the health and nutritional attributes of cocoa and chocolate and the generic promotion of cocoa and chocolate consumption in emerging markets.

Cognisant of the importance of market transparency and efficient functioning of the world cocoa market, the ICCO has promoted mitigating price fluctuations, optimizing decisions by all market participants and improving the incomes of small cocoa farmers. This has included specifically promoting the adoption of price risk management for farmers through co-operatives and making “remunerative prices and higher incomes for cocoa farmers” essential elements within the context of its sustainability activities.

## 3. Project Rationale

The need to address the problems arising from price volatility in the international market has been an on-going concern for G-20 leaders. How to develop options on how to better mitigate and manage the risks associated with price volatility of food and other agricultural commodities, ultimately to protect the most vulnerable, was explicitly articulated at a Summit in 2010, and also confirmed as a concern for multilateral organisations such as the Common Fund for Commodities (CFC), IFAD, FAO, World Bank, OECD and the WTO.

Specifically, the issue of price volatility and its impact on cocoa farmers has been the focus of various pilot projects funded by the CFC. In 2005, CFC financed the Pilot Project on Price Risk Management for cocoa farmers in Cote d'Ivoire and subsequently, from 2008-2010, a Pilot Project on Price Risk Management for Cocoa Farmers was also financed by the CFC, through the ICCO. The results showed that specially tailored price-risk management instruments could help cocoa farmers in guaranteeing them a minimum income and protecting their revenues.

An impact analysis suggested a follow-up project with "adequate and practical training in the implementation of hedging transactions" should be developed. The ICCO analysed the experience of the IFC's Agricultural Price Risk Management Product introduced in 2011 in collaboration with JP Morgan, as well as the experience of Société Générale Corporate and Investment Banking and the Agence Francaise de Développement (AFD) to enhance understanding of the type of measures required for the cocoa sector in West Africa.

The ICCO reflected on the financial price risk management products that exist on the market and are provided by banks and brokerage houses and used by some farmers, though primarily large producers, in more advanced economies. They identified that several constraints prevent cocoa farmers from accessing these instruments:
-minimum size of contracts traded exceeds annual production volumes of smallholder farmer;
-lack of knowledge and understanding of market based insurance instruments;
-difficulty of selecting appropriate levels of insurance within the tight cost constraints facing smallholders;

To address the mismatch in terms of knowledge and availability of appropriate instruments, there was the need to build capacity on understanding the price formation and market information available, risk assessments, price risk management instruments and how to use them adequately.

Cocoa cooperatives were identified as potential aggregators of smallholder demands for financial price risk management instruments and conduits for training and capacity building to develop processes and procedures among cocoa producers.

A new project proposal was developed by ICCO, which the AFD endorsed and agreed to part finance. This project therefore supports producers to implement financial and physical price risk management strategies which help smallholder producers to mitigate the effect of the intra-seasonal variations of cocoa prices, and to build sustainable and resilient livelihoods.

## 4. Main goals and objectives of the project

This project was designed to provide adequate and practical training in the implementation of price risk management strategies with a view to 1) focusing on segments of the value chain vulnerable to risk and 2) developing the local capacity to apply a specially designed set of risk mitigation techniques to improve the producer situation and overall efficiency of the value chain.

The project aim was to provide cocoa smallholder farmers with the capacity to tackle appropriately their exposure to cocoa price risk.

The specific objectives are:

1. To identify the impact of price volatility in the participating countries and the strategies in place to cope with it as well as to develop policy recommendations aiming at improving these strategies;
2. To assess and select appropriate price risk management strategies and instruments followed by workshops to deliver awareness-raising;
3. To build capacity and to deliver training on price risk management strategies to cocoa smallholder farmers.

## 5. Expected outputs

The expected outputs, by component, are:

Component 1: Survey on the impact of price volatility and strategies in place

1.1 A database of baseline data on the impact of price volatility on farmer and current farmers sales strategies and self-insurance mechanisms.

1.2 Analysis of policies to enhance farmers' price risk management strategies in place.

Component 2: Raising awareness of cocoa stakeholders on price risk management strategies

2.1 Assessment of availability and effectiveness of risk management instruments in the context of the state of cocoa value chain and baseline data and its analysis.

2.2 Workshops on price risk management in participating countries.

Component 3: Training and capacity building on price risk management

3.1 Practical use of risk mitigation techniques based on the understanding of the costs of risk exposure by the cocoa value chain stakeholders to mitigate the impact of volatility of cocoa prices.

Component 4: Project Management, Co-ordination and Supervision

4.1 Efficient coordination, supervision and management of the project.

## 6. Target Beneficiaries and Extent of the Benefits

The direct beneficiaries of the project were identified as smallholder cocoa farmers and their cooperatives in the 4 participating counties; Cameroon, Nigeria, Sierra Leone and Togo. 360 people would be direct beneficiaries of the training and capacity building activities, each representing different producer organisations.

The indirect beneficiaries would be the membership of the cooperatives in the participating countries who would be better informed on how to reduce their exposure to the volatility of cocoa prices and improve their resilience to market shocks. Based on an average of 500 members per producer organisation**, the 360 people trained through the project would represent a total number of indirect beneficiaries of approximately 130,000 farmers, across the four participating countries.**

Initially, the target beneficiaries would be 80 key staff of critical actors in the cocoa value chain in Cameroon, Nigeria, Sierra Leone and Togo, to be trained in the practical procedures of using physical and financial instruments for price risk mitigation. From these initial trainees, local trainers would be selected to roll out the training in their countries. Over the course of the 18-month project, the local trainers would be expected to train 280 "early adopters" cocoa smallholders in managing their price risk. **They would then be in a better position to make decisions regarding the optimal use of inputs and resources used in cocoa farming. Their producer organisations would also be able to reduce their risk of defaulting on loans.**

While the project was designed to focus on smallholder cocoa farmers and the cooperatives, it also planned for exporters and the financial sector to be involved in the project, through the awareness raising activities and training to create improved access to credit and a more supportive, well informed and experienced agri-banking sector. In the design, private sector actors in the cocoa value chain could also be involved in providing in-country market information after the end of the project to smallholder cocoa farmers.

