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Enabling poor rural people  
to overcome poverty

## **Democratic Republic of Sao Tome and Principe**

### **Implementation of the second cycle of the Participatory Smallholder Agriculture and Artisanal Fisheries Development Programme**

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For: **Information**

## **Note to Executive Board Directors**

This document is submitted for the information of the Executive Board.

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## **Abbreviations and acronyms**

CECAB	Cooperative for Export and Market of Organic Cocoa
FIC	Community Infrastructure Fund
FLM	Flexible Lending Mechanism
PAPAFPA	Participatory Smallholder Agriculture and Artisanal Fisheries Development Programme
PCU	programme coordination unit
PPP	public-private partnership



# Implementation of the second cycle of the Participatory Smallholder Agriculture and Artisanal Fisheries Development Programme

## I. Introduction

1. The Executive Board is invited to consider the following information on the implementation of the second cycle of the Participatory Smallholder Agriculture and Artisanal Fisheries Development Programme (PAPAFPA) in Sao Tome and Principe, which is funded under the Flexible Lending Mechanism (FLM).
2. The Executive Board approved the creation of the FLM at its sixty-fourth session in September 1998. The three main differences between a loan provided under the FLM and a standard IFAD loan are as follows:
  - Longer loan periods to allow for the achievement of sustainable development objectives;
  - A continuous and evolving design process through implementation of distinct, three-to-four-year cycles; and
  - Specification of clearly defined pre-conditions or 'triggers' for proceeding on to subsequent cycles.
3. Paragraph 13 of the report on the establishment of the FLM (document EB 98/64/R.9/Rev.1) stipulates that: "... for each FLM loan and prior to the end of each cycle, IFAD management will decide whether to proceed to, cancel, or delay subsequent cycles. Management will inform the Board accordingly. The document presented to the Board will set out the lessons learned from initial cycles and their incorporation into subsequent cycles, the attainment of physical targets, progress towards meeting long-term development objectives, and achievement of the pre-conditions stipulated in the loan agreements".
4. The purpose of the present information paper is to report on PAPAFPA progress in achieving the second-cycle triggers. The contents of this paper are based on the report of the second cycle assessment and third cycle design mission carried out in April 2009, on which a report was issued in September 2009.

## II. Background

5. The Participatory Smallholder Agriculture and Artisanal Fisheries Development Programme was approved by the Executive Board in April 2001 and became effective on 25 February 2003. The programme has been designed to secure a long-term commitment to Sao Tome and Principe, particularly in light of the drastic rural restructuring process under way since the launching of the land reform process in 1991. The loan has a twelve-year duration and includes four distinct cycles of three years each. The second cycle was scheduled to end on 28 February 2009 and the transition to the third cycle was subject to achieving a number of triggers. An inter-cycle review of the second cycle of the programme was conducted in April 2009.
6. The overall objective of PAPAFPA is to improve the living conditions and incomes of women and men in rural smallholder agriculture and artisanal fisheries. The programme comprises four components:
  - **Restructuring of the rural sector.** This component is designed to: (a) strengthen grass-roots associations; (b) develop a functional literacy programme for grass-roots associations; (c) strengthen professional organizations; and (d) contribute to the development of rural local councils;

- **Strengthening of services provided to the rural sector.** This component aims at setting up viable and sustainable rural-sector services, complementing those already provided by other donors and including: (a) the development of decentralized financial services; (b) the provision of extension services (agriculture, small livestock and forestry); and (c) the development of a participatory management system for coastal fishery resources;
- **Support to economic activities and innovation.** The objective of this component is to remove the constraints faced by the rural poor as a result of saturated internal markets. Market access is increased through two different strategies: (a) targeting niche markets abroad; and (b) diversifying the range of products offered on domestic markets. To this end, two subcomponents are envisaged: (a) capturing new markets at the local and international levels; and (b) empowering target groups to access new markets and to retain a larger share of the increasing income gains generated by the implementation of the new market strategies.
- **Programme management.** This component has been designed to accompany the ongoing process of rural sector restructuring. The underlying idea is to empower the target group to increasingly take charge of its own development. In practice, this will be translated into the creation of an association within which a partnership will be set up among farmer and fisher organizations, federations, service-providing NGOs and government representatives. Within this association, from the third cycle onwards, the majority vote will increasingly be entrusted to the representatives of farmer and fisher groups. The day-to-day management of the programme will be entrusted to an executive body.

