Case study of the African Cashew Initiative - Focus: Ghana

Lessons from Working with New and Multiple Partners - Emerging Results

By Melina Heinrich

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Table of Contents

Acronyms and abbreviations........................................................................................................ i
The Donor Committee for Enterprise Development and context of this case study........ ii
Acknowledgements..................................................................................................................... iii

Executive Summary...................................................................................................................... 1

Introduction.................................................................................................................................... 2

1. Background and Scope of the African Cashew Initiative (ACi)............................................ 2
   1.1 Configuration and development of the world market for cashew nuts......................... 2
   1.2 Key domestic constraints for Ghana’s cashew sector.................................................... 3
   1.3 Outline of the main intervention areas of the ACi....................................................... 5

2. Lessons from the Structures and Processes of the Programme........................................... 6
   2.1 Managing the multi-stakeholder co-funding and implementation structure................. 6
   2.2 Working with a ‘new’ donor, the Bill & Melinda Gates Foundation:
       Challenges and mutual learning...................................................................................... 10
   2.3 Changing responsibilities in results measurement: Towards increasing
       internalisation..................................................................................................................... 14

3. Preliminary Results and Outlook of the Programme........................................................... 17
   3.1 First achievements and stumbling blocks........................................................................ 17
   3.2 Opportunities and constraints for scaling up and achieving sustainability............... 19

Conclusion...................................................................................................................................... 23

References...................................................................................................................................... 24

Annex : ACi roadmap and key performance indicators.............................................................. 25

List of Boxes and Tables

Box 1: World cashew production, processing and consumption............................................. 3
Box 2: Original co-funding and implementation structure of the ACi..................................... 6
Box 3: Multi-stakeholder and multi-cultural project set-up.................................................... 8
Box 4: Possible future structure of the ACi in the context of coordinated cashew sector support..................................................................................................................... 10
Table 1: New donors vs. ‘traditional’ development organisations – differences
       in approaches and areas of mutual learning between the BMGF and BMZ/GIZ........ 13
Box 5: Increasing internalisation of results measurement responsibilities........................... 16
### Acronyms and Abbreviations

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACA</td>
<td>African Cashew Alliance</td>
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<td>ACi</td>
<td>African Cashew Initiative</td>
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<tr>
<td>BMGF</td>
<td>Bill &amp; Melinda Gates Foundation</td>
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<td>DCED</td>
<td>Donor Committee for Enterprise Development</td>
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<tr>
<td>FMS</td>
<td>FairMatch Support</td>
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<tr>
<td>GIZ</td>
<td>Deutsche Gesellschaft für Internationale Zusammenarbeit</td>
</tr>
<tr>
<td>ICT</td>
<td>Information and Communication Technology</td>
</tr>
<tr>
<td>M&amp;E</td>
<td>Monitoring &amp; Evaluation</td>
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<tr>
<td>MoFA</td>
<td>Ministry of Food and Agriculture, Ghana</td>
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<tr>
<td>PPP</td>
<td>Public-Private Partnership</td>
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<tr>
<td>PSD</td>
<td>Private Sector Development</td>
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<tr>
<td>RCN</td>
<td>Raw cashew nuts</td>
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<tr>
<td>RM</td>
<td>Results Measurement</td>
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<td>USAID</td>
<td>United States Agency for International Development</td>
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The Donor Committee for Enterprise Development and context of this case study

The Donor Committee for Enterprise Development (DCED) is the forum for donors, foundations and UN agencies seeking to improve the effectiveness of their work in Private Sector Development (PSD).

Members use the Committee to learn from their practical experience in PSD and identify both promising innovations and good practice. Working Groups currently focus on Results Measurement, Business Environment Reform, PSD in Conflict-Affected Environments, Green Growth as well as Women’s Entrepreneurship. The DCED is also a leading source of knowledge on all aspects of PSD through its main website at www.Enterprise-Development.org, its specialised databases, social media and newsletters. A strategic priority across the DCED’s work is to generate and communicate fresh, robust data on results in PSD.

It is in this context that the DCED is actively seeking to learn from the experiences of field programmes and to share lessons more widely among PSD practitioners. The African Cashew Initiative (ACi) is pioneering an innovative new programme format, which combines various public and private actors in funding and implementation – and its evolution in response to emerging challenges over the last few years offers valuable lessons, which are described in this case study. The case study also offers insights into constraints and opportunities that programmes can face in promoting the competitiveness of African smallholders in global value chains. In the words of one ACi stakeholder “it is truly helpful to see [the ACi’s experience] documented by a third party as it pushes us to consider some of the more challenging lessons learned.”

The DCED welcomes any feedback on this case study. Also, if you are working in a PSD programme which explores promising new approaches, has achieved impacts at scale or offers other useful lessons – and wish to be reviewed and profiled through a DCED case study – please get in touch with the DCED Secretariat at Coordinator@Enterprise-Development.org.

www.Enterprise-Development.org
www.Value-Chains.org
www.Business-Environment.org
Acknowledgements

The author would like to thank all ACi staff members who have assisted in organising the visit of the ACi in Ghana and provided their valuable views and comments. Special thanks go to Rita Weidinger (ACi Executive Director, GIZ) for her time, comprehensive insights into the ACi and kind support throughout the preparation and implementation of the research. Many thanks also go to Mary Adzanyo (Director for Private Sector Development, GIZ) – for her advice on Ghana’s cashew sector and the ACi’s activities – as well as to Dziedzorm Segbefia (Communication Advisor, GIZ). Their company and guidance during the author’s field trip are much appreciated. The author would also like to thank the Brong Ahafo ACi team, especially Gaada Twene (Technical Officer, GIZ), Rowel Weyori Kuti (Business Advisor, Technoserve) as well as colleagues from the Ministry of Agriculture. Further, the author would like to thank Peter Keller (ACi Director of Development Operations) for lending his time and sharing his views.

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Finally, the author wishes to thank the farmers spoken to in Forikrom, Wenchi and Tain, and staff of the Kona Cashew factory for openly sharing their lessons and perspectives. It is for their benefit that lessons from the ACi’s work have been compiled in this case study.

Thanks are also owed to Jim Tanburn, DCED Coordinator, for his guidance, patience and encouragement.

Any findings and conclusions on the work of the organisations mentioned in this study apply to the ACi specifically, but not necessarily to other programmes funded or implemented by them. Responsibility for any errors or inaccuracies in this work remains my own.

Melina Heinrich
Executive Summary

The global demand for cashew kernel has been growing at about 7% p.a. for the last decade, yet African smallholders have not benefited much. The constraints to growth are well known, and include low productivity, poor quality and limited processing capacity. This case study documents the progress of the African Cashew Initiative (ACi) since 2009 in addressing the constraints and enabling growth, with a focus on Ghana as one of its programme countries.

The ACi is an exciting programme in many ways: Covering five different countries overall, also including Côte d’Ivoire, Burkina Faso, Benin, and Mozambique, it aims to achieve large-scale impact. Specifically, it is committed to achieving a 50% increase in productivity and additional annual income of at least US$100 for 150,000 cashew farmers, tripling current processing volumes, and creating 5,500 jobs in the processing industry by 2013.

The ACi is also pioneering a formalised co-funding and implementation structure that involves various public and private partners, as well as development organisations among its funders and implementers. As such, the ACi offers many interesting insights and lessons from its own, programme-specific experience in:

- managing multi-stakeholder, cross-sectoral partnerships,
- working with new partners like the Bill & Melinda Gates Foundation (BMGF)
- and experimenting with different approaches to results measurement.

While its innovative co-funding and implementation approach is considered by ACi as a critical factor in addressing the dominant position of Asian companies in the cashew processing sector, it appears that the complexities and transaction costs involved in its management were underestimated at the design stage. As a result, the programme is now planning for a more streamlined structure for its next phase. In the case of ACi, the need for flexibility, understanding and mutual learning, proved to be key challenges for the lead implementing agency GIZ and all other stakeholders. For GIZ, this included building relationships with a relatively new funder, BMGF, and public and private sector actors from all over the world. Bridging cultural differences and reaching common ground on diverging approaches, such as in measuring results, required open communication and management of expectations. This, however, also served as a basis for a fruitful exchange of ideas and knowledge.

