At the request of Oikocredit and SEKEM, the Centre for Development Innovation from Wageningen University and Research centre conducted an evaluation study on the social, economic and cultural impact of SEKEM’s business model on farmers producing organically grown crops for the companies of the SEKEM Holding in the period from November 2014 to March 2015. The intention of the evaluation study is to enable SEKEM and Oikocredit to gain better insights into the impact of the multifaceted programmes and projects conducted and inspired by SEKEM on farmer-supplier entities.

This evaluation study provides SEKEM with the opportunity to start systematically gathering information on the social, economic and cultural impact of its production activities, while for Oikocredit the impact evaluation study fits with its strategy of increasing its focus on its Production & Services portfolio, especially in agriculture in Africa, enhancing its insight into the impact that the programmes of its partner organizations have on their clients.

SEKEM is not representative of Oikocredit’s agricultural portfolio, as it is one of a kind. Nevertheless, SEKEM is a highly interesting partner with a holistic business model and related impact indicators that can certainly add value to the more general experiences in impact assessment in the agricultural sector.

The results of this study are intended as a source of reflection and learning from the evolution of SEKEM’s business model, and should enhance the level of transparency and accountability of SEKEM’s programmes to stakeholders. In the following pages we present a brief summary of the results of this study.

Cairo/Wageningen, April 2015

The CDI evaluation team
Ann Gordon
Sheen Saber
Ruud Ludemann
Marlene Roefs

Executive Summary

Background
The SEKEM impact evaluation reported here was undertaken between November 2014 and April 2015 by a team from the Centre for Development Innovation (CDI), Wageningen University and Research centre in the Netherlands. It was commissioned by Oikocredit - a privately funded financial co-operative registered in the Netherlands, with a presence in 65 countries. As at December 2014 Oikocredit provided credit and equity to 805 partners, including SEKEM in Egypt, in which it has an 11% stake.

SEKEM is a social enterprise founded in 1977 with the reclamation of 70 ha of desert – a project inspired by insights from anthroposophy and Islam. Today it has grown to 3,000 ha and the SEKEM holding consists of nine companies selling organic foodstuffs, textiles and phytopharmaceuticals with an integrated value chain supplying national and international markets. SEKEM cultivates its own biodynamic farms and, with the establishment of the Egyptian Bio Dynamic Association (EBDA) in 1994, has helped over 700 farmers in Egypt shift from conventional to biodynamic agriculture. It also established the SEKEM Development Foundation (SDF) in 1984, which runs educational and health projects and, in 2012, it opened the Heliopolis University for Sustainable Development.

Purpose
In commissioning this evaluation, Oikocredit and SEKEM wanted to focus on SEKEM’s farmer/suppliers. In particular, they were seeking:

1. Insights into SEKEM’s impact on farmer supplier entities, ranging from farms owned and operated by single individuals to groups of farmers that form associations to meet supply needs;
2. A baseline, against which they can track impact over time and identify areas where adjustments are needed to improve sustainability;
3. Information - taking into consideration the model’s relevance, effectiveness, sustainability and scalability for learning and accountability purposes; and
4. Evidence that the SEKEM model, being a private business, can promote development.

Through its promotion of organic/biodynamic agriculture, the biophysical dimensions of SEKEM’s model have already received a lot of attention; therefore through this impact evaluation study SEKEM is especially interested in enhancing its understanding of the cultural, societal and economic sustainability of its work.

The evaluation does not take into consideration the operations at SEKEM’s original farm near Bilibes, 60 km from Cairo (particularly in health and education) because these scarcely impact the farmer suppliers who are mainly located elsewhere in Egypt.