## 7. Project Cost and Financing Plan

The table below summarises Project costs by component and sources of financing (in USD)

| | AFD | CFC | Other co-financing | Counterpart (cash) | Counterpart (kind) | Contingency | Total cost |
|---|---|---|---|---|---|---|---|
| **Component 1** | 42,140 | - | 17,334 | - | 4,000 | 3,174 | 66,648 |
| **Component 2** | - | 30,613 | 12,207 | 13,400 | 16,000 | 3,611 | 75,831 |
| **Component 3** | 8,000 | 134,220 | 3,600 | 49,200 | 25,300 | 11,016 | 231,336 |
| **Component 4** | - | 134,050 | - | 57,000 | 76,000 | 13,353 | 280,403 |
| **Contingency** | 2,507 | 14,944 | 1,657 | 5,980 | 6,065 | | |
| **Total** | 52,647 | 313,827 | 34,798 | 125,580 | 127,365 | 31,154 | **654,217** |

It should be noted that no other donor was secured by the SB during the project implementation.

8. Management and Implementation Arrangements

In 2012, Twin was nominated the Project Execution Agency (PEA) by the ICCO, acting as the Supervisory Body (SB). Four National Partner Implementing Agencies (NPIAs) in each participating country, namely Cameroon, Nigeria, Sierra Leone and Togo, were nominated by the ICCO's member partners in the four target countries;

- For Cameroon, the Conseil Interprofessionel du Cacao et du Café (CICC)
- For Nigeria, the Cocoa Association of Nigeria (CAN)
- For Sierra Leone, the Commodity Market Monitoring Unit (CMMU), later renamed as the Produce Monitoring Board (PMB)
- For Togo, the Comité de Coordination pour la Filière Café Cacao (CCFCC)

In 2014, the PEA was issues with a management contract and three of the four NPIAs (Cameroon, Nigeria and Sierra Leone) proceeded to sign project implementation agreements and nominate a National Coordinator. It was over a year later that Togo signed its implementation agreement, following extended discussions with the SB.

The project did not involve borrowing by any of the participating countries nor implementing partners so no borrowing terms were required.

## III. Project Implementation and Results Achieved

### 1. Project Implementation

Overall, the PEA effectively delivered the research, awareness raising and training activities designed to strengthen the capacity of producer organisations in mitigating the effects of intra-seasonal price fluctuations.

Where the project intended to benefit 360 people directly, representing 180,000 farmers indirectly. The training activities actually reached 514 people directly, representing approximately 250,000 farmers who benefited indirectly, on the basis of each participant representing an average of 500 members per cooperative. However, based on the final evaluation survey across three of the participating countries (Sierra Leone, Togo and Cameroon), the average membership per producer organisation was 585 members (of whom 25% were reported to be women members), which would indicate 300,000 farmers benefited indirectly from the training. This represents a 167% increase above the original target.

Overall, the project was managed smoothly, drawing on a team with strong management and technical expertise, and good working relationships were established with the SB and NPIAs in each participating country, and in particular in Sierra Leone and Cameroon, that resulted in effective overall delivery.

#### 1.1 Project Initiation

The PEA initiated the start-up activities in July 2014, liaising with the SB to secure the commitment of the NPIAs to the project, the nomination of National Coordinators (NCs) and formal confirmation of their Counterpart Contributions, in cash and in kind.

The PEA promptly developed Implementation Agreements, with budgets and workplans for each partner country which were shared with each NPIA; in English for Nigeria and Sierra Leone and French for Cameroon and Togo. Once bank account details had been confirmed, and reporting requirements clarified, advances were transferred to start activities.

**1.2. Preparation**
The main obstacle that was encountered in the start-up phase was with the non-engagement of the Togo partners with the project. This was effectively resolved by the SB in October 2015 (over a year after the project start), and the NPIA returned the signed contract to the PEA initiating the start of activities, although without bank details which took 2 further months to secure. The delay in engaging on the project was primarily due to a misunderstanding in Togo about anticipated policy level changes and restructuring of the cocoa sector that would have seen a tightly regulated market system established, similar to Ghana. This would have fundamentally changed the need for price risk management by cocoa producers.

The delayed start in the project activities led to the decision by the NPIA to combine the awareness raising workshop and training programme in one combined event in January 2016. This was efficient in saving travel costs for participants and practical in aligning the activities with one of the other four participating counties (SL) in terms of stage of programme delivery, however it limited the scope for a sector-wide PRM awareness event with participants who might not have been invited to participate in the training programme.

**1.3 Efficiency and effectiveness of implementation**
The training format, in two stages, was effective in initially targeting a total of 130 people each representing a different producer organisations in the four countries who were trained by the PEA, followed by 384 by the local trainers. The selection of participants for both trainings was carried out by the NPIA and effective in identifying 514 key staff, each from different organisations in the cocoa value chain, who would benefit from new skills and understanding about price risk management in cocoa trading. The total number of direct beneficiaries reached was 143% over the original target of 360 key staff.

Value for Money was the primary concern in ensuring efficiency of the implementation. The scope for savings was different in each participating country, for example:
- the choice of location for the training activities was considered in light of the time and cost involved in travel for participants. In Nigeria and Togo, the training was held in the cocoa growing regions, whereas for Cameroon and Sierra Leone, the training was held in the capital cities
- the choice of venue for the trainings was chosen by the NPIAs within the budgets allocated for each Counterpart Contribution. For Cameroon, Togo and Nigeria the training was held in hotels, whereas for Sierra Leone the trainings were held in the Counterpart's own office block.

The PEA adapted to each country and tailored activities to remain relevant to the audience, for example in Nigeria, adapting the 3-day training programme to re-organise a short introductory awareness event for more POs to benefit, effectively training 50 people instead of original target number of 20.

In Sierra Leone, the workshop included members of producer organisations, as well as independent farmers, journalists, representatives from Government programmes, and a representative from a commercial out growers scheme.

In Togo, efficiency savings were made possible by combing the awareness raising and training activities into one event, at the request of the Counterpart. As none of the participants were familiar with exporting cocoa themselves, the level of the training and practical exercises was adapted accordingly to make sure it remained relevant.

**1.4 Project Management challenges during implementation:**

During the implementation phase 2 serious constraints impacted delivery of activities in two of the four partner countries; Ebola in Sierra Leone and contractual misunderstandings in Nigeria:

- The breakout of Ebola in Sierra Leone in 2014 delayed the start of the research element (Component 1) of the project that required travelling to cocoa growing areas of the country, where travel restrictions were in place. The NPIA persisted with recruitment, contracting and training of surveyors and was able to conduct the research in early 2015. A second bout of Ebola resulted in the awareness raising workshop (Component 2) being delayed until October 2015, in the last days of the World Health Organisation's countdown period to declare Sierra Leone Ebola free. The training (component 3) was delivered in January 2016 by which time the country was Ebola-free.