Beyond this, at the programmatic level, the ACi also illustrates some of the constraints faced in:

- moving from a more production focused to an integrated, sustainable, market-driven approach, and
- in enabling African smallholders to compete in global agricultural commodity markets.

Some promising results are emerging in Ghana: for example, more than 37,000 farmers (240,000 for all ACi countries; numbers provided by ACi) have been trained in good harvest and post-harvest practices, high-yield planting material is being multiplied, and new processing plants have started operating. However, an analysis of possible local private sector partners, who could scale up and take over the programme’s activities, illustrates some of the key difficulties that smaller and younger players in the cashew market may face. Here, a longer time frame may be required for the private sector to provide the services that farmers need, and for the cashew sector to add value to the economy. This will also depend on bigger, underlying questions regarding the competitiveness of countries like Ghana relative to established market players like India and Vietnam. For example, it seems that energy and transport cost differences have not yet been sufficiently accounted for by the ACi, and require more research going forward.
Introduction

Linking African smallholders and processors to growing international agricultural commodity markets is a promising avenue to increase incomes, create jobs and foster economic growth. The African Cashew initiative (ACi) is a multi-stakeholder programme that has embarked on the effort to promote competitiveness and poverty reduction by developing the cashew sector and increasing global market linkages of five African countries.

This case study of the ACi is based on a visit of the ACi regional office in Accra, Ghana, and selected beneficiaries in Ghana’s Brong-Ahafo region – Ghana’s major cashew-growing area - between the 7th and 15th November 2011, and phone interviews with selected private and funding partners, held in May 2012. It is divided into three major parts:

The first part provides a brief overview of the background and scope of the programme. This includes an outline of the configuration and recent development of the world market for cashew nuts; an introduction to the key domestic constraints for Ghana’s cashew sector; and a summary of the main intervention areas of the ACi aiming to tackle these constraints.

As the ACi is characterised by a unique co-funding and implementation structure with various public and private partners, the second part focuses on experiences and lessons related to the organisational set-up and management processes of the ACi as a whole: After looking into the more general management experience, it explores in more detail the ACi-specific relationship of the lead implementing agency GIZ with the Bill & Melinda Gates Foundation (BMGF) as the main single funder of the programme. Further, it looks into the ACi’s evolving approach to results measurement as a particular area of consensus-building between the main funder and implementer.

The third part focuses more specifically on the ACi in Ghana: While it is the host of the regional programme office, Ghana also represents a highly interesting case on its own. Perhaps most importantly, it is a relatively recent, and – in terms of its production base – small actor in the regional and global cashew market with only a nascent processing industry, making lessons from development support particularly relevant. The third part therefore summarises some of the key preliminary results of selected interventions, and discusses in brief major opportunities and constraints in Ghana for scaling up and ensuring sustainability of the ACi’s achievements. The findings presented here do therefore not necessarily apply to the other programme countries of the ACi.

1. Background and Scope of the African Cashew Initiative

1.1 Configuration and development of the world market for cashew nuts

The world production in in-shell, or raw cashew nuts (RCN), is currently lead by India, followed by Ivory Coast, Brazil and Vietnam. Processing (shelling, peeling and grading) is dominated by India and Vietnam, which process 52% and 30% of their production respectively. Only 3% of cashews produced in African are exported as kernels. 90% and 80% of West and East African cashews

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Note: If not indicated otherwise, the data and information provided in this section are taken from: African Cashew Initiative (March 2012). ACi. Case for private sector investment, presentation by Davon Cook, Jim Fitzpatrick. This is the most recent research identified by the author. Generally, data vary slightly across publications, as it is difficult to obtain reliable data in the cashew sector.

respectively are exported to India and Vietnam for processing\(^3\) and then exported to more developed countries where the kernels are roasted, and packaged.

Current and projected cashew market trends are considered as a favourable environment for the development of the cashew sector in Ghana, and Africa more generally. A competitiveness study of the African cashew sector, implemented by ACI on behalf of GIZ, points out that cashew production has expanded significantly in major producing countries including Africa as world demand for kernels has increased at a rate of about 7% annually over the last ten years.\(^4\) Demand seems to grow particularly quickly in India, where consumption has doubled between 2001 and 2010, and China. The US and EU also show steady high demand for cashews, although consumption growth has been slowing in recent years. African cashew producing countries have the opportunity to supply this growing demand. World cashew production volumes in the face of growing demand are also a critical factor for price levels – which have been increasing over the last decade, with a historic high in 2010 and 2011. According to current ACi projections based on industry expert’s inputs, stagnant African production would lead to a 103% price increase by 2020. By increasing African production volumes by about 45%, prices might increase by only 69%. This provides a strong incentive for retailers to invest in African production.

**Box 1: World cashew production, processing and consumption**

In Ghana, cashew production is considered as being of particular value for improving household incomes, as the nuts are sold in the ‘hungry season’ when no other crops are available. Cashews can therefore assume a critical role in food and income security; this includes the use of cashew income for the purchase of critical inputs for food crop production. However, in comparison with other West African countries such as Ivory Coast or Benin, Ghana’s cashew sector, responsible for about 1% of global RCN production\(^5\), is a relatively small player and less advanced in fulfilling its potential.


\(^5\) African Cashew Initiative (February 2011), p.29
Traditionally, cashew production has not been widely perceived as an economic opportunity by Ghanaian farmers. Similarly, the focus and limited support mechanisms of the government have been geared more towards other crops such as cocoa production. While increasing market prices and demand have made it more attractive for smallholders to engage in cashew farming, little knowledge of good agricultural and post-harvest practices in particular limit their possibilities to increase cashew productivity and to produce the quality of nuts required to access international markets. Such improved practices have the potential to increase yields by about 20-30% while requiring relatively little investment, but labour. Experience in the last year suggests that increases could be as high as 65-100%, for those farmers that fully adopt good agricultural practices. Even higher productivity gains could be achieved through usage of high yield planting material. This way, average yields of currently about 3-6.5 kg per tree in Ghana could be increased to a competitive yield of 12 to 15 kg per tree.

Value addition to cashews is mainly achieved at the processing and packing stage. The cashew processing steps broadly include the steps of steaming, shelling, drying, peeling, grading and packaging of nuts. While this is not only a labour-intensive process, research has shown that farmers in countries with domestic processing capacity have also secured higher farm gate prices. Even though processing is generally limited in Africa, Ghana can be categorised as one of the less advanced cashew processing countries. In 2009, Ghana processed only 362 t of cashews per year, equalling 17% of potential capacity and below 2% of its overall production at the time. As a comparison, Benin processed 1,800 t, and Ivory Coast at 6,957 t of cashews, although similarly far below their potential. While cashew processing requires only relatively small investments and minimal use of technology, general obstacles to doing business such as lacking access to finance especially for purchasing RCN for one year’s working capital, and the lack of mid-level entrepreneurs contribute to the small processing sector. Another critical aspect is the quality of processed nuts and ability to comply with international food security standards, as a precondition to access international markets.

Finally, supply chain linkages are currently one of the core issues of concern for Ghanaian farmers. Sometimes referred to by traders as the ‘wild wild west chain’, the Ghanaian cashew

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6 African Cashew Initiative (March 2012)  
7 African Cashew Initiative (February 2010a), p.16  
9 Ibid., p.9.  
10 GTZ (August 2008). Grant proposal: Competitive African Cashew Value Chains for Pro-Poor Growth, p.23.  
11 African Cashew Initiative (February 2010a), p.1  
13 African Cashew Initiative (February 2011)  
14 African Cashew Initiative (February 2010a), p.19
value chain lacks structure and organisation. Cashew farmers are very fragmented, which contributes to the fact that about 68% sell their cashews individually to village buyers\(^\text{15}\), foregoing the higher prices they could obtain by selling in bulk through farmer associations.

### 1.3 Outline of the main intervention areas of the ACi

The ACi has three main components to address competitiveness constraints of the cashew sector; these apply to all five programme countries.