### III. Programme achievement during the second cycle

7. The Participatory Smallholder Agriculture and Artisanal Fisheries Development Programme is an innovative pilot initiative that, over the course of its first six years of implementation, has produced a range of lessons for IFAD and its partners, together with some interesting results. These revolve mainly around the development of a pro-poor, replicable public-private partnership (PPP) model aimed at promoting the value chain of fair trade organic cocoa and, in particular, supporting the creation and consolidation of the related member-owned export cooperative. The knowledge, learning and impact generated by the programme have already been shared through several television and radio programmes that have been aired nationally and internationally.<sup>1</sup>
8. The Community Infrastructure Fund (FIC) affiliated to the programme began operations under the second cycle. It is an interesting feature of PAPAFA and new to the country's institutional landscape. The FIC has commenced implementation of a number of micro-infrastructure projects, such as: small-scale irrigation schemes in cocoa producing communities, spot improvement of market access roads, and community water/sanitation facilities in very poor communities. More than half of these projects receive funding from sources other than the IFAD loan. During the first and second cycles, the programme benefited 101 communities (83 on Sao Tome island and 18 on Principe island), thus directly reaching out to 3,708 households (of which 26 per cent are headed by women), which amounts to approximately 16,000 individuals in total.
9. In terms of support to agricultural production and fisheries, so far the programme has supported: (i) organic fair trade cocoa: 40 communities, 29 community-based producer associations, 1,400 families, 3,200 ha under cultivation, 340 tons exported through CECAB (Cooperative for Export and Market of Organic Cocoa);

<sup>1</sup> For example, the recent CNN broadcast: <http://edition.cnn.com/video/#/video/international/2009/04/20/wr.april.20.09.bk.b.cnn>

(ii) fair trade cocoa: 11 community-based producer associations, 750 producers; (iii) pepper and vanilla: 29 communities, 400 producers; (iv) artisanal fisheries: 500 fishers, 130 traders (all women), 8 fish concentration devices that have led to major increases in fish capture; the marketing cooperative, COPAFRESCO, handles more than 15,000 kg of fresh fish per year.

#### IV. Lessons learned

10. **Relevance of the FLM approach.** The FLM has continued to prove its value as an appropriate instrument to foster the fulfilment of one of IFAD's prime strategic objectives, that of strengthening the organizations of the rural poor. In pursuing such an objective an adequate response – one that is tangible and structural, qualitative and process-oriented - needs sufficient time and management flexibility, which the FLM arrangement allows. The triggers have been useful in developing the right focus for the prioritization and implementation of programme activities, and have allowed the programme to provide adequate and continuous support to the export cooperative, CECAB, and to the other producer organizations promoted under PAPAFFPA. The FLM has been conducive to promoting a spirit of learning-by-doing, most notably with respect to how to use PPPs to foster pro-poor value chain development. Although IFAD direct supervision grants many more opportunities to adjust the objectives and/or implementation modalities of projects and programmes than was previously possible, the FLM allows more flexibility at the outset during the project and programme design phase, especially in terms of not needing to predetermine "soft" objectives, such as those related to institutional development, on the basis of expected results for each project year.
11. **Other important lessons.** IFAD and its partners have learned a range of other interesting lessons during the first and second cycles of PAPAFFPA implementation, mostly revolving around how to use PPP arrangements to promote the IFAD mandate of sustainable poverty reduction. The PAPAFFPA experience clearly shows that there exists today a new generation of private sector companies that are eager to pursue more ethical trade relations with the producers of the commodities they specialize in ("sourcing" of commodities). Rather than acting as mere buyers interested in the immediate purchase of these commodities, these companies understand that the pro-poor development of commodity and value chains takes several years. If supported by public funding, they tend to be willing and able to commit themselves to accompanying this process over the years, as necessary. PPP arrangements offer them the opportunity to do so, given that initially commodity and value chain development activities, if they are to benefit the rural poor, must be subsidized. Such subsidies are seen to be justified if it is clear that they are to finance initiatives that are by nature pilot activities, and that they will be phased out completely according to a transparent and negotiated schedule. Public financial resources are thus used to pay for the time needed to build the capacity of the poor to engage with international market forces as fully autonomous actors in a sustainable way. The companies themselves respond to increasing consumer demand concerning the "traceability" of the commodities they purchase, and take the opportunity to market their image as socially responsible companies.
12. The artisanal fisheries subsector continues to be a priority for IFAD as it is home to some of the very poorest population groups in the country. PAPAFFPA experience also shows that while the subsector continues to be beset by problems and systemic results are difficult to achieve and sustain, simple interventions limited to address critical bottlenecks can have important impacts. One such bottleneck relates to increasing quantities of fish capture, which can be relatively easily achieved by installing more fish concentration devices.