- The implementation phase saw obstacles in Nigeria, where, from the start, there were misunderstandings on the contractual requirements of the project by the National Coordinator; for example with bank accounts, transfers, financial management and reporting with proof of expenditure. Despite numerous attempts to address the lack of counterpart funding, firstly by the PEA and subsequently by the SB (including a visit to Nigeria to meet with all the concerned parties, including the Federal Ministry of Trade & Industry), this was never resolved satisfactorily. Earlier indications that the Federal Budget for 2016 apparently included an allocation for the project did not materialise. This resulted in suspension of Nigeria in the project. Although the National Coordinator resumed correspondence in early 2017 ahead of the final workshop, no progress had been made on securing the funds so Nigeria was not invited to join the workshop to share learnings from the overall PRM project.

  The considerable time involved in managing the Nigeria country component by the PEA and the SB was ultimately ineffective in securing the financial commitment of the Nigerian Government for the project. This reflects a level of incompetency and/or ineffectiveness by the National Coordinator who originally signed the letter on behalf of the Ministry of Trade & Industry committing the funds, and/or a lack of support for the cocoa sector at a higher Ministerial level. Cocoa production in Nigeria has dropped significantly during the project period, with Nigeria falling to 6$^{th}$ place, overtaken by Cameroon and Ecuador in global rankings.

### 1.5 Resource Utilisation
Overall resource utilisation was carried out efficiently by the PEA, with funds used as allocated and according to CFC procedures.

Total project expenditure, before the final audit, is estimated at USD 446,390
From CFC grant fund: USD 255,049
From AFD: USD 44,309
From Counterpart Contribution (in cash): USD 147,031

The PEA incurred some inefficiencies on two expenses that could not be avoided and were attributed to excessively complicated administrative procedures and poor financial systems in two participating countries;

i) in the purchase of visas for Nigeria; the National Coordinator did not facilitate the visa application process and after initial rejection (funds non returned) at the Consular Section in London, new applications had to be made for Temporary Work Permits for the 2 trainers from the Ministry of Labour directly in Nigeria.
ii) transferring funds to Togo; funds were returned and diverted on several occasions and additional banking charges were incurred for investigating the location of the funds.

An important constraint in the start-up phase was the identification of a gap in the project budget. One omission was a budget line for potential audits. Agreement was reached by the SB and PEA that the contingency funds, representing 5% of the total budget and totalling USD 31,153 would be sufficient if an audit was required, and could be used if needed.

An additional gap in the budget was the unsecured funding from “Other” funder of USD34,797 designed to complement CFC, AFD and the Counterpart Contributions. The gap in funding was never resolved and the PEA has tried, within reason, to reallocate costs within cost categories to AFD, CFC or Counterpart funds. Expenses that have needed to be reallocated include: PEA days for preparation of the awareness raising workshop, translation in French, PEA airfares for the workshops, Sierra Leone research days (enumerator and statistician fees and DSA), DSA for Togo’s 60 participants for the roll out of the training.

### 1.6 Supervision
The SB provided continuous support and guidance to the PEA on delivery of the project activities. The team also stepped-in to liaise with the National Counterparts and the participating NPIA’s when required (e.g. with relation to Togo’s delayed engagement).

Unfortunately, the pressure applied to the SB’s Counterpart in Nigeria had no impact in resolving the lack of Counterpart Contribution from the Government. In addition, no alternative arrangement was put forward to overcome the breakdown in communication between the National Coordinator and the NPIA. The SB recognised the lack of formal management reporting line between the two but chose not to revoke the appointment of the National Coordinator and seek the appointment of a new Coordinator from within the NPIA. Combined, these two elements created a major obstacle and activities were frozen in Nigeria.

Subsequently, the SB provided its support to the PEA for relocation of the final workshop from Nigeria to a different participating country. The SB carried out informal consultations and eventually confirmed its support for the organisation of the final workshop in Sierra Leone, as suggested by the PEA and formally offered by the NPIA in Sierra Leone.

## 2. Project Results Achieved:

### 2.1 Project achievements by Component, with Targets by Activity

Overall, Twin successfully delivered all the planned activities relating to the 4 project components, with progress in the expected change process, specifically in the improved management of price risk by smallholder cocoa farmers and their cooperatives, using physical, and to a lesser extent financial, risk mitigation strategies. Following the training and capacity building activities, evidence from the final evaluation survey suggests 90% of producers developed price risk management strategies and 88% subsequently implemented changes that impact on their exposure to price risk.

### Component 1: Survey on the impact of price volatility and strategies in place

**Target 1.1** Baseline data on the impact of price volatility on farmers and on the measures currently used as self-insurance mechanisms

This target was achieved through the following activities;

- Surveys and guidance notes were developed for Cameroon and Sierra Leone for farmers and producer organisations and exporters and a guide for enumerators was developed and training completed.
- The surveys were successfully completed in Cameroon with all the target groups and data consolidated; 3 surveys were carried out to 65 producers and 32 representatives of producer organisations and 6 exporters across the 4 main cocoa growing regions where 85% of cocoa production is concentrated.
- In Sierra Leone, the survey was postponed due to the Ebola outbreak in 2014 that led to the restricted movement of people, but eventually completed in early 2015. Based on the structure of the majority of cocoa value chains in Sierra Leone, information was also gathered on local Buying Agents and Exporters. In Sierra Leone, 4 surveys were carried out to 20 producers, 22 members of cocoa producer organisations, 10 representatives of producer organisations, 5 cocoa exporters and 11 local cocoa buying agents. The survey was carried out in the 3 main cocoa producing districts.
- In both Cameroon and Sierra Leone the National Coordinators oversaw the preparation of reports with summaries of data and analyses of sources of exposure to price risk, impact and strategies which provided solid baseline data on the impact of price volatility and informal measures used self-insurance mechanisms.
- Highlights of the findings of the survey include:
    - 30% of producers in Sierra Leone do not agree any written contracts with buyers. In Cameroon, only a small percentage (9%) of respondents indicated that they do not agree any written contracts with buyers.
    - Nearly half of POs in Cameroon (48%) agree fixed price contracts and only a quarter (26%) agree price-to-be-fixed contracts. In Sierra Leone the most common price terms in sales contacts between POs and buyers are fixed price contracts (43%).
    - In Cameroon, exposure to price risk results most commonly in reduced profit (73%), reduced financial reserves (68%), negative relationship with members (60%) and limited ability to invest in the organisation (60%). In Sierra Leone exposure to price volatility results most commonly in increased indebtedness (57%) and limited financial reserves (50%).