- **Sustainable growth in production and farming income**
- **Sustainable success in local processing; and**
- **Sustainable supply chains**

As part of the first component, the ACi seeks to increase the volume of production through increased productivity; it also seeks to achieve a better price for the farmers through improved nut quality and bargaining position of the farmers: The ACi trains public extension officers in areas such as harvest and post-harvest handling who then pass on the knowledge to farmers. In a few areas, such as kernel quality, the ACi’s staff also trains farmers directly.

With the view to promote the development and dissemination of high-yield planting material in the production zones, the ACi aims to establish farmer-based nurseries in cooperation with the Ghanaian Ministry of Food and Agriculture (MOFA) in 2010. Among others, mother gardens run by MOFA and the Cocoa Research Institute of Ghana in Wenchi (Brong-Ahafo region) provide high-quality planting material to the project. ACi also trains public extension officers, so they can teach the farmer-based nurseries in grafting the seedlings to multiply the high-quality planting material. ACi has also provided necessary equipment for grafting to the nurseries. The vision is to distribute 13 million seedlings to farmers in the next ten years.

To help farmers achieve better prices than by selling cashew individually, the ACi advises farmer-based organisations on bulk selling. Selected farmer groups receive support by ACi (through the NGO FairMatch Support, one of the implementing partners of ACi) in becoming certified for specialty markets (FairTrade) through specialised training such as on quality management, good agricultural practices and environmental and social issues.

The second component focuses on the expansion of the volume and improvement of cashew processing, in particular at medium to large scales, to meet international quality standards. This comprises research on processing technologies, business advice and access to finance to processors, and training of labourers according to international food safety and quality standards. ACi also aims to develop the market for cashew by-products, such as the cashew apple and shell. Processing is intended to be in the centre of project interventions as it adds value to the produce and interlinks producers with markets. Overall, it has been planned for processors to serve as both implementing partners and beneficiaries of the programme.

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\(^{15}\) *African Cashew Initiative* (September 2011). *Steering Committee Meeting Documentation Annex*, p.58.
Lessons from Working with New and Multiple partners – Emerging Results

Case study of the African Cashew Initiative – Focus: Ghana

The third intervention area aims at improving supply chain linkages and creating an enabling environment for investments in the cashew value chain. This includes promoting loyal relationships between farmer groups and local processors, and global marketing of African cashews. The ACi is also working to develop strategic plans with national governments and stakeholders about the potential of the cashew sector for economic growth and poverty reduction, and on developing favourable conditions for cashew production and processing.

Generic logic flowcharts used by the ACi for each of the intervention areas and the ACi’s ten key performance indicators can be found in Annex 1.

2. Lessons from the Structure and Processes of the Programme

2.1 Managing the multi-stakeholder co-funding and implementation structure

*Overview*

A key characteristic of the ACi is its multi-stakeholder structure, both in terms of its financing and implementation (Box 2). ACi is co-funded through matching grants by the German Federal Ministry of Economic Cooperation and Development (BMZ; US$5 mio), the Bill & Melinda Gates Foundation (BMGF; US$25 mio); USAID and the Government of Ghana through its Ministry of Food and Agriculture; and currently nine business contributors, including international food companies such as Kraft Foods, Intersnack, and Olam.

Box 2: Original co-funding and implementation structure of the ACi

German Technical Cooperation (GIZ) is the lead management agency responsible for overall coordination of the ACi, alongside its role as implementing agency of specific activities. It subcontracts three further implementing partners: the American NGO TechnoServe (TNS), the Dutch NGO FairMatch Support (FMS), and an association of African cashew businesses, the African

16Current private contributors are: Bank of Africa, Cashew International Inc., Ecobank, TDG Trade and Development Holding, Intersnack, Kraft foods/ Planters, Olam, Oltremare, and SAP.
Cashew Alliance (ACA)\(^{17}\). Each of them focuses on a separate intervention area.\(^{18}\) This structure, comprising an overall coordinator and managers of each of the implementing partners, applies to the regional office and is replicated in the five country offices. Some private partners also have specific sub-projects with public co-funding, within the framework of the ACi. Examples include a public-private partnership (PPP) project on virtual cooperatives with SAP, one on processors-farmers linkages with TDG, and one with OLAM on processor-farmer linkages. An external, US-based research company has been in charge of Monitoring and Evaluation of the ACi’s interventions. To provide strategic guidance, and oversee overall progress of the ACi, a Steering Committee is in place with representatives from all implementing partners and national government and business organisations. Strategic decisions are made by the core partners, contributing more than US$1mio each.

**Benefits, success factors and challenges**

The innovative co-funding and implementation approach of the programme, including multiple large private contributors and value chain actors, is considered by ACi as a critical factor in breaking the oligopoly of Asian companies in the cashew sector. A main driver behind the functioning of the ACi seems to be the fact that there is a clear overlap between commercial and developmental interests, and mutual benefits for the partners involved: Research into future production and price scenarios in the cashew sector suggests that retailers in the US and EU have a strong incentive to invest in farmer productivity in Africa, to increase production levels and hence mitigate the magnitude of price level increases in the face of growing demand. Similarly, for processors, Africa provides an opportunity to diversify the geographic sources of processed nuts and reduce supply risk.\(^{19}\) Private sector themselves interviewees stressed that their involvement in the ACi was based on a perceived business potential and their intention to take a lead role in exploring and advancing new markets. This is also well captured in a recent study on PPPs, in which many ACi partners participated: “The developing world represents the new frontier as both a consumer market and a commodity supplier. (...) Engaging in PPPs permits companies to develop local capabilities in the developing world by organising farmers into coherent value chains, essentially incorporating the developing world into the global agricultural economy.”\(^{20}\) In addition to business incentives, private sector interviewees considered support by donor agencies and implementing partners as a critical factor for their investment. Main advantages mentioned are

- Initial funding for exploring activities that do not have a business case upfront
- Development expertise in the cashew sector and specific sub-areas such as farmer productivity, and models of training provision
- Using existing structures and networks of aid agencies in the fields

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\(^{17}\) The African Cashew Alliance is the African cashew industry’s platform and facilitator for advocacy, information exchange, investment promotion and market linkages. The Alliance’s mission is to expand processing capacity, attain consistency and quality of production, improve the overall economic and regulatory environment of the cashew sector, and promote African cashews. *Website of the African Cashew Alliance*, URL: [www.africancashewalliance.com](http://www.africancashewalliance.com)

\(^{18}\) GIZ leads the implementation of interventions in production and the enabling environment; Technoserve leads the processing component; ACA leads activities related to the marketing of cashews; and FairMatch Support leads interventions in all three areas targeted at integrating farmers into specialty markets.

\(^{19}\) *African Cashew Initiative* (March 2012).

On the management side, however, it appears that the complexities and transaction costs involved in this multi-stakeholder structure were underestimated at the design stage, and soon became a challenge. In the words of Boland (2012), "[i]t takes an enormous amount of time to connect the various partners and systems into a single organisational format". For GIZ, the current structure involves channelling funds from various partners to the four implementing partners. While the initiative has already a wide range of objectives and intervention areas, its management is complicated by the fact that it covers five programme countries with different political-economic contexts and cashew sectors, as well as three different languages. Maybe most importantly, the management team needs to coordinate very different partners, in terms of their organisational and national cultures, approaches and the internal procedures of businesses, public donors and different kinds of non-profit organisations. In addition, the various partners are characterised by varying degrees of experience in development. This multi-stakeholder and multi-cultural project set-up is visualised in Box 3.

As a result of the multi-stakeholder structure, responding to the different expectations of all partners has tended to make decision-making processes complex and slow, and has implied very high internal demands on reporting: the BMGF and BMZ each require regularly progress reports, as do many of the private contributors, in different formats and with different indicators. Responding to private sector preferences in terms of reporting and terminology for example, ACi has also elaborated 'key performance' and 'key cost indicators' and incorporated them in the programme’s overall roadmap for Steering, and Monitoring and Evaluation.