## V. Achievement of second cycle triggers

13. The inter-cycle review found that performance for the most critical of the set triggers – impact on target groups – is satisfactory and well on track. In particular, the performance of the main farmer organization set up to promote the export of cocoa, CECAB, is excellent. Against a backdrop of a long and diverse history of failed attempts at cooperative development, this result is widely considered to be very impressive. Other farmer organizations are being promoted following the CECAB model. The organic cocoa value chain has proven to be technically and financially autonomous. Regarding other value chains supported by the programme, the trigger related to pepper has been met and a promising PPP model including technical assistance has been launched. The vanilla value chain produced less positive results because the crop is subject to a range of pests and diseases that for the time being remain difficult to control. The best native plant varieties have been safeguarded and are being further multiplied with this trigger being completely met. Women's incomes have been improved, directly and indirectly as a result of their increased social status and concomitant increase in access to investment capital and a more diverse range of income-generating activities.
14. It took longer than foreseen for the FIC to be able to launch its operations, which began in 2008. Bearing this in mind, the performance of the FIC can be considered extremely good; about two thirds of its infrastructure projects have been funded by sources other than IFAD, once again demonstrating the catalytic impact of IFAD investments. The trigger related to performance of adult functional literacy activities has been completely met, as has the trigger related to appropriate financial management on the part of the FIC and the programme coordination unit (PCU) and the deployment of qualified staff. Given the extreme poverty of rural communities in the country, the trigger related to a flat 10 per cent contribution of beneficiaries to FIC projects has been mostly met, but was found to be largely unrealistic for costlier infrastructure projects; the procedures manual has been revised to differentiate expected contributions by type of infrastructure project and to introduce more flexibility regarding this contribution.
15. The pilot experience of setting up the organic fair trade cocoa initiative in collaboration with the foreign buyer, has, moreover, led IFAD and PAPAFA to have a much clearer understanding of what objectives and targets it would be realistic to aim for in terms of, for example, production, exports and service provision; thus, some of the second cycle triggers were found to be overambitious, unrealistic and unreachable without modifying the programme's implementation arrangements. A number of other factors have also impeded the full attainment of all triggers, namely: (i) poor managerial capacity at the country level; (ii) weak overall implementation capacity in the public and private sectors; and (iii) lack of policies to drive community-based planning and infrastructure construction, operation and maintenance.

## VI. The way forward

16. Although the current triggers (from the second to the third cycle) have not always been completely met, an extension of the second cycle would have been highly unlikely to succeed in this respect. Moving instead immediately to the third cycle would provide a unique opportunity also to implement the activities very recently started through the innovative and promising strategies used for developing the organic cocoa value chain, and to take advantage of the positive momentum generated by the several linkages created with external operators. Modified in this way, the programme is likely to meet its current development objectives and to be able to further consolidate the sound work already completed on value chain development, particularly in the case of cocoa. The second-cycle triggers proved in reality to be slightly too ambitious, although very useful as an incentive for programme staff to commit themselves fully to their work. After more than six



years of implementation experience, it is now possible to gauge exactly what is achievable through PAPAFFPA over the remaining part of the programme's life. IFAD direct supervision will contribute to ensuring that the new set objectives are regularly monitored and acted upon as necessary. Moreover, the new orientation towards scaling up the proven PPP model for value chain development is very timely as the Government also wishes to showcase PAPAFFPA as a model for further replication at the national level, including for value chains not currently tackled by this programme.