- In Cameroon the most common responses regarding the impact of a reduction in cocoa prices are; lowers quality of life (24% of respondents), causes children to be taken out of school (24% respondents) and leads to malnutrition or reduced quantity of food (16% of respondents).
- In Sierra Leone, the most common responses regarding the impact of a reduction in cocoa prices are; a reduction in household income (58% of members), increased indebtedness (26% of respondents) and effects investments in production (16% of respondents).

- The findings were presented at the four awareness raising workshops to highlight the sources of price risk, the perceived impact and the strategies adopted in both Sierra Leone and Cameroon to manage exposure to risk.

**Target 1.2** Analysis of the policies to enhance farmers price risk management strategies

This target was achieved through the following activities:

- The survey results were analysed in detail including the technical and political context, decision making structures and processes impacting on cocoa prices in Cameroon and Sierra Leone. This included questions relating to access to transparent and timely cocoa price information, the role of trade bodies (such as CCMU/PMB in Sierra Leone and the System d'Information des Filières SIF in Cameroon), access to the internet, radio and television. This also included structural aspects of cocoa trading, including collection and buying practices, organisational structures, contract terms and advance payments mechanisms.
- Survey results from Sierra Leone indicated that only 40% of producer organisations have regular access to a computer and only 30% have access to the internet, whereas in Cameroon only 23% have regular access to a computer and only 20% to the internet. Despite this, just under half of producers in Cameroon (48%) and 40% of producers in Sierra Leone monitor international cocoa prices, established on the cocoa futures market. No farmers in Cameroon indicated they understood how the international price was established, and only 2% in Sierra Leone said they understood. The impact of this was that considerable time was given to explaining the market fundamentals to the participants in the initial awareness raising workshop. In addition, guidance was given to the NPIAs, theoretically with better computer and internet access, to provide key market information to producer organisations.
- In Cameroon, 90% of respondents did not export cocoa directly, instead selling to local exporters (70%) or buying agents (54% or local processing facilities (6%). Approximately half of farmers interviewed (51.6%) received pre-finance from their producer organisations or from their buyer, in the form of cash or inputs. In Sierra Leone, 64% of farmers belonging to organisations regularly receive pre-finance. This highlighted the importance of explaining in the training the exposure to price risk for those involved and possible arrangements with social lenders for alternative sources of finance. Three-way agreements with social lenders enable the producers to export directly on the basis that the farmers own their cocoa and are not locked-in to selling or repaying their pre-finance at unprofitable prices.
- The analysis of the survey results was presented, discussed and verified with stakeholders from the cocoa sector in all four countries at the first PRM awareness-raising Workshops. There were varying levels of interest in the results; less interest in

Nigeria which included more experienced producer organisations and traders, familiar with exporting and consequently less understanding of the limited trading experience shown by the respondents, and more from Togo where none had experience of direct trading. To ensure more relevance for all participants, the survey should have been conducted in each participating country, rather than only in the 2 selected.

*Objective 1 - included Activities planned under Component 1 - Achieved*
*The PEA successfully identified the impact of price volatility and the strategies adopted by farmers, (members of Producer Organisations, and non-members), Producer Organisations and Exporters in Cameroon and Sierra Leone to cope with it, as well as to develop policy recommendations aiming at improving these strategies.*

**Component 2: Raising awareness of cocoa stakeholders on price risk management strategies**

**Target 2.1** Assessment of availability and effectiveness of risk management instruments in the context of cocoa value chain and baseline data and its analyses.

This target was achieved through the following activities:

- An assessment of the survey findings were used to develop the workshop materials and priority areas for the training programme, including exercises on understanding market fundamentals, contracts and price fixing.
- Potential participants were identified by each NPIAs in the four participating countries and selected to participate in the workshops. A broad range of stakeholders were invited in all four countries, but no representatives from the financial sector participated in any of the countries. Sierra Leone had the broadest range of participants, including representatives from government, academia and a consultancy.
- The Workshops confirmed varying levels of capacity and experience of producer organisations to export their cocoa in each country.
- In Nigeria, materials were adapted (special Introductory module) for a well attended plenary session to raise awareness among a larger number of producer organisations than had originally participated in the awareness workshop. Similarly, in Togo, the awareness raising was combined with the training. In both Nigeria and Togo, the NPIA decided to host the event in the cocoa producing region, away from the capital to ensure a high level of participation by producers.
- Based on the areas of risk and producer strategies identified through the surveys in Cameroon and Sierra Leone, the target beneficiaries were encouraged to consider adopting new strategies based on three elements that would be expanded on, during the full training programme;
    - Long-term analysis: understanding the market fundamental in terms of production, export, consumption and stock, in order to assess the main dynamics of the world market
    - Middle-term analysis: risk management through physical stock management, monitoring “short”/”long” position, understanding breakeven point, and buying and selling at the right price
    - Short-term fixing strategy: when an operator has bought the main part of the volumes for a specific contract (around 75%), the operator has around a week to define the right moment to fix.

- Feedback from the workshops was positive with increased levels of awareness of basic market principles and interest among cocoa value chain stakeholders to monitor exposure and work on the implementation of the elements of the PRM strategies listed above.

*Objective 2 - included Activities planned under Component 2 – Achieved*
*Appropriate Price Risk Management Strategies and instruments were assessed and developed, followed by workshops to deliver awareness raising for producer organisations to mitigate against intra-seasonal price fluctuations in four participating countries.*

**Component 3: Training and capacity building on price risk management**

**Target 3.1** Practical use of the price risk mitigation techniques based on the understanding of the costs of risk exposure by the cocoa value chain stakeholder to mitigate the impact of the volatility of cocoa prices.