**Box 3: Multi-stakeholder and multi-cultural project set-up**

<table>
<thead>
<tr>
<th>Funding</th>
<th>Implementing (North- and South-) American</th>
<th>Other</th>
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<tbody>
<tr>
<td>BMGF</td>
<td>TNS</td>
<td>M&amp;E firm</td>
</tr>
<tr>
<td>USAID</td>
<td></td>
<td></td>
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<tr>
<td>New traders, processors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buyers, retailers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nat. goverments/ ministries and research</td>
<td>FMS, local partners</td>
<td>M&amp;E firm, local partners</td>
</tr>
<tr>
<td>New processors</td>
<td></td>
<td></td>
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<tr>
<td>ACI/ ACA</td>
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<table>
<thead>
<tr>
<th>Funding</th>
<th>Implementing European</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>BMZ</td>
<td>GIZ</td>
<td>FMS</td>
</tr>
<tr>
<td>Buyers/ retailers, other private partners</td>
<td>Cashew market actors not supporting AG</td>
<td></td>
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<table>
<thead>
<tr>
<th>African</th>
<th>Asian</th>
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<tbody>
<tr>
<td>FMS, local partners</td>
<td>Traders, processors</td>
</tr>
<tr>
<td>M&amp;E firm, local partners</td>
<td>Cashew market actors not supporting AG</td>
</tr>
<tr>
<td>New processors</td>
<td>Cashew market actors not supporting AG</td>
</tr>
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Compromise also had to be sought in many other areas. For example, while development organisations wished to share knowledge generated by the programme publicly, many companies preferred not to disclose particular knowledge products containing relevant business information, at least for an extended period of time.

Open and continuous communication and management of expectations, in particular by a strong management team, and intensive communication and concertation amongst implementing partners, have been key factors in managing and advancing the programme. Overall, however, the time and effort required ‘to make things work’ have been proving too demanding.

**The way forward**

Learning from this experience, the programme together with its funders is now working towards modifying the organisational structure for the proposed second phase of the programme starting from 2013 (see Box 4). One focus of the re-organisation will be on streamlining the co-financing structure through a matching grant funding scheme for projects directly related to the private actors’ interest. In practice, this would mean the implementation of more PPPs under the umbrella of the ACi. Donor funding will be provided by the BMGF, BMZ and potential other, collaborating donors. Eligible partners include governments, and processors collaborating with an international buyer/retailer or farmer-based organisation (minimum of 2 joint applicants). The idea of a matching grant fund seems particularly timely as a growing number of private partners are interested in becoming part and supporting the initiative. Through the matching fund, the ACi also aims to advance its exit strategy and ensure sustainability, by ensuring private sector ownership and stronger implementation through existing government structures and private partners.

Technical assistance by the ACi would remain crucial, such as in the development of proposals, capacity building of partners, and monitoring.

A second major change will consist in linking experienced implementing partners with funders that share similar qualities and/or focal areas. Private business contributors as well as some donors (e.g. USAID) would provide funding for the business association ACA, whilst others show preferences for TechnoServe’s or FairMatch Support’s activities and approach. None of the funders would be a major shareholder and decision-maker in the overall cashew sector anymore.

While a more diversified donor structure and direct contracting of the implementing partners can reduce transactions costs on one hand, it needs continuous coordination on the other hand. It is therefore under discussion whether a ‘coordination’ office led by GIZ will be funded by one of the donors, in close collaboration with ACA. This office would help ensure overall coordination, knowledge sharing and efficient use of resources of donor and government programmes in Africa’s cashew sector, including those that do not operate under the umbrella of the ACi. In the long-term, the coordination function should be assumed by governmental institutions.

The graphic also clearly illustrates the difference between the approach pursued by ACi and its collaborating donors on the one hand, and the one pursued by other agencies not currently working through or with the ACi on the other hand: Here, support seems to be mainly directly geared towards governments, who may then sub-contract NGOs for the implementation of projects. However, little or no private sector participation is foreseen in these collaborations.
2.2 Working with a ‘new donor’, the Bill & Melinda Gates Foundation: Challenges and mutual learning

A particularly interesting angle of the multi-stakeholder programme structure is the experiences of established development cooperation organisations like GIZ in working with ‘new’ donors such as the BMGF – and the opportunities, difficulties and learning processes associated with it. The following section acknowledges that the ACi is just one of the many projects funded by the BMGF; hence, the experiences mentioned below are limited to the particular case of the ACi, and do not necessarily reflect the BMGF’s overall thinking or trends. Being a relatively young donor in development cooperation, the BMGF’s strategies and approaches are also continuously being refined based on lessons from implementation.

Overall, collaboration with a ‘non-conventional’ donor has demanded flexibility in approaches on all sides and additional efforts by the lead implementing agency in managing donor relations. Table 1 summarises some of the differences experienced, in particular at the earlier stages of the programme, as well as areas of mutual learning – often representing the middle ground between the approaches of the two development organisations.

**Communication and reporting styles and requirements**

Bridging the cultural differences between the different donors and implementing agencies has been a critical element of the programmes’ day-to-day management – in particular for ACi’s Executive Director, who often found herself in the role of a ‘translator’ between the two. This sometimes quite literally refers to the terminology used or the styles of communication and
reporting of the BMGF, which, while similar to private partners, has been perceived as rather different from more traditional donors and development agencies. For example, one and a half years after the conclusion of the contract, a major shift was introduced with the development of a different form of management and monitoring tool, a so called ‘road-map’ (in the language of GIZ ‘impact chain’) with ten ‘key performance’ indicators (instead of multiple milestones). The road map serves as the overall management and monitoring tool. While now widely accepted among implementing partners, the revision of the overall management and monitoring tool by all partners has been a time-consuming process.

In addition, within ACi, reporting demands by the BMGF where perceived as relatively high and time-consuming by all implementing partners, compared to other donors. The BMGF notes that while they have relatively standard formal reporting demands, they require a lot of additional analysis over the life of a project, as seen appropriate beyond the basic reporting requirements. In the ACi, this has been driven by their involvement in the Steering Committee and the intention to identify areas for potential improvement, leading to increased demands on GIZ to articulate and justify their decision-making throughout the project.

Going beyond the area of communication and reporting, a core task of the management team has consisted in managing different expectations and reaching common ground on appropriate approaches, including in results measurement (as further elaborated in section 2.3).

**Development approaches and intervention areas: Questions of speed, scale and sustainability**

A key area where different expectations soon became manifest within the ACi was the initial focus of the BMGF on ‘quick wins’, accompanied by a high pressure to show results at scale in a very short time. The more traditional development organisations instead favoured longer-term investments and activities. For instance, expectations by the BMGF and private partners, to conduct a full impact measurement after two years of operations indicated different perspectives on the time requirements of a programme dealing with tree crops. In a way, programme staff noted, the BMGF lived up to its motto of being ‘impatient optimists’, while the management team constantly lobbied for ‘patient realism’.

A related example is the initial hesitance of the BMGF to include improved planting material as an intervention area, as large-scale yield increases can only be expected after 10-15 years. From the perspective of the BMGF, the earlier exclusion of this intervention area may have stemmed from their desire to limit the number of interventions proposed by GIZ as part of a comprehensive development approach. The BMGF hence lobbied for a narrower focus on what was deemed most effective at the time. However, it became clear to all parties that improved planting material is one of the most promising intervention areas with the potential to increase yields by up to 500%. Hence, the BMGF has later on agreed to ACi incorporating this work stream into its activities. At the same time, both sides have drawn lessons from the strong initial focus on farmer training and high investments in building a training infrastructure through public extension services. While a high number of farmers were trained within a short period of time, this seems to have involved a trade-off between quickly achieving scale and achieving sustainability (see also section 3.2). In this context, the BMGF’s early thinking about exit strategies has triggered the ACi to think through its interventions and how they ensure that appropriate local capacities and incentives to carry on the ACi’s activities are left behind.
The BMGF’s motivation to work with the international private sector as part of a sustainable development approach was a rather new experience for most of the implementing organizations that initiated new and valuable learning processes in times where the private sector is increasingly recognised as a partner in achieving developmental goals.