17. **Way forward and modifications.** Programme implementation is currently at full speed with several new highly promising pilot activities just launched or about to be started, for example, PPPs with Cafédirect UK (cocoa), Hom&Ter/Agrisud (pepper/spices) and Malongo (coffee). It is of the utmost importance to maintain this momentum. A number of "quick wins" have been possible to respond to the shortcomings noted under the second cycle relating to the organization and management of the programme, which have limited its efficiency. None of the proposed changes have any impact on the development objective and basic thrust of the programme, which remain the same, and continue to be deemed highly relevant and well articulated.
18. It is proposed that the third cycle become PAPAFFPA's last cycle, thus merging cycles three and four into one. While the programme is expected to further scale up its core interventions and related investments over the coming four years, an exit phase lasting two years and aimed at further building up sustainability by consolidating the producers' organizations managing target value chains, will conclude this intervention. In order to focus PAPAFFPA core work on those activities that have been seen to work best, its organization chart and institutional setting have been slightly revised so as to ensure that value chain development activities enjoy a more central place. In practice, this would mean:
- Refocusing activities through three (instead of four) components organized around pro-poor economic development, financing, supporting measures and management. These three components have been rearranged as follows:
 

**Component 1:** Economic activities/value chain development (including five subcomponents with five value chain heads, of which one designated by the NGO MARAPA [Sea, Environment and Artisanal Fisheries] for fisheries plus a team of technicians for each value chain);

**Component 2:** The Community Infrastructure Fund (including management): two distinct windows (one under PAPAFFPA that will help finance productive infrastructure, such as rural roads, irrigation, production and drying equipment, and another that will be open to other donors and finance social and innovative infrastructure, especially alternative sources of energy); and

**Component 3:** Supporting measures and management (including two subcomponents: (i) support to the National Federation of Smallholder Farmers [FENAPA] and targeted functional adult literacy; and (ii) programme management – management and coordination, information and communication, administration and financial management, monitoring and evaluation [M&E]). The M&E unit within the PCU would also take over M&E responsibilities for FIC work; the two M&E teams would be merged and the M&E officer position within the FIC abolished. Similarly, the FIC accountant becomes part of the PCU financial management unit. Since the FIC is a mechanism that is meant to continue operating even after programme closure, its administrative and financial autonomy needs to be safeguarded; it is proposed, therefore, that the FIC accountant handle only FIC-related activities. The terms of reference for the work of this staff have been revised accordingly;

- Strengthening the coordinating function of the PCU (the FIC director becomes assistant coordinator of the PCU and coordinates its operations, including the work of the value chain heads); and
- Setting up a steering and monitoring committee involving partner ministries, inter alia, to establish links with national policies and programming mechanisms.

## VII. Conclusions and recommendations

19. The PAPAFFPA loan was approved by the Executive Board in 2001 for funding under the FLM. Since then, the programme has slowly though steadily progressed, achieving notable results in some of the areas targeted (organization of the organic cocoa chain, development of PPPs with foreign buyers, grass-roots organization of target beneficiaries).
20. The Government of Sao Tome and Principe intends to use the PPP pilots so far implemented by PAPAFFPA (especially in some of the targeted value chains) as a model for developing other agricultural value chains countrywide. In order to keep up the positive momentum PAPAFFPA is currently enjoying and to take full advantage of the lessons learned during the two previous cycles, especially in terms of the programme's organization and management, it is hereby proposed that PAPAFFPA: (i) further scale up its core interventions and related investments in those areas of action that have been seen to work best and be more sustainable; (ii) slightly revise its previous organization chart and institutional setting so as to ensure that value chain development enjoys a more central place; and (iii) merge the third and fourth cycles into one single cycle (cycle three), to be subdivided into a first implementation phase of four years and a final, exit phase of two years.
21. **Amendment of the loan agreement.** The loan agreement has been amended accordingly with retroactive effect from 1 May 2009.