This target was achieved through the following activities:

- Capacity building activities consisted of developing practical training materials and exercises tailored to the target producer organisations, with an introduction to the cocoa sector and cocoa market fundamentals, identifying sources of price risk, tools and physical and financial strategies to manage price fluctuations.
- Local experts were selected with appropriate understanding of the price risk management concepts and techniques, to provide support and further training to other producer organisations. The PRM training was then rolled out in all 4 countries by the local experts, as organised by NPIAs. Cameroon required English and French trainers to cover the two main cocoa growing areas, Nigeria and Sierra Leone had English speaking trainers, and Togo had French speaking trainers.
- There is a strong likelihood of continuity of the PRM trainings with the local experts, as they are based either in the NPIAs (core staff) or in local producer organisations. Feedback from the trainings confirmed the trainers found the materials accessible and used the materials confidently.
- The PEA's direct training exceeded the targeted 80 participants by 156%, primarily due to the Nigerian NPIA inviting an extra 30 participants and NPIA staff joining in:

| Country | Training Location | Total |
|---|---|---|
| Cameroon | Yaounde | 23 |
| Nigeria | Calabar | 50 |
| Sierra Leone | Freetown | 22 |
| Togo | Kpalime | 35 |
| | | 130 |

The rollout of the training exceeded the target of 280 "early adopters" to total 384 producers;

| Country | Training Location | Total |
|---|---|---|
| Cameroon | Abala and Yaounde (French) Kumba (English) | 76 |
| Nigeria | Akure, Calabar | 130 |
| Sierra Leone | Kenema, Kailahun, Kono | 60 |
| Togo | Kpalime | 118 |
| | | 384 |

- In total 130 people participated in the direct training by the PEA, followed by 384 by the local trainers, effectively reaching 514 key staff each from different producer organisations in the cocoa value chain, 143% over the original target.
- The number of indirect beneficiaries benefiting from the training activities is estimated at approximately 250,000 farmers, on the basis of each participant representing an average of 500 members per cooperative. Based on the final evaluation survey across three of the participating countries (Sierra Leone, Togo and Cameroon), the average membership per producer organisation was 585 members which would indicate 300,000 farmers benefited indirectly from the training. This represents a 167% increase above the original target of 180,000 indirect beneficiaries.
- Participants at the trainings developed their knowledge and their skills for managing price risk, understanding not to speculate but focus on understanding the sources of price risk, how to assess their exposure and methods of mitigating that risk within their businesses in order to reduce the impact for their farmer members.
- Special attention was given by the PEA to explaining the risks associated with producer organisations (e.g. the need for balanced leadership, implications of 1st, 2nd and 3rd level structures). Price risk management strategies focused more on business basics and physical stock management for less experienced producers (especially in Togo and Sierra Leone) and introduced financial strategies for more experienced producer organisations (primarily in Nigeria and Cameroon).
- Follow up and monitoring of the cocoa producers was provided by the National Coordinators and NPIAs with the PEA offering backstopping focused primarily on adapting materials for local experts to train less experienced/advanced producer organisations.
- Feedback from training evaluations carried out reported 90% satisfaction rates (good and excellent), for example in Togo 81% of participants confirming the training was useful for them.
- The final evaluation survey confirmed 90% of participants trained (directly by PEA and indirectly by local experts) developed price risk management strategies and 88% implemented related changes following the trainings.

Analysis of results achieved;
Based on the limited experience in trading of many of the participants, the PEA advised producer organisations in Sierra Leone, Togo and Cameroon to focus their strategies on physical price risk management (e.g. stock management, rapid roll over). In Nigeria where producer organisations were more experienced/advanced in exporting their cocoa, hedging was introduced as a complementary strategy. It was emphasised for all producers that even when they do not use the Futures market, it is important they understand international and local market dynamics as components of price and deciding when to fix.

Although the final evaluation survey results are not conclusive as the data was limited to a sample of approximately 7% of participants trained (58% from Cameroon, 20% from Sierra Leone and 22% from Togo, of which approx. 75% trained by local trainers and 25% by the PEA), practical use of PRM strategies appear to have been generally well adopted by the participants interviewed. Our findings indicate;

- Long term: 50% increase among respondents seeking market information daily after the training, as well as 50% increase of respondents confirming, that after the training they checked market information before making a sale, suggesting a better understanding of the importance of recognising bullish and bearish markets.

- Middle term analysis: after the training 90% of producer organisations confirmed having a strategy, whereas before around a third did not have any effective strategy in place; 78% reporting reviewing it at the start of the 16-17 season, and 17% reported having reviewed it again within 2 months, suggesting a good understanding of the need for flexibility and adapting to changes in the market.
- In the Baseline survey only 52% of respondents in Cameroon said they knew the costs associated with running their business and only 23 % calculate their break even. After the training, 30% of respondents from Cameroon reported making changes in when and how they calculate their Breakeven Point. This shows a greater awareness of business basics that will strengthen their position when seeking pre-finance or investment form an investor.
- In Cameroon, 48% of producer organisations reported having fixed price contracts before the training, whereas all reported price to be fixed contracts after the training. Despite the falling market during the period of the training, this suggested a better understanding of the importance of contract negotiation by producer organisations. Stronger producer organisations empowered to review their contract terms with their buyer helps build stronger long term relationships with buyers that is key to producer organisation survival, and necessary for sustainable growth.

The training also highlighted the risks associated with different types of producer organisations, in terms of their primary aims (social or trading e.g. collective marketing, extension support, savings, etc.), their structure (primary or second/third level unions), their leadership with varying board and management roles and responsibilities and degrees of gender representation, their product flow from producer to point of sale for the organisation (based on formal and informal arrangements, payment systems, and range of trading activities).

This element of the training appears to have been heeded with many producer organisations reviewing their structures and decision making, with a review of roles and responsibilities in relation to price fixing for cocoa buying from producers as well as price fixing for cocoa sales. Evidence of this was highlighted in the final survey;
- After the training producer organisations identified key areas for change; producer organisations confirmed their success in making planned changes to their governance and their organisational structures after the training (33% of producer organisations in Togo, 50% of producer organisations in Cameroon, 100% of producers in Sierra Leone).
- Approximately 75% of producer organisations in Cameroon and Sierra Leone reported making changes after the training with regards to the person responsible for setting buying price. The changes on sales contracts is less clear with apparent changes in balance between Board, Committee and General Manager decision making

*Objective 3 - linked to the Activities included in Component 3 - Achieved*
*Local capacity was built through local experts and price risk management training was delivered directly to 514 cocoa smallholder farmers and staff of producer organisations, and indirectly benefiting 250-300,000 farmers.*

**Component 4: Project Management, Co-ordination and Supervision**

This was achieved through the following activities:

- Twin successfully signed contracts with each of the NPIAs to establish project implementation and management units in all 4 participating countries (Cameroon, Nigeria, Sierra Leone and Togo)
- There were considerable delays starting the project in Togo due to delays in the contractual agreement being signed by the Togolese authorities (eventually established in December 2015).
- There were a number of difficulties with the management of the project in Nigeria; the management unit was not fully functional due to lack of agreement between the Counterpart and the National Coordinator and eventually the whole project in Nigeria was suspended due to lack of matched funding.
- The management units were responsible for all communication, local event and training logistics, technical and financial management and reporting to the PEA.
- All reporting was successfully completed for Cameroon and Sierra Leone, however Togo experienced considerable reporting delays throughout the project and poor communication to the PEA on the causes of the delays. Nigeria failed to provide financial reports as required and was subsequently suspended (see above).
- There was consistent monitoring and supervision throughout the project by ICCO and some technical guidance on cocoa market developments. There was also valuable mediation with the Counterparts and NPIAs in Togo and Nigeria, and strong support to re-locate the final workshop after the suspension of Nigeria to Sierra Leone.
- The final evaluation workshop was organised in Sierra Leone with review of project implementation and market developments by the SB, the PEA and 3 producer organisations from Cameroon, Sierra Leone, Togo, as well as technical guidance provided by 2 specialists in their fields; a cocoa marketing adviser and a social lender.
- The NPIAs facilitated a short 'evaluation' survey of approx. 7% of participants to provide an indicative assessment of adoption of price risk management strategies and the impact of the training on cocoa trading activities by producer organisations.

A table summarising the Project Results as Compared to the Project Targets, is annexed to this report. It captures the activities and achievements by component.

### 2.3 Assessment of main benefits of project (impact amongst beneficiaries)

In January 2017, following the training and a cocoa season putting into place PRM strategies adapted to their businesses using the skills and tools they had acquired, a short survey was undertaken with approximately 7% of the participants of the training. Forty participants were selected from the 514 people trained in Cameroon, Togo, Sierra Leone and Nigeria, both directly by the PEA trainers and the subsequent training by the local expert. It should be noted that the project did not include a budget to carry out a detailed final evaluation to assess impact amongst the beneficiaries against the baseline data so the short survey was coordinated at minimal cost by the NPIA's core staff. The survey results should only be used as indicative of general tendencies.

The findings indicate most clearly that despite the dramatic drop in cocoa prices over the period of the training and the 2016-17 season, approximately 35 % of the producers surveyed reported making savings as a result of their PRM strategies. This ranged from USD 300 to USD 10,000 in the 2016-17 season (reporting in January 2017 when cocoa season was ongoing). On average, across all three countries, the savings amounted to USD 2695 per cocoa organisation for the season in their cocoa trading operations.

After the price risk management training, 88% confirmed making planned changes with 75% of producer organisations reporting changes in their staffing to reduce fixed costs and a small minority also reducing transport and rental costs (offices, warehouses, etc.)

Across all 3 countries surveyed, producer organisations reported similar volumes of cocoa traded in 2015-16 and 2016-17, with just a 2% increase to 10,916 MT in total in 2016-17. Although 33% did not report export volumes for 2016-17, it is notable that the 14 who reported exporting in Cameroon saw a 15% volume increase, increasing their exposure to international price fluctuations. The market volatility apparently did not deter the producers who appear to be have operated using the mitigation strategies promoted in the training.

Their profitability, based on analysis of data provided appeared to increase by between 11% and 80%, with 2 out of 14 making losses. However, the data collected is insufficient and incomplete to quantify accurately the impact of the training on profitability and impacts on producer incomes.

Interestingly 65% - 88% of the producer organisations in the sample reported successfully making changes that impacted positively on their profitability. Similarly, across all three countries, approximately 70% - 80% surveyed reported success in their planned changes having a positive impact on producer incomes.

Based on the calculation that the number of indirect beneficiaries from the project training totals approximately 250-300,000 farmers, the incomes of 175-240,000 of those farmers would have benefited from the successful changes undertaken in their cocoa trading operations of the producer organisations to mitigate against price risk over the 2016-17 season.

Overall, this project has successfully enabled smallholder cocoa farmers in Sierra Leone, Cameroon, Togo and Nigeria to reduce their exposure to the downside cocoa price risk and put them in a better position to make effective decisions relating to their cocoa trading operations at a critical time of uncertainty in the cocoa market.

### 2.4. Additional/Unforeseen Benefits

The additional/unforeseen benefits identified during the implementation were country specific and not quantifiable, but important for the NPIAs and the producer organisations in the countries concerned;

- In Nigeria; the decision to turn the 3-day training programme into a large high-profile event allowed a significantly larger number of cocoa sector stakeholders to have an introduction to price risk management during the plenary and also provided an opportunity to raise the profile of the cocoa sector in Nigeria.
- In Sierra Leone; the decision to relocate the final workshop to Sierra Leone was important in highlighting the importance of the cocoa sector publicly within Sierra Leone (to Presidential level) as well as supporting the post-Ebola recovery.

- For Cameroon, Togo and Sierra Leone; the participation of social lender SIDI at the final workshop provided an opportunity for representatives of producer organisations from Cameroon, Sierra Leone and Togo to meet in country groups to discuss opportunities for short term crop finance or long-term investment. The project originally anticipated greater involvement by banks and financial service providers in the awareness raising and the training activities. The PEA's involvement of SIDI provided the anticipated introduction for the cocoa producers to understand the mechanisms and procedures to access credit secured on their cocoa crop, and the incentive to demonstrate to SIDI efficient business management and price risk mitigation to have better access to affordable finance.

### 2.5 Social and Environmental Impact

The project was focused on building local capacity of cocoa producers organised into producer organisations where they can act collectively and benefit from economies of scale from efficiencies in their cocoa trading. Limited direct or indirect social or environmental impact is expected during the course of the project.

The PEA's main external challenge was to deal with the security and health risks posed by the Ebola outbreak that had a considerable impact on social and environmental conditions of cocoa producers in Sierra Leone. Ebola had an impact on the movement of people within Sierra Leone (and travel to Sierra Leone severely restricted). It also had an impact on social norms (limiting physical contact) as well as on cocoa production with a perceived improvement resulting from increased attention to food security and agricultural practices, improving cocoa quality. The extent of this impact was not measured by the project.

## 3. Dissemination of Project Results:

For each component of the project, the NPIAs have disseminated information about the project in their local media, for example, the awareness raising workshop in Sierra Leone was broadcast on local TV, including interviews with participants reflecting on their understanding about PRM; and in Togo the training was featured in a local paper as part of a special feature on cocoa production. The National Coordinators led on dissemination locally.