In the case of the ACi, implementing partners and private partners alike have also appreciated the ‘business mentality’ of the foundation which, while contributing to the high pressure for results, has also been a positive driving force for the project. One way how this translates into practice is the strong emphasis by the BMGF on innovation and the testing of new approaches: A programme component on “Learning and Innovation”, similar to research & development departments in private companies, was a requirement by BMGF, and is now integrated into each intervention area as part of the new road map. Dedicated meetings are being held regularly to share lessons among the various implementing partners. Innovative approaches to development, often with a focus on technologies, are being researched and tested along the value chain, including in cashew production, processing and market linkages. In the area of cashew processing for example, ACi has conducted a worldwide benchmarking study on processing methods and technologies.22 Another example is the introduction of Information and Communication Technologies (ICTs) in the cashew sector, through a PPP between BMZ and the software company SAP. Technology for digital record keeping, logistical coordination and tracing of cashews sold by a farmer association of about 400 members in Wenchi allows the association to increase transparency and improve efficiency in the supply chain. Dedicated software solutions also allow farmers to receive market information and advice on agricultural practices via SMS. This “virtual cooperative” project23 is likely to be scaled up during 2012 to include other countries and commodities, and some functionalities are likely to be commercialised within the next 3-4 years. Appreciating the speedy and scalable development impacts of such projects, bilateral donors seem to increasingly consider the perceived ‘entrepreneurial mindset’ of the BMGF as a role model, programme staff noted. However, the BMGF has realised that the pressure on the programme to develop a programme component on innovation may have distracted it from focussing on its core activities. Hence, a lesson from this has been that testing out new approaches has to be carefully balanced with the core activities of the programme. For example, advancing the processing of cashew by-products was considered as particular relevant.

**Interaction with governments and other donors**

Some of the implementing agencies felt that there was perhaps less priority was given by the BMGF to cooperating with other donors, and aligning with national governments, than among bilateral donor agencies. As a result, the ACi itself does not participate in any donor coordination fora, such as the Donor and Government Group on PSD in Ghana. Both, the BMGF following a review of their strategy conducted last year, as well as ACi management consider it important for the BMGF to get

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### Table 1: New donors vs. ‘traditional’ development organisations – differences in approaches and areas of mutual learning between the BMGF and BMZ/GIZ

<table>
<thead>
<tr>
<th>'New donor': The Bill &amp; Melinda Gates Foundation</th>
<th>'Traditional’ development organisations: BMZ/GIZ</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Approach and attitudes towards development</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>“Impatient optimists”</td>
<td>Adjusting expectations about the speed of development processes</td>
<td>“Patient realism”</td>
</tr>
<tr>
<td>More direct approach; ‘action drivers’</td>
<td>Strong search for local implementers by BMGF</td>
<td>Focus on capacity building of local actors, institutional development</td>
</tr>
<tr>
<td>Involving the international private sector</td>
<td>Increasing recognition of the private sector as development partner; lessons within ACi</td>
<td>Traditionally less engaged with the international private sector</td>
</tr>
<tr>
<td><strong>Intervention areas</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Seeking to focus on a narrow piece</td>
<td>Joint process of identifying the most effective interventions</td>
<td>Up-front comprehensive approach; appreciation for complexity and inter-relatedness of development problems</td>
</tr>
<tr>
<td>Focus on learning and innovation; development potential of new technologies</td>
<td>Increased focus on innovative approaches and how to scale them up; need to ensure that due attention is given to core activities</td>
<td>Less focus on innovation or less visible activities; less technology-affinity</td>
</tr>
<tr>
<td>Picking of ‘quick wins’; short-term results and accountability</td>
<td>Move towards more longer-term, sustainable, ‘investments’ within ACi</td>
<td>Focus on medium to longer term development; longer-term responsibility</td>
</tr>
<tr>
<td>Sporadic interaction with governments and other donors</td>
<td>Trend towards increased interaction with governments and other donors within BMGF</td>
<td>Government alignment and donor coordination</td>
</tr>
<tr>
<td><strong>Results Measurement</strong> (see also section 2.3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Original Focus on externalised, remote M&amp;E functions within ACi</td>
<td>Mix of internal and external functions, with increasing internalisation of monitoring</td>
<td>Mostly internalised results measurement, based on experience</td>
</tr>
<tr>
<td>Focus on quantitative data</td>
<td>Increased collection of qualitative data within ACi</td>
<td>Attention to qualitative information</td>
</tr>
<tr>
<td>Strong focus on poverty reduction from early on, little focus on change processes</td>
<td>Poverty orientation, with increasing focus on monitoring of change processes</td>
<td>Move from focus on processes towards more impact orientation</td>
</tr>
<tr>
<td><strong>Communication and reporting</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business-like terminologies</td>
<td>Incorporation of business-like terminologies</td>
<td>‘Development organisation’ terminology</td>
</tr>
<tr>
<td>“Crisp”; often graphical</td>
<td>Adoption by ACi of new styles of communication and reporting</td>
<td>More descriptive</td>
</tr>
<tr>
<td>High reporting demands; requesting additional analysis throughout; active involvement in steering committee</td>
<td>Lessons by ACi on managing various levels and formats of reporting</td>
<td>Less high reporting demands; hardly any involvement of BMZ in steering</td>
</tr>
<tr>
<td><strong>Exit strategy</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>An exit strategy has to be in place from early on; focus on catalytic, rather than sustained, interventions</td>
<td>Active thinking about exit strategies since mid-term of programme; ensuring that local capacities to carry on ACi activities are left behind</td>
<td>Exit strategy can be developed later; slower exit</td>
</tr>
</tbody>
</table>
more involved in aligning with government and coordinating with donors, both at the country- and the global level. The BMGF is now “actively working” on this. At the international level, the author recommends that this effort include collaboration through the DCED.

Overall, the process of adjusting expectations and clear communication on which development results can be achieved in what timeframes, and in what ways, has been time-consuming but critical to bring the BMGF and implementers on the same page. Generally, ACi staff stressed that the BMGF has proved flexible and willing to make critical changes to address the concerns of implementing agencies. At the same time, they appreciated the benefits of working with a partner that offered new insights and experience with approaches that were less familiar to them.

2.3 Changing responsibilities in results measurement: Towards increasing internalisation

Diving a bit deeper into the learning processes and areas of organisational changes that the ACi has experienced in its first years of operation, its evolving approach to results measurement, and in particular the shift in the organisational location of results measurement responsibilities, offers some interesting insights. These are also illustrated in Box 5.

Original set-up of results measurement responsibilities

In the case of the ACi, and not necessarily representative of the BMGF’s approach more generally, routine monitoring as well as evaluations have been to a great extent outsourced to an external research company, at the suggestion of the BMGF. The US-based company reports to and is subcontracted by GIZ using grant funds by the BMGF.

More specifically, the research company has been responsible for

1) monitoring on a regular basis the implementation of project activities to assess whether milestones are met and to steer subsequently the support strategy
2) continuously monitoring and evaluate the achievement of ACI objectives, as well as the overall purpose of the project
3) assessing the positive and negative impact of the support strategy, especially impact on poverty reduction and gender balance, as well as environmental impacts
4) developing a good understanding of the external parameters that influence the cashew production and industry
5) identifying and elaborating best practices and lessons learned.

GIZ has complemented external monitoring by using its internal results measurement processes to fulfil obligations vis-à-vis BMZ and to foster internal institutional learning; similarly, the other implementing partners had their own monitoring processes and thus reported their results to the M&E firm.24

For the BMGF, entrusting an external party with far-reaching responsibilities in the monitoring of progress and drawing of lessons for implementation was perceived to ensure greater independence and credibility of data. While strongly focused on achieving impacts, the BMGF seems to have paid less attention to continuous monitoring internally within the programme. However, this stood in contrast to the experience and views of ACi staff.

**Weaknesses of the status quo and gradual changes**

In practice, M&E consultants visited Ghana only a few times a year to train their sub-contracted local partners in charge of data collection. While the original idea was to collect data after each harvest, the visits were often not closely timed with the season. As most farmers do not keep written track of their yields, sales and prices received, this severely limited the consultants’ ability to get reliable information. Hence, this approach meant that any changes happening during the seasons risked not to be adequately reflected by the findings of the consultants. This was compounded by the detachment of external M&E consultants from the work of the programme in terms of their limited familiarity with the regional context and the cashew value chain. Joint reflection with the M&E consultants, and within steering committee meetings, soon revealed a need for additional support by ACi staff. While for example research questions were at first elaborated by the M&E consultants alone, GIZ and other implementing agencies soon became more involved in this. Implementing partners also felt that the predominantly quantitative statistical approach applied by the research company, and initially promoted by the BMGF, missed out on important qualitative information about the changes brought about by the programme.