Approach to the evaluation
After a briefing by Oikocredit in the Netherlands, initial SEKEM/CDI meetings were held in Egypt in November 2014 and subsequent fieldwork was completed by the end of February 2015. The team adopted a mixed methodology including:

1. Meetings with SEKEM team-members, and a field trip, during the inception visit;
2. Focus group discussions with SEKEM suppliers, other farmers, women and young people;
3. Key informant interviews with farmers, other people in the SEKEM supplier communities, SEKEM staff, Heliopolis University staff and students, and agronomists;
4. Direct observation through farm visits;
5. Comparative analysis of farm operations for crops grown using biodynamic methods versus other ‘conventional’ production methods; and

List of abbreviations and acronyms

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<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
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<tr>
<td>CDI</td>
<td>Centre for Development Innovation, Wageningen UR</td>
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<td>CEO</td>
<td>Chief Executive Officer</td>
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<td>COAE</td>
<td>Centre for Organic Agriculture in Egypt</td>
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<td>DAC</td>
<td>Development Assistance Committee (DAC) from the Organization for Economic Co-operation and Development (OECD)</td>
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<td>ECOA</td>
<td>Egyptian Centre for Organic Agriculture</td>
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<td>EBDA</td>
<td>Egyptian Bio Dynamic Association</td>
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<td>FGII</td>
<td>Focus Group Interview</td>
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<td>GlobalGAP</td>
<td>Internationally recognized farming standards specific to Good Agricultural Practices (GAP)</td>
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<td>HU</td>
<td>Heliopolis University</td>
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<td>ING</td>
<td>International Netherlands Group</td>
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<td>ILO</td>
<td>International Labour Organization</td>
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<td>NPM</td>
<td>Netherlands Platform for Inclusive Finance</td>
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<td>PPI</td>
<td>Progress out of Poverty Index</td>
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<td>SDF</td>
<td>SEKEM Development Foundation</td>
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<td>SME</td>
<td>Small and Medium Enterprises</td>
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<td>SMII</td>
<td>Soil &amp; More International</td>
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<td>SSI</td>
<td>Semi-structured Interviews</td>
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<td>T &amp; V</td>
<td>Training and Visit</td>
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<td>Wageningen UR</td>
<td>Wageningen University &amp; Research centre</td>
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In total, 21 focus group discussions were held with 104 discussants and 40 key informant interviews conducted. Fieldwork was led by two CDI team members, who, at SEKEM’s request, were mostly accompanied by staff and/or students from SEKEM headquarters and its Helopolis University. The latter marked the first phase of building SEKEM’s own capacity to conduct similar evaluation studies in the future. The staff and students were involved in the logistics, organization and further processing of data, without interfering with the actual analysis and formulation of results, a measure taken to preserve the objectivity of the study as far as possible.

Fieldwork was conducted in the governorates of Fayoum, Beheira, Kafr El Sheikh, Giza, Qalubia and Ismaelia. Initial field visits were paid to the latter two places, whilst the other four areas were chosen because of their accessibility and representation of large numbers of SEKEM suppliers and important crops. For instance, 34 of the 52 supplier entities (65%) with whom SEKEM had contracts for the summer season 2014 are located in these areas, whilst the same areas account for 89% of a potential 332 farmers (i.e. farmers associated with and helping supply the 52 supplier entities).

CDI, SEKEM and Oikocredit maintained contact throughout the study and, following the submission of a draft report, a validation workshop was held at SEKEM’s headquarters in early April 2015, with representation from SEKEM (including the University and EBDA), Oikocredit and CDI. This report includes the feedback on earlier drafts and the workshop discussions.

SEKEM sources its supply from its own farm and from contract farmers

At its core, SEKEM is about the development of local organic produce to supply a mainly local market within a business system that aspires to promote holistic farming practices and human development. SEKEM is effectively a household name in Egypt (particularly for its herbal and medicinal teas) and, according to SEKEM’s CEO, Egypt is now the largest market for organic produce outside the US, Europe and Japan.

SEKEM sources its supply from its own five farms, and a pool of roughly 90 suppliers, located throughout Egypt, some of whom in turn effectively subcontract (formally or informally) a wider group of farmers (potentially as many as 412 farmers). All land used at the supplier entities to supply SEKEM is Demeter-certified to meet biodynamic/organic production standards.