At the Final Workshop in Sierra Leone in February 2017, a synopsis of the survey results was shared by the PEA in a presentation, highlighting some of the findings. In addition, 3 selected producer organisations, one from each partner country, presented their experience in cocoa trading and managing price risk; the changes they wanted to make after their training, the changes they had actually made in the intervening cocoa season, and the results for the PO (expected and unexpected). The producer organisations were also encouraged to identify 3 priority areas for improvements in their PRM strategies for the following season (17-18). A Question and Answer session followed that allowed producer organisations from Cameroon, Sierra Leone and Togo to reflect on their PRM strategies.

All the presentations from the final workshop were disseminated to the three NPIAs who attended the workshop (Sierra Leone, Cameroon and Togo) to share with participants and more widely within the cocoa value chain partners in country. The SB was also provided with the materials for dissemination to ICCO members.

Beyond the project beneficiaries, there are opportunities to share the results and survey findings with other cocoa sector stakeholders. In the current environment of dropping cocoa prices, producer countries are reflecting on how to support and/or protect their producers from the low cocoa prices. Ghana and Cote d'Ivoire have publicly announced efforts to limit the impact on producers. Other cocoa sector partners, including traders, processors and chocolate manufacturers, as well as development and trade promotion organisations, are also reflecting on the limited impact 'sustainability' initiatives (around good agricultural practices and/or child labour for instance) are having on the incomes and livelihoods of cocoa farmers. The PEA will consider how best to engage with these partners to highlight the findings and ultimately share the responsibility among stakeholders in the chain to protect producers from excessive price uncertainty in order to ensure sustainable cocoa production.

## IV. Lessons Learned

### 1. Development Lessons

1.1. Based on the experience implementing the project in the four participating countries, the PEA has drawn a number of development lessons and identified factors that should be taken into account in future project design:

i. Choice of target operators in the cocoa value chain; the project design anticipated participation from across the cocoa sector with awareness raising workshops for all cocoa value chain stakeholders, such as creation of a platform linking users and providers of risk management instruments and a more supportive and informed agri-banking sector to provide market based mitigation tools and affordable finance. In Sierra Leone where participation of the widest range of operators was achieved at the awareness raising workshop, this did not lead to wider sector engagement on price risk management (i.e.by bankers, traders or exporters as facilitators of risk management instruments). As exposure to price risk varies in the value chain, the PEA chose to focus on the most critical actors in the value chain and encouraged the selection of participants for the training to come specifically from producer organisations.

Factor to consider: Future projects should identify clearly one target group of beneficiaries (individual farmers, managers of producer organisations or other value chain actors, such as banks and social lenders) to tailor the training and capacity building activities accordingly.

ii. Developing local trainers; in each country, the trainers were selected at the end of the training programme. This provided an opportunity to see who had best grasped the concepts of price risk management, but little indication of the participant's capacity to deliver the training to other producers approach. The project did not provide sufficient time to develop participants' skills as trainers. The trainees were not prepared for adapting the training materials for other operators in the value chain, so the scope for effective replication is limited to similar producer organisations.

Factor to consider: More PEA time should be planned for developing a Training of Trainers approach in future project design, aside from design and delivery of the training programme.

iii. Cocoa sector structure and systems; all four participating countries have liberalised cocoa markets, however there are nevertheless significant differences in their local market dynamics, with varying degrees of market disparities and imperfections, and varying local systems and structures (e.g. distinct role of Togo NPIA in identifying buyers and negotiating contracts). Although the PEA trainers adapted the training to each country, the significant variations in local environment, such as levels of reliable and transparent local market price information, that limited the value of establishing updates for all four countries.

Factor to consider: Future projects should recognise these differences in the design of activities and tailor approaches more distinctly to each country.

iv. Differences in size and capacity of producer organisations in each country; the capacity of the selected producer organisations (in size and stage of development) to adopt market-based price risk management varied enormously as did the capacity of the trainees from the participating producer organisations (board members or staff, of which general managers, finance managers, accountants or buying agents). Training needed to be tailored to the participants, as did the practical exercises, so understanding the capacity of the participants was important.

Factors to consider: The PEA would suggest;

a. A robust capacity analysis at the start to assess producer organisations capacity before the training could then involve clear KPIs relating to their PRM strategies for each producer organisation over several trading seasons.
b. Focus on Business Basics, including calculating Break Even for young and/or weak producer organisations, as for most producers in Togo and Sierra Leone with little/no experience of exporting directly (for their own account) and for whom physical stock management is a first step to price risk management.
c. Introduce Futures and Options for more mature/sophisticated producer organisations, as in Nigeria and Cameroon where producer organisations are experienced exporting and are familiar with using hedging to mitigate against price risk.

v. Benefits of producer organisation; as a result of demonstrating clearly the decreased exposure to price risk for organised producers (associations, cooperatives, unions, etc.) during the workshop in Sierra Leone, a well-regarded, large smallholder producer (non-organised) decided to become member of an existing producer organisation. He decided to aggregate his volumes for collective marketing by the organisation and become an active Member of the Board of the organisation, getting involved in contract negotiations and price fixing. This is central to the PEA's approach and in line with the strategy of the NPIA in Sierra Leone.

Factor to consider: Given approximately only 20% of producers are members of organisations, and the role organisations can play in mitigating the impact of price risk on producer livelihoods, support could be given to producer organisations to monitor and demonstrate improved business management practices (including price risk). Improved producer organisations management would help with recruitment of individual smallholder farmers. This could involve detailed research on incomes of new members and changes over observed in the producer organisation's business decisions about price risk management.

vi. Project Timeframe; the project anticipated 18 months for three substantive components; research, awareness raising and training, followed by season monitoring and analysis of take-up of newly acquired price risk management skills.

Factor to consider: Future projects on price risk management would benefit from being designed for 36-48 months. This would allow sufficient time following the training, for producer organisations to develop PRM strategies ahead of the cocoa season, to implement their strategies and for review of effectiveness after one season, with refreshers and guidance for improvement for a second season. This would also allow for producer organisations to be differentiated and graduate from basic training to more complex training during the course of the project, based on performance.

vii. Linkages to social lenders; the project anticipated engagement with the financial sector to develop a "more supportive, well informed and experienced agri-banking sector" ready to provide better access to adequate mitigation tools and affordable finance. This was not evident as engagement with local financial institutions was not straight forward. Nevertheless, the PEA introduced the concept of three-way contracts with buyers acting as loan guarantors, and was able to introduce social lender Sidi to producers at the final workshop to demonstrate how some lenders operate to help producer organisations address their lack of liquidity.