Based on these joint lessons, the complementary work by the lead implementer GIZ became more and more important over time, leading to a shift towards internally managed results measurement, as well as more qualitative assessments through focus group discussions.

Overall however, the original set-up of results measurement responsibilities made the management of information flows and interfaces between the different actors a challenging and time-intensive process, while increasing the risk of higher error rates. The fact that all data collected are stored and owned by the external research company (and not the programme or local actors) compounded this problem. It also made it difficult to ensure that internal feedback loops and learning took place within ACi, based on the monitoring and assessment of results. In the view of GIZ, it was not realistic in the first place to assume that assessment and learning processes could be delegated to an organisation detached from the programme.

**Negotiation of formalised internal responsibilities**

Two years into the programme, GIZ negotiated with the BMGF that monitoring should be handled as much as possible internally and that dedicated results measurement staff was needed as part of the lead implementing agency. As a first step, a new regional Monitoring & Evaluation officer and a dedicated intern, both funded from the BMGF grant budget, started to work in July 2011 to complement the work of the external M&E provider. The new M&E unit now gathers and analyses all data that implementing partners, under supervision of the various country coordinators, collect on a continuous basis.

**Future plans and reflections**

Going beyond these initial changes, monitoring is planned to be handled fully internally starting from the ACi’s second phase in 2013, with only one external evaluation by the end of the programme to check the plausibility of results. Field staff appreciates that this will enable them better to use monitoring as a management tool, clarifying which interventions work well and taking corrective action where needed. ACi also aims to put a stronger focus on capacity building of local actors, including national platforms of the ACA and national government actors, in the monitoring, analysis and storage of data – as they were excluded from these processes in the original set-up. Ideally, the data would be owned by the government, and partly publicly available, in the future.
Lessons from Working with New and Multiple partners – Emerging Results

From the perspective of the BMGF, greater dialogue between GIZ and the BMGF upfront would have helped to clarify whether the right approach to M&E had been chosen, and possibly have led to a different outcome. This should have included an open dialogue about the budget needed for M&E. The BMGF agrees that monitoring of activities and outcomes is not best done by the type of third party chosen for the ACi, but by the programme internally. In their current view, surveys by a third party should only be used to collect data that is too cumbersome for an internal team, or to validate results indicated by self-reporting. More generally, the BMGF had grown much more aware of the ‘imbalance of power’ in the donor/grantee relationship, which may lead to grantees taking suggestions as a final word, rather than helping the BMGF to understand the strengths and weaknesses of a certain proposition. As a result, the BMGF is committed to better ensure that critical decisions such as on M&E are made more carefully in dialogue with grantees, and appreciates the request made by GIZ for increasingly internal handling of monitoring.

Box 5: Increasing internalisation of results measurement (RM) responsibilities

<table>
<thead>
<tr>
<th>External RM</th>
<th>Mixed responsibilities</th>
<th>Internal RM</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Research company</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Detached from programme and context</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| - Questionnaires | - Oversight and coordination | - ACI Regional Office
- Data analysis, storage | - Review of questionnaires | - In charge of strategy, knows context
- Training and monitoring of local consultants | + Compilation and analysis of country team data | |
| Local Consultants | | |
| Unfamiliar with interventions, context | | |
| Quantitative data collection through random selection of farmers | | |
| Research company | ACI Regional Office | ACI Regional Office
| Detached from programme and context | ACI Regional Office | ACI Regional Office
| Oversight and coordination | Review of questionnaires | In charge of strategy, knows context
| + Review of questionnaires | Compilation and analysis of country team data | |
| Local Consultants | ACI country teams | ACI country teams
| Unfamiliar with interventions, context | ACI country teams | ACI country teams
| Quantitative data collection through random selection of farmers | ACI country teams | ACI country teams
| Parallel monitoring processes, reporting to NORC | Assistance with questionnaires | Questionnaires
| ACI country teams | Focus group discussions | Data collection
| ACI Regional Office | | Data assessment, storage
| Oversight and coordination | Review of questionnaires | Lessons on what works and doesn’t
| ACI Regional Office | Final external evaluation | Final external evaluation
| In charge of strategy, knows context | + Compilation and analysis of country team data | Feedback loop
| | + Compilation and analysis of country team data | Final external evaluation
| Local Consultants | ACI country teams | ACI country teams
| Unfamiliar with interventions, context | ACI country teams | ACI country teams
| Quantitative data collection through random selection of farmers | ACI country teams | ACI country teams
| Parallel monitoring processes, reporting to NORC | Assistance with questionnaires | Questionnaires
| ACI country teams | Focus group discussions | Data collection
| ACI Regional Office | | Data assessment, storage
| Oversight and coordination | Review of questionnaires | Lessons on what works and doesn’t
| ACI Regional Office | Final external evaluation | Feedback loop
| In charge of strategy, knows context | + Compilation and analysis of country team data | Final external evaluation
| Local Consultants | ACI country teams | ACI country teams
| Unfamiliar with interventions, context | ACI country teams | ACI country teams
| Quantitative data collection through random selection of farmers | ACI country teams | ACI country teams
| Parallel monitoring processes, reporting to NORC | Assistance with questionnaires | Questionnaires
| ACI country teams | Focus group discussions | Data collection
| ACI Regional Office | | Data assessment, storage
| Oversight and coordination | Review of questionnaires | Lessons on what works and doesn’t
| ACI Regional Office | Final external evaluation | Feedback loop
| In charge of strategy, knows context | + Compilation and analysis of country team data | Final external evaluation

ACI’s experience in the context of the DCED Standard for results measurement

The major shift towards internally managed results measurement described above resonates with one of the core ideas behind the Standard for results measurement of the Donor Committee for Enterprise Development (DCED). It is based on the understanding of field practitioners and donor agencies of good practice and outlines the key elements required for measuring results internally. As the DCED 2011 Reader on Results Measurement points out, it offers a “system whereby programmes can use results measurement for day-to-day management, particularly to validate the assumptions on which the programme logic has been based.” Programmes in general, and perhaps in particular multi-stakeholder programmes like the ACi, may also see particular benefits in other aspects of the Standard. For example, thinking through the logic or results chains in participatory ways, can make it easier to align partners and staff around shared goals, while providing greater
Lessons from Working with New and Multiple partners – Emerging Results

clarity around priorities and help programmes become more effective.\textsuperscript{25} Also, by proposing a small number of universal impact indicators, it enables donors and others to aggregate their impact across programmes.\textsuperscript{26}

3. Preliminary Results and Outlook of the Programme

With the ACi being two and a half years into operation, what are the actual results it has achieved in Ghana so far? And what are the opportunities for scaling up these results, with the current interventions or alternative approaches? After a brief overview of selected results and key stumbling blocks in the area of production and processing, the second section will address constraints and opportunities facing the programme in achieving scale and sustainability.

3.2 First achievements and stumbling blocks

\textit{Growth in production and farming income}

About 180 public extension officers have received three-day trainings by ACi staff in Ghana over the first years of operations. The public extension officers cover 17 districts in the Brong-Ahafo and Northern region and provide two main farmer trainings per year, before and after harvesting. In Ghana, as well as most other project countries, public extension services have not traditionally been geared towards cashew production. In the case of Ghana they focus mainly on cocoa and maize, in others on cotton. The still limited capacities and outreach of public extension officers to cashew farmers have therefore been an obstacle to achieving continuous and widely available support services to farmers.