The companies of the SEKEM group determine their crop needs per season and, using the Crop-Walker software system for planning and monitoring crop production, plans and contracts for crop supply are drafted. The agronomists supervising the correct application of the biodynamic/organic production techniques at farm level (employed by EBDA and paid by SEKEM) work closely with the suppliers. They often visit farms virtually every day, and effectively act as farm managers. SEKEM regards this input as essential in ensuring the integrity of the biodynamic crop production and meeting the requisite volumes and quality standards for products marketed in SEKEM’s name. In addition, some non-contracted production is purchased on the open market.

Conclusions

Farmers get more income and assured markets, and work opportunities increase. Through these supply contracts, the SEKEM operation potentially reaches out to:

- Roughly 90 contractees (farmer supply entities);
- Other certified farmers (potentially as many as 412) whose production contributes to the crop volumes contracted by SEKEM through such farmer supply entities;
- Farm labourers (the labour requirements per feddan, an Egyptian unit of area equivalent to 1,038 acres or 0.42 ha, for organic crop production are roughly 15-30% higher than for conventional crop production); and
- The families of these groups.

Although the farmers interviewed value the organic production methods and the avoidance of the use of chemicals, the impacts that are most evident are increased incomes (almost all farmers cite this as the main reason for switching to biodynamic agriculture) and a guaranteed market (many farmers note this advantage, commenting that SEKEM always honours its contracts), as well as increased employment opportunities. The latter is a particularly important impact in poor and labour-surplus areas (such as Fayoum), where land migration all over Egypt in search of work. Increased labour opportunities are noteworthy because the requirements of the biodynamic operation (and payment for crops made in two stages, after crop delivery) otherwise preclude the direct involvement of most of Egypt’s smaller farmers.

SEKEM’s farm management suggests that development of farmers’ capacity is limited. SEKEM has succeeded in promoting organic agriculture among its suppliers, but the operation seems to depend heavily on intensive input by EBDA/SEKEM agronomists. Even where farmers have supplied SEKEM for 20 years, the farm operation is still dependent on the agronomist input, with no apparent aspiration to build the farmers’ capacity to comply with the quality production standards on their own.

Little factual evidence of education and health impacts found among farmer suppliers. Whereas the interviewees often mentioned health benefits of organic produce (to consumers and growers) there was no concrete evidence of related impacts. Some farmers noted the first-aid kits, the clean water supply and bathrooms for farm workers, provided through SEKEM, while others recalled that SEKEM had helped them to think differently about education. Three young relatives of contract farmers benefited from discounted fees at Helopolis University.

Impacts on women and young people strongly related to activities specifically targeted at them. Although the women and young people interviewed speak favourably about organic agriculture, the SEKEM supply model has not expressly targeted these groups and, in general, their involvement is peripheral and any impacts limited. The exception is Kafr El Sheikh SEKEM where SEKEM had implemented a 20-month development project co-funded by an oil company, with an ongoing agriculture component as well as a wider range of activities (which ended in December 2014) with potentially broader impacts. Activities included literacy training for adults and children, pre-schooling, a nursery, training and operating a sewing workshop for women, and organizing computer training. Here the suppliers, non-suppliers, women, and young people all stated that they highly appreciate these activities. This case reflects (albeit at a much more modest scale and in embryonic form) the success SEKEM has achieved with its ‘mother-farm’ near Belbeis.

The development role for SEKEM as a private enterprise, SEKEM can only expect to have a wider impact on the people it reaches through its supplier entities if it actively engages in activities that supplement the agro-technological production practices. This conclusion seems to confirm that to be successful, the biodynamic approach requires implementation of a holistic approach and cannot - and should not - be reduced to only the ecological and financial aspects of farming.

Develop a baseline – but first strengthen the information on the larger, indirect supply base. SEKEM contracts directly with its circa 90 farmer supply entities and hardly keeps any specific information on the other farmers (potentially 400+) or labourers at the supplier entities involved in the production of the crop volumes to help meet the supply contracts. Therefore there is no detailed information readily accessible on the larger part of SEKEM’s supply base (i.e. beyond the farmers signing the supply contracts) without which it is hard to develop meaningful impact indicators.

The model is effective, relevant, sustainable and scalable but adaptations are needed. SEKEM has succeeded in developing a large national market for organic produce and promoting its production, via EBDA, among 700 or so farmers – many of whom have sustained the switch to organic farming over twenty years or more.

The model’s relevance can be seen in SEKEM’s farmer supplier and consumer base as well as in its ability to potentially help address key strategic issues facing Egypt: the increasing strain on limited traditional farm land, the need for more employment opportunities for a large and growing population, the development of ‘new’ (desert) land including farming methods that require less water (more compost), and its contribution to broader growth through export-market development.
Strains are evident though, in farmer complaints of late payments in recent years (SEKEM hopes to rectify this in 2015) and environmental pollution that threatens certification in some areas. Adaptations planned by SEKEM include consolidation with larger supplier entities and sourcing a larger share from its own farms and other new land. SEKEM seems to have the potential for growth in several areas: the supplier entities that are growing crops for SEKEM (at present 23% of their total acreage certified for organic production) can increase that percentage and acquire additional acreage for this purpose. SEKEM can also recruit more supplier entities, and/or expand crop production on its own farms. In this respect, the challenges and limitations alluded to above need to be taken into account.

**SEKEM/Helopolis capacity for social and economic impact assessment has potential.** Although several staff members at SEKEM and Helopolis University have experience and backgrounds relevant to impact assessment, the potential exists to develop much stronger capacity, should SEKEM wish.

**Recommendations**

1. **Explicitly recognize the wider group impacted (beyond farmer contractees).** SEKEM reaches a wider group of farmers, labourers and their families but has little information on this group. If SEKEM wants to determine the impact of its activities on this wider group, it needs to collect the necessary baseline information against which such impact can be measured. Only then can SEKEM develop meaningful impact indicators and be accountable to this target group for their holistic mission.

2. **Give consideration to alternative approaches to contract farming.** SEKEM could reconsider the role of the agronomists and the nature of its supervision of crop production at farm level. This could be done by taking into account different approaches to contract farming used elsewhere and building farmer capacity to organize and associate, so that over time the smallholders take on more of the roles previously carried out by the company team (extension, farmer recruitment, quality control, crop assembly, compliance with contract requirements). Linked to this, SEKEM could consider how it might use its own (five) farms to support and link with contract farms in the vicinity (e.g. as a conduit for input supply, training or other services).

3. **Identify relevant interventions in health and education – and for women and young people.** If SEKEM wishes to achieve impacts in health and education – and impacts on a wider group including women and young people, SEKEM needs to develop a strategy in this respect, and identify specific interventions, based on a proper understanding of the supply base (including women and young people), and active engagement in activities aimed at issues of prior importance to these groups. Following a thorough situation analysis, including the identification of opportunities to collaborate with other players in these action domains, SEKEM will also need to identify financing for such broader work among its farmer suppliers.

4. **Engage actively in the development role for SEKEM as a private enterprise.** To achieve a wider social, economic and cultural impact, SEKEM should actively engage in activities in those action domains. However, funding of such activities should not jeopardize the economic viability of SEKEM’s income-generating capacity. To address the issue, SEKEM could (assisted by the SDF) design a strategy to search opportunities to collaborate with other organizations already deploying initiatives in these domains.

5. **Improve communication on SEKEM’s activities beyond production.** Based on the feedback from many interviewees that they were unaware or ill-informed as to SEKEM’s portfolio of social development and cultural activities, SEKEM should consider paying more attention to informing the people at the supplier entities and neighbouring communities about these aspects. This may call for structurally intertwining SEKEM’s production-oriented activities with SDF’s social development initiatives.

6. **Understand the supply base and develop a socioeconomic indicator baseline.** With SEKEM staff, CDI developed a questionnaire to gain more detail on SEKEM’s supply base and suggested ‘result domains’ relevant to the design of a baseline. It is recommended that SEKEM tests this draft questionnaire with 3-4 supplier entities, and then adapt it as required, before fully implementing the tool. Enhanced information on the farmers and farm workers involved in the SEKEM supply chain, and on their families, is necessary to enable development of a meaningful set of baseline indicators. The SEKEM/EBDA agronomists could be put in charge to collect and keep records in this respect as they are best positioned to do so.

7. **Continue to adapt the model, recognizing some of the trade-offs involved.** SEKEM has already recognized the need for adaptation to address the challenges it faces (and indeed, continuous adaptation and innovation is central to its whole approach to social enterprise). As it seeks to consolidate supply with larger growers, and to some extent its own farms and other new lands, it is important to recognize that these shifts are likely to mean relatively less focus on the areas where its development impacts are arguably greatest (i.e. in disadvantaged labour-surplus areas where work opportunities are badly needed).

8. **Consider how best to address SEKEM’s monitoring and evaluation needs.** SEKEM should consider how to address its monitoring and evaluation needs – be it through developing the capacity of its own staff or by using external expertise, or (most likely) some combination of the two. In addition to instruction on the use of a set of tools, such capacity building requires thorough training in soft skills (people skills), practical exercises and flexibility to do field work, plus stimulation of a work place culture that encourages such reflection among its staff and partners. Improved monitoring, evaluation and learning would strongly complement the ‘model’ by helping provide a valuable source of inspiration and input for strategy and operations.

**Articulation of the report**

The report starts by describing the background, context and methodology in chapter 1. In chapter 2 the basic principles of SEKEM’s operations are highlighted, while chapters 3 and 4 present the findings of development at farmer-level, and the perspectives of women and young people. In chapter 5 suggestions are made as to how SEKEM could set up a baseline study and develop routines for data management, and in chapter 6 the conclusions and recommendations of the impact evaluation study are presented. In the annexes the reader will find a series of attachments elaborating on the specific aspects of the study.
Oikocredit is a worldwide cooperative and financial institution that promotes sustainable development by providing loans, capital and capacity building support to microfinance institutions, cooperatives, fair trade organizations and small to medium enterprises. As a social investor, Oikocredit's work is guided by the principle of empowering people to improve their livelihoods. Oikocredit offers a triple return to its investors: social, environmental, and financial. In addition to earning modest financial returns, investors are secure in the knowledge that their money is being used to improve livelihoods, promote fair trade and respect the planet's natural resources.

CDI
The Centre for Development Innovation works on processes of innovation and change in the areas of food and nutrition security, adaptive agriculture, sustainable markets, ecosystem governance, and conflict, disaster and reconstruction. It is an interdisciplinary and internationally focused unit of Wageningen UR within the Social Sciences Group. Our work fosters collaboration between citizens, governments, businesses, NGOs, and the scientific community. Our worldwide network of partners and clients links with us to help facilitate innovation, create capacities for change and broker knowledge.

SEKEM
The SEKEM-Group of companies is a part of the SEKEM Initiative founded in 1977 by Dr. Ibrahim Abouleish to strengthen sustainable development in Egypt by producing, processing, and marketing organic and bio-dynamic foodstuffs, textiles, and phyto-pharmaceuticals in Egypt, the Arab World, and on international markets. SEKEM has been widely praised as an “Egyptian organic pioneer” and has received the 2003 Right Livelihood Award (“Alternative Nobel Prize”) as a “Business Model for the 21st Century” and an “economy of love”. With part of their profits the SEKEM companies co-finance the social and cultural activities of the SEKEM Development Foundation that runs, among others, several schools, a medical centre, an academy of applied sciences, and other institutions in Egypt.