Factor to consider: There is scope for more intensive work with social lenders and open-minded financial institutions to provide finance on competitive terms tailored to producer organisations, training them to understand the price risks that producers are exposed to and ways they can support to mitigate these.

viii. The quality differential; there was considerable debate and discussion in the final workshop on the quality differential imposed by buyers (for example: Cameroon 200-250 FCFA/KG). Although the elements that make up price were covered in the training, it was evident that there was very poor understanding of the quality differential and more could be done to support NPIAs to change this.

Factor to consider: Further work could be done with the NPIAs and cocoa sector operators including quality regulators and inspectors, local traders, exporters and international buyers in each country to review prices, increase transparency around price in the value chain, and raise awareness and understanding of the influence of consistent (good) quality and reliability, and reducing negative price differentials.

## 2. Operational Lessons

There are number of lessons to draw from the project implementation arrangements and project management and corrective measures to consider for future projects;

- Choice of collaborating organisation; the SB worked with its members to select the Counterpart institutions providing the counterpart funds and the local organisation that would implement the project. The choice of partner in Nigeria and Cameroon was from the private sector (in Nigeria cocoa specific, in Cameroon two commodities (cocoa & coffee), whereas in Sierra Leone and Togo there was a level of government engagement (parastatals, responsible for coordination and regulation). The NPIA's difficulties encountered in Nigeria appears to have stemmed from the structural separation from the SB's Counterpart, with little influence with regards to the mobilisation of the Counterpart funds. Future projects requiring Counterpart contributions from Government should ensure commitment of both the SB's partner and the nominated NPIA.

- Selection and management of National Coordinator: the NPIA must be made responsible for the selection of the National Coordinator, with clarity of roles, responsibilities and reporting lines for the National Coordinators to ensure he/she is both empowered and accountable to the NPIA, who is ultimately responsible for delivery in the partner country.

- Confirmation of Total Budget: the full budget should be committed from the start of the project with clear procedures for all contributions, including additional budget for complementary activities (e.g. decision to expand the scale of the training in Nigeria with private funds from the NPIA). In addition, there should be consistency in budget lines to ease reporting (e.g. DSA is allocated to Category VI in Component 2 and Category VII in Component 3).

- Sustainability of local structures providing technical support; the creation of 'help desks' services offering advice and analysis during the season is a good idea. In Nigeria where the local trainers were selected from among the producer organisation members who participated in the training, the knowledge resides with those individuals, with limited scope for replication and advice to other producers. In the other three countries (Cameroon, Togo and Sierra Leone), staff of the NPIA were also nominated to join the training and then 1 or 2 were selected to facilitate the roll out of the training. As a result, these NPIAs' capacity to act as a resource or 'help desk' was greater and their potential for further replicating the training is also greater. Combining trainers from the NPIA and the producer organisations is a more sustainable approach to local capacity building.

- Measuring level of impact; at the start of the project baseline data was gathered in Sierra Leone and Cameroon following a detailed survey of cocoa producers, producer organisations, and traders/exporters, using AFD budget. The majority of the project activities were then focused around producer organisations as the critical points in the value chain where cocoa smallholders are most exposed to price risk. Gathering information on the level of impact of the training activities at producer level was difficult given the lack of budget for a final evaluation survey on the scale of the baseline survey. To fully assess impact, a commensurate budget should have been allocated. The PEA developed a short survey that the NPIAs facilitated (by email or using their staff as surveyors instead of recruiting enumerators) with a small number of producer organisations to give an indication of the impact of the training.

## V. Conclusions and Recommendations:

1. Conclusions

Overall the Project achieved its aims to equip cocoa producers with knowledge and skills necessary to employ an appropriate mix of instruments and tools to mitigate against price risk associated with global cocoa markets. Key points of note are;

- Strong engagement by the four participating countries, with 514 people trained in price risk management (130 trained directly by the PEA and 384 trained by the local trainers). Based on a sample, those trained represented 250-300,000 smallholders who will have benefited indirectly from the price risk management training.

- Solid baseline data was gathered in Cameroon and Sierra Leone to identify the areas of exposure to price risk, the existing strategies adopted by producers and the constraints for market-based price insurance schemes. The findings are useful in understanding the cocoa value chain in Cameroon and Sierra Leone, as large and small producer countries.

- Tailored training materials were developed for training cocoa producers from producer organisations that cover key topics such as Market Fundamentals on cocoa sector, Risks, Risks associated to producer organisations, Types of Contracts, How to Monitor Exposure, Futures & Options, How to Fix your price. The training materials were also used confidently by local trainers, with good feedback.

- Anecdotal evidence from project participants confirmed the project was of value to the producer organisations who benefited from the training (both directly by the PEA, and indirectly by the local trainers) with 90% developing price risk management strategies and 88% implementing changes following the training and 35% making savings, of on average $2695 over the 16-17 cocoa season (as reported in January 2017 before the end of the season).

- There is a strong likelihood of continuity of price risk management training and producer support in 3 of the 4 countries (Sierra Leone, Togo and Cameroon) as local trainers are now established within the NPIA, and equipped to replicate the training for producer organisations in these countries, benefiting the larger cocoa producer community.

2. Recommendations

Project ideas can be developed, in partnership with the NPIAs, and the SB, to build capacity of producers across any of the technical areas covered in this project. Below, the PEA recommends three complementary project areas that build on the achievements of this project to strengthen the capacity of producers to tackle appropriately their exposure to cocoa price risk:

1. Expand the cocoa smallholder capacity building programme with tailored price risk management support to producer organisations, through several growing seasons. This would involve producer organisations capacity assessment, setting KPIs for selected organisations, providing guidance through a strengthened, more visible local PRM resource (help-desk of local trainers) and building links to existing local market information services. This project could include a component to monitor progress in incomes, livelihood strategies and food security of producer organisation members.

2. Support producer organisations to build linkages to social lenders who can help address their lack of liquidity, especially at the start of the cocoa season with short term seasonal loans, and can support producer organisations to implement effective price risk management strategies. This would aim to strengthen business basics and financial planning of producer organisations trading in their own account. This could draw on the baseline survey findings about buyer and producer organisation practices around advance and split payments, and focus on specific elements of exposure to price risk and improving producer organisations' financial management.

3. Develop a programme of support linking quality and pricing, including a component on awareness raising for all cocoa value chain partners, with an introduction/refresher on mitigating the impact of price risk management and explaining the elements of price, cocoa quality and standards, systems of quality control, with a component on quality training from field to sale (production, harvest, drying and storage). This project could introduce careful monitoring to assess improvements in traded cocoa quality and price of cocoa.

End.