So far, public extension officers have trained 37,537 Ghanaian farmers in good agricultural practices by May 2012.\textsuperscript{27} There are early indications of both behavioural changes and changes in yields as a result of this. An earlier survey in 2011 found a 90\% adoption rate of improved practices.\textsuperscript{28} However, focus group discussions and individual interviews in Ghana showed that the actual difference in the adoption of key agricultural practices between ACi and non-ACi farmers was only up to 10\%.\textsuperscript{29} Whether this was due to a copy-effect, or only small differences between the trained and widely established practices, remains however unclear. It might suggest that implementation of improved practices after training remains a challenge for many farmers and more continuous support might be needed. In the same above-mentioned survey, 97\% ACi farmers (and 82\% of control farmers) reported an increase in cashew income over the last five years. The most important reason given by farmers was higher prices for cashews; improved yields as a result of training were given as the third most important reason.\textsuperscript{30}

\textsuperscript{25} This was done within the ACi Steering Committee in relation to the ACi road map and definition of key performance indicators. Compared to results chains, the road map seems however more generic, and key performance indicators are listed separately instead of being integrated, as for results chains.


\textsuperscript{27} Number provided by ACi management team, May 2012.

\textsuperscript{28} African Cashew Initiative (September 2011), p.41.

\textsuperscript{29} African Cashew Initiative (September 2011), p.54, 70.

\textsuperscript{30} African Cashew Initiative (September 2011), p.72, 73.
This has been anecdotally confirmed by reports of individual farmers visited during the author’s field visit. For example, one Tain-based farmer described how, as a result of the training, he had increased spacing between trees through cutting down, and applied biological pest control. This had lead to an increase in yields. He is also part of a farmer association of 3,490 farmers which has been linked by the ACi to a local processing company and was therefore able to sell in bulk. He noted that income increases were realised as a result of both aspects.

However these results should be treated with caution given the unreliability and frequent lack of written records by farmers of yields, sales and prices received. ACi however recognises that yields are influenced by many other factors beyond the scope of the programme and that farmer income has been to a great extent influenced by market prices. It has therefore chosen a conservative approach to attribution and currently attributes 15-20% in yield increase and 5% of income increases to its interventions.

By focussing on a common activity, Fair Trade certified groups supported by ACi seem to be more advanced in terms of organisation and bulk-selling than other farmer organisations. One group of 2,000 members based in Wenchi has received a price premium of about 8%. However, the certificate of the group is currently under review.

In the area of improved planting material, ACi has so far supported 23 farmer-based nurseries in three regions, which have produced about 40,000 grafted seedlings. One private nursery visited near Wenchi received training and support through ACi and produced 3,400 grafted seedlings in within less than a year and has experienced strong demand for the new planting material. Similarly, a small farmer organisation in Forikrom, which has started a nursery in 2011, experienced high demand. The seedlings are currently being sold at a subsidised price, or distributed for free to farmers for the establishment of clonal gardens. To see the first impacts on yields however, it will take another three to four years. At the moment, ACi is also facing obstacles with the dissemination of planting material to farmers, as inadequate methods of transport have led to high mortality rates among the seedlings. Also the management of the mother garden requires improvement; the Forikrom-based farmer organisation for example, could only acquire 25% of the materials needed.

**Increasing quantity and quality of local processing and supply chain linkages**

Through Technoserve, ACi has provided technical assistance to four medium-sized processing companies with a potential processing volume between 750t and 1500t per year. In the case of MIM processing for example, technical assistance was provided on technology-upgrading and quality control. MIM has increased its processing volume by 900t since 2009. It is currently processing at about 1170t, or 78% of its capacity, and has graduated from technical assistance. One processing factory visited during the research is Kona Agro Processing. Unable to access finance from Ghanaian banks, which have very little experience with the cashew sector, Kona had not been

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Lessons from Working with New and Multiple partners – Emerging Results

Case study of the African Cashew Initiative – Focus: Ghana

able to start its operations until mid 2011. This was thanks to Technoserve, which provided assistance in the formulation of the business plan, and linked Kona up with a debt and equity firm. By guaranteeing technical assistance and monitoring, Technoserve enabled Kona to access the capital necessary to start processing.

Technical assistance covers areas such as quality and sanitation standards and marketing information. In both areas the factory owner and production manager considered Technoserve’s assistance as a critical factor for the development of the factory. The cashew kernels sold by Kona, like the ones sold by all other processing factories supported by the ACi, comply with the international Cashew Standards of the Association of Food Industries. Kona, which has currently 150 employees, has signed a MoU with a Tain-based farmer organisation comprising 3,490 farmers. However, Kona does not currently have the capacity to absorb all the cashews produced by surrounding farmers. In addition, the fact that in 2011 financing was only received after the cashew season had already started, meant that a large number of farmers still sold directly to exporters at a lower price.

While precise data on the current processing volume could not be obtained (highlighting possible improvements of the factory in the area of accounting and reporting) it can be expected that about a tripling of the current volume would be required to process at full capacity (1000t) in 2012. This is necessary for the factory to be able to become profitable. However, more financial support is still needed to acquire a new warehouse and the machinery needed to increase processing volumes.

Another major bottleneck described by the factory owner still consists in the quality of cashews received from the farmers; above all, there still seems to be significant scope for improvement in the area of post-harvest handling. In fact, the factory owner noted that he considered the training currently provided by public extension officers to be insufficient and that he had sometimes visited the farmer organisation himself to teach them on good post-harvest practices. On occasions he had also sold inputs to them.

3.2 Opportunities and constraints for scaling up and achieving sustainability

While the ACi has made promising progress in structuring Ghana’s ‘wild’ cashew sector and in developing the fundamental elements required for its increased competitiveness, the initiative is faced with a number of critical questions on the best way forward. At their last meeting in September 2011, the Steering Committee of the ACi among other things discussed realistic and feasible scenarios after the exit of the initiative, and recommended to the ACi to “continue the identification of actors who will take over the implementation of ACi’s activities”32. This question has partly been triggered by the great budget allocated to farmer training and building a training infrastructure through public extension services. While acknowledging GIZ’s success in partnering

with public extension services, the BMGF and some of the business contributors seem to have been particularly concerned about the efficiency and sustainability of this training model.

Indeed, despite the fact that a vast amount of farmers have been trained, ACi’s currently relatively direct approach in training provision through either its own staff or public extension services risks bypassing more sustainable and scalable approaches to farmer training. It could therefore be argued that one of the most crucial questions facing the ACi is whether it can identify the right (local) private sector partners who can take on ACi’s activities in the longer term. For the Ghanaian context, three main private partners are briefly considered below: input suppliers, nurseries and processors.

**Option 1: Input suppliers**

Whether input suppliers could be viable partners in the provision of agricultural advice is currently debated within ACi. However, while the approach may be suitable for a few other countries, the prevailing climate conditions in Ghana mean that cashew production is not very input-intensive. In Mozambique, for example, agricultural advice to farmers through crop sprayers would be a feasible option, as colder nights require the use of pesticides. In Ghana however, no studies have been conducted to establish, for example, when and how much pesticides should be used for cashews, if at all. The remote damages of inappropriate usage of pesticides could be significant. Hence, other models for the provision of agricultural advice may be more appropriate for Ghana.

**Option 2: Nurseries**

Given the huge potential for increased productivity and evidence of emerging demand by farmers for improved planting material, nursery staff could be trained to provide agriculture advice when selling seedlings to the farmers. This model already seems to work in other agricultural sectors in Ghana, such as mango. At the moment though, there are only one to two cashew nurseries per district, and at least a tenfold increase would be necessary to reach significant scale in outreach. Current issues with seedling transport and the management of the mother garden might add to the time required to roll out this approach. This is compounded by the fact that government support to the production of improved planting material is not likely to be increased, given that the government still doesn’t fully recognise the economic potential of the cashew sector. A fundamental obstacle to this business model also consists in the current policy of the government to have seedlings distributed for free to farmers. The advocacy activities of the African Cashew Alliance (ACA) as part of the ACi, and in particular the current development of a national stakeholder platform may be instrumental in advocating for better conditions for the cashew industry.

