

CHAPTER 15

THE NOVELLA PROJECT

Developing a sustainable supply chain for Allanblackia oil

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Abstract. The Novella Project, a collaboration between a commercial company (Unilever), an international Non-Governmental Organization (NGO) (SNV Netherlands Development Organisation), local NGOs, local businesses, collectors, transporters and processors, aims at developing a strong, effective and sustainable international supply chain for Allanblackia oil. Success of the chain will increase when more local farmers and collectors will find the additional incomes attractive enough to get involved. A strong chain, with clear business opportunities, will encourage the local communities not only to protect the Allanblackia trees, but also to offer similar protection to all trees in the forest, thereby contributing to explicit sustainable forest management and maintenance of biodiversity. Unilever has already shown commitment to developing a sustainable supply chain by offering to support local communities to plant more Allanblackia trees on their farms and closer to the communities. The project's choice to focus on the empowerment of women is strategic as their participation can lead to improved livelihoods and stability of family incomes, which are important objectives of the project. For the commercial partners, including Unilever, a strong market chain is expected to translate into an acceptable return on investment. The chain is in its development stage and is confronted with a number of challenges. The collection of seeds from wild-growing trees in dense tropical forest and low tree density in village areas lead to high transaction costs for collection of the seeds along the chain. Also being a new market chain intense information, education and communication is required over a long period throughout the project areas to transfer knowledge, skills and project information to current and potential supply-chain actors. In the complex partnership different interests risk to compete with common defined objectives. There is the challenge of increasing involvement of local businesses and investments in the key areas of the chain. SNV has a crucial responsibility in addressing these challenges by supporting different partners involved in the project.

Keywords: partnership; economics; development; biodiversity; institution building; learning; non-timber forest product; sustainable forest management

INTRODUCTION

Establishing strong market chains and networks for products from developing countries is one important way to contribute to economic and social development,

R. Ruben, M. Slingerland and H. Nijhoff (eds.), Agro-food chains and networks for development, 179-189.

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through employment, increased incomes and participation of poor people in value-added economic activities. In rural areas of Africa the majority of the people are engaged in agriculture, including the collection of wild-growing non-timber forest products. Even though much time and effort of the local economy is spent on these activities the values created are still very low due, in part, to lack of access to important markets and the low quality of outputs. Developing effective agro-food chains can ensure increased incomes through markets and value-added activities. The more value is added to various links of agro-food chains the more likely it is that some of it will fall in the hands of the primary producers, often located in rural areas of developing economies, many of them women. This is often a good signal for others to participate in activities related to the market chain. Increased employment will also, hopefully, lead to more incomes. Typically the stronger and more established the market chain and networks, the more interesting it becomes for local entrepreneurs to play an active role through increased investment of their time and other resources in order to reap the benefits of added value.

THE PROJECT AND ITS OBJECTIVES

The Novella Project is a collaborative project between Unilever, SNV Ghana and local non-governmental organizations (NGOs) to develop a strong, effective and sustainable supply chain for Allanblackia oil. It is a unique partnership between a multinational business, local and international NGOs and businesses with diverse interests in a collective pursuit of a common agenda. Allanblackia (locally called Sonkyi) has been identified as an edible fat that can be used to produce food products such as margarine. Prior to the Novella Project local populations collected the seeds for personal use as they had no significant commercial value. The fat produced was used for human consumption and for the local production of soaps. Communities of local farmers collect the Allanblackia seeds for sale aiming at increasing their income. In Ghana, the Allanblackia trees grow wild in the tropical rainforest belt, mostly in the cocoa-growing areas of the Central and Western Regions. The population of the Western and Central Region is 1,924,577 and 1,593,823, respectively, with 27% and 48% of them living below the poverty line (Ghana Statistical Service 2002) and with the majority clustered around the poverty line. Most of the people of these regions are farmers living in rural communities. Collection and sale of Allanblackia seeds may be an opportunity to increase their income.

A unique initiative

Unilever initiated the Novella Project to develop a new supply chain for Allanblackia oil. Ghana was identified by Unilever as a pilot country for the Novella Project because of the abundant presence of the Allanblackia tree in several of its regions, its political stability, the presence of local partners and some initial trials on the extraction of oil with Ghanaian oil processors.

Unilever sought, at an early stage in the project, to pursue a development agenda in addition to the clear commercial agenda. Unilever therefore approached other partners who could bring this company and collectors (gatherers) together to start a pilot project, which was named the Novella Project because it is a novelty in many respects. This is the first time Unilever is engaged in this kind of joint public-private partnership to develop a supply chain based on both commercial and development agendas. This is also the first time a concerted effort is being made to find a commercial value for the *Allanblackia* seed.

Key project objectives

At the inception of the project all partners agreed on the following common objectives:

- to contribute to the enhancement of rural livelihoods
- to contribute to the sustainable management of forest areas and reserves in Ghana, as well as maintenance of biodiversity
- to encourage the participation of women in all aspects of the *Allanblackia* supply chain
- to contribute actively to the non-use of child labour (ILO convention).

Economic importance and development agenda

For Unilever the clear benefit would be a strong, effective, sustainable and profitable supply chain. The project is also expected to create business opportunities for local entrepreneurs to participate in all the processes that lead to the production of the final products in Unilever's factories. Local small businesses will be active in the field of buying, storing and transporting the seeds and extracting the oil from the seeds for Unilever. More value will thus be added to the product before it is exported. But this has to be done in a sustainable way, including a strong emphasis on biodiversity conservation and sustainable forest management and non-use of child labour. In the end additional employment and incomes will be expected to improve rural livelihoods. Participation of women in all aspects of the project will ensure equitable distribution of the wealth created. Within the framework of the Novella project, SNV Ghana facilitates the implementation of the development agenda through the local NGOs.

KEY PROJECT PARTNERS, PARTNERSHIP ROLES AND GUIDING PRINCIPLES

The key partners in the Novella Project have been Unilever, SNV Netherlands Development Organisation, Friends of the Nation (FoN) and Institute of Cultural Affairs (ICA) (the latter two being local NGOs with a lot of community knowledge and experience). Other institutions involved with promoting the *Allanblackia* business include IUCN – The World Conservation Union, Swiss State Secretariat for Economic Affairs (Seco), Forest Research Institute of Ghana and Technoserve.

Unilever

Unilever's role is essentially that of project manager with a particular focus on the supply chain and its actors. In the pilot phases Unilever provided resources to the local NGOs to provide information, education and communication in the project communities. They also provided the overall framework for the Novella Project including strategy and planning. They set the targets for the year, deploy resources for the purchase of the seeds and resolve specific supply-chain issues with the support of the other partners. Currently Unilever has recruited field staff to assist with some of the activities the NGOs performed in the pilot phase. Unilever guarantees to buy specified quantities of the oil fat at a pre-set price from the processors. This enables the collectors to focus on collecting seeds instead of looking for buyers. Further they guarantee fair prices for all participants in the supply chain, which motivates the collectors, buyers, transporters and processors to feel adequately compensated for effort and resources invested in the market chain.

FoN and ICA (local NGOs)

The local NGOs have focused on propagating the message of the Allanblackia business including the need to pursue all the elements of the development agenda. They encourage local communities to collect the seeds and to keep them for the buying company, which is required to follow the trail of the local NGOs, to buy the seeds during the harvesting season. In the process the NGOs help interested communities to elect focal persons, ensuring during the process that democratic principles are followed and also that women are given a fair chance to present themselves for election as focal persons. The NGOs have done a fair amount of informing, educating and encouraging the communities to ensure that those who participate in the collection at the local level understand the business best practices of the Novella project and are prepared to play by the rules. The NGOs also monitor strict adherence of the collectors to the tenets of the development agenda.

Additionally the NGO field staff, working hand in hand with Unilever field staff, endeavour, through their activities, to empower the local communities to play an active role in determining the nature and direction of the Allanblackia business, including their ability to negotiate fair and reasonable prices when the supply chain is clearly established. They explain the elements of the pre-set price to the local communities. As part of activities in the second phase of the pilot the local NGOs, with the support of Unilever and SNV, facilitated the formation of collectors and the focal persons into local Allanblackia groups to ensure adequate focus on the development of the supply chain. It is expected that the groups will have the opportunity, through regular interaction, to discuss pertinent issues regarding their participation in the supply chain.

SNV Ghana

SNV's role has continued to be to give impetus to the development agenda and to provide important market linkages. SNV has, since the inception of the project, been

assisting in enhancing the capacities of the local NGOs to be able to perform their roles as frontline agencies that carry the business message of Allanblackia to the local communities. SNV assists both Unilever and the local NGOs to design appropriate messages as well as develop capacity of the NGOs and Unilever field staff on appropriate modes of delivery for maximum effect. SNV also provides training on the integration of gender principles into the Novella Project and also conducts monitoring visits to ensure strict adherence to the development agenda.

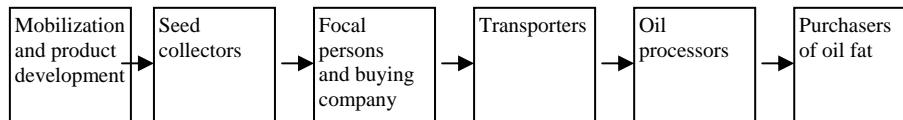
Guiding principles

It became clear from the outset that there would always be a critical need for very clear guidelines and principles, acceptable to all partners, to enable a group of such diversity of interests to work together towards a common goal. These finally emerged through open and frank discussions among the partners. The essential elements are as stated below:

1. All parties acknowledge and respect the actual and potential role each organization can play in the Novella Project.
 2. All parties respect each other's independence and choices considering the means and instruments selected for the implementation of the development agenda.
 3. All parties shall strive for maximum transparency.
 4. All parties shall strive for fair pricing structures.
 5. The partnership is founded on principles of equity and all parties recognize elements of responsibility and accountability that would engender such equitable partnership.
 6. All parties shall strive for a timely, adequate and fair flow of information.
 7. The collaboration contributes to environmental sustainability and good governance as a means to making a contribution to poverty reduction.
 8. The collaboration shall enable enough room for other interested parties to be enlisted, from time to time, to assist and facilitate the successful implementation of the Novella Project.
 9. Adherence to local and international law including respect for ownership rights.
- Admittedly, it has not been easy for all the partners to abide by all of these principles. Nevertheless, through dialogue and regular evaluation, the partnership is still thriving.

KEY ACTORS IN THE SUPPLY CHAIN

The key actors in the supply chain of Allanblackia seed oil in Ghana include the collectors, the buying company, the transporters, the processors and Unilever, which buys the processed oil for export. These are supported by a number of NGOs and development organizations, whose role for the moment remains critical to activate the Allanblackia business until it becomes commercially viable. These NGOs are not part of the supply chain and therefore do not collect, buy, transport or process the seeds.



The Collectors