**Option 3: Processors**

As already stressed in the grant proposal, ACi considers processing factories as cornerstones of its interventions, with processors ideally taking on the roles of both beneficiaries and implementing partners. Originally, it was planned to implement trainings together with processors, but it turned out that processors were not yet ready for this. However, the right incentives for a sustainable business relationship, in which processors would guarantee a market to the farmers while providing agricultural advice, seem to exist. As noted earlier, due to the need for quality nuts, the owner of the Kona factory has already visited farmers to help them improve their post-harvest practices, while bulk selling can offer price advantages to farmers. Calculations of the ACi show that
training provision by processors would be cost-effective, as the investment of $14 per farmer would be paid back in improved cashew quality. A caveat to this approach are the currently small capacities of Ghanaian processors to enter outgrower-schemes with regular service provision to farmers, and to source from a high number of farmers. While the MIM processing factory may be more ready to do so, its current processing volume of 1170t, together with Kona’s processing volume of about 300t, means that the two factories source from only about 1500 farmers. In comparison, Olam’s processing facilities in Côte d’Ivoire, have a current volume of 10,000 -15,000t, which is due to be increased to 30,000t. It is however promising that Olam seems to be considering building a similarly big processing plant (20,000-30,000t) in Ghana – and investing in the development of farmer networks around it including the provision of extension services.

**PPPs as a catalyst?**

As outlined in section 2.1, ACi is considering providing a mechanism for increased engagement of the international private sector in support of producers. Under the planned matching fund, international buyers could join forces with processors in engaging with farmers, with donors matching their investment by a 1:1.5 ratio, as opposed to the current 1:1 ratio. A key trade-off that had to be tackled in the design of the matching fund has been how to avoid unduly favouring international companies over local companies, while ensuring maximum benefit and added value for farmers, which could not necessarily be provided by local companies. The requirement of a minimum of two joint applicants (processor partnering with international buyer/retailer or FBO) and GIZ’s technical assistance to proposal writing may help to mitigate the risk of undermining the local processing sector. A critical question for the next phase will also be if the Matching Fund can help trigger a longer-term role of international buyers and processors in the implementation of the ACi’s activities. Sceptical observers note that the common short-term approach of donors and development agencies of funding PPPs for only up to five years risks undermining the full potential of PPPs; Boland (2012) notes that PPPs should be designed on 10-20 year timelines instead.

**Limited opportunities**

Another option to scale up the outreach of the programme, which is being explored by the ACi in Benin, is the delivery of agricultural information through radio broadcasting following the training of journalists. However, while the uptake by the media in Benin has been very positive so far, the radio sector in Ghana is considered as less development-oriented and overall as less suitable for this approach.

In sum, the above-mentioned issues illustrate some of the key difficulties that smaller and younger actors in the cashew market may face. In other, more advanced programme countries such as Côte d’Ivoire or Mozambique private sector approaches to training provision might be easier to realise than in Ghana. Here, it may take a longer time frame for private partners to take an increasingly prominent role in service provision to farmers. This will also depend on fundamental questions.

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33 A processing volume of 1000t means sourcing from approximately 1000 farmers.
related to the competitiveness with established global cashew market players – as highlighted further below.

**Getting the fundamentals right – can the Ghanaian cashew sector compete with Asian players?**

Whether African, and in particular small and relatively recent cashew producers like Ghana, can at all be enabled to compete with leading players in the global cashew market is a core underlying determinant of ACi’s success. The programme’s grant proposal doesn’t address this question in much detail. While it notes for example that “African processors have a transport cost advantage to US/ European markets of 15 to 25% relative to Asian processors”\(^{35}\) it does not clarify whether this potential cost advantage would offset, for example, higher in-country transport and energy costs, or, potentially higher labour costs in Africa.

It has therefore been an important step that, although only one and a half years after starting operations, the ACi has commissioned a study to analyse in more detail the competitiveness of African cashew-producing countries in the global market.\(^{36}\)

In two separate parts, the study analyses the competitiveness of African countries in both the in-shell or raw cashew commodity chain, and the (processed) cashew kernel chain, considering a range of factors. These range from, among other things, product quality, supply chain efficiency, logistics and costs, to the business environment including access to finance, risk perception and government support. It then compares the cashew sector of African countries to the top three kernel processing and exporting countries.

In relation to cashew kernels, the report indicates that low labour productivity in countries that do not yet have an advanced processing industry is a key factor undermining their competitiveness. In addition, comparatively high fuel, energy and transportation costs as well as the development of low-cost processing technology in Vietnam and India risk undermining the potential of new processing industries in Africa. ACi staff has suggested that further research energy and transport costs would be critical.

The report touches only very briefly on labour costs. Based on an average wage comparison between selected African and Asian countries, it concludes that “costs of labour in Africa are now competitive with those in India and Vietnam”\(^{37}\). It seems however that a proper benchmarking study of labour costs, focusing on relevant sectors and African countries with a less advanced processing industry, has not yet been conducted. This should also be considered by the ACi, going forward.

While high trucking and port fees in Africa affect exports of both processed and unprocessed nuts, the export of in-shell cashew nuts from West Africa is also exposed to the direct competition of over- and good quality production in Vietnam and India, as their crop arrives in the same season. However, while many obstacles remain and more kick-start investment is needed, it appears that an expansion of in-shell cashew production in Ghana is more likely to succeed in the near future than a significant expansion of processing capacity. This is mainly due to the “difficulties involved in setting up and running businesses in the cashew-producing industry”, and the fact that “the kind of

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\(^{35}\) GTZ (August 2008), p. 10.

\(^{36}\) African Cashew Initiative (February 2011).

\(^{37}\) Ibid., p. 41.
investments, processes and skilled labour required make it much harder to operate in the kernels market than in the in-shell market”. 38

**Conclusion**

This case study has illustrated key experiences of the ACi in pioneering a new kind of programme set-up and developing the cashew sector of one of the least advanced African cashew producing countries. It has shown some of the rewards as well as difficulties of managing a multi-stakeholder programme, and the lessons that have been drawn within the programme for the planned next phase. The case study has also showcased a number of differences in approaches but also of mutual learning that have occurred in the working relationship between ‘new’ donors like the BMGF and implementing organisations like GiZ in particular.

Some promising results of the initiative are starting to show in Ghana. Appropriate local private sector partners to scale up and take over the programmes activities are however limited. Their capacities may continue to be built in the second phase of the ACi, under the matching fund scheme. Overall however, it remains questionable whether the strong competitive disadvantage which countries like Ghana face in the global market for RCN, and in particular, cashew kernels, can be easily overcome, and if yes under what conditions. It will not only depend on improvements in Ghana’s cashew sector alone but on significant improvements of the overall business environment, among other things. In this context, the ACi will probably only be able to address some of the many constraints that Ghana and other countries face in increasing the volume and quality of cashew production and processing. However, as a public-private partnership, that involves not only a variety of development organisations but also major value chain actors, it may be uniquely positioned to do so. In particular, learning from the lessons of the first phase will help the programme to maximise its impacts in the next phase.

38 Ibid., p.46.
References

Documents:


African Cashew Initiative (September 2011). Steering Committee Meeting Documentation Annex, p.58.


Websites:


Website of the African Cashew Alliance. URL: www.africancashewalliance.com
Annex 1: ACi roadmap and key performance indicators

1. Overall programme logic

2. Logic behind sustainable growth in production and farming income

39 ACi (September 2011)
3. Logic behind sustainable success in local processing

4. Logic behind sustainable supply chain development
5. ACI Key Performance Indicators

<table>
<thead>
<tr>
<th>General Poverty Impact</th>
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<tbody>
<tr>
<td>Number of farmers trained</td>
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<tr>
<td>Cashew related income per farmer</td>
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<tr>
<td>Additional jobs created</td>
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<tr>
<th>Force I - Production</th>
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<tbody>
<tr>
<td>Average yield per hectare</td>
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<tr>
<td>KOR – average outturn</td>
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<tr>
<td>Number of transactions through farmer organisations</td>
</tr>
<tr>
<td>Farm gate prices as percentage of FOB price</td>
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<tr>
<th>Force II - Processing</th>
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</thead>
<tbody>
<tr>
<td>Processing capacity of ACI supported processors and total processed volume</td>
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<tr>
<td>Number of processors passing quality standards</td>
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<thead>
<tr>
<th>Force III – Supply chain</th>
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<tr>
<td>Number of linkages between farmers’ organisations and processors</td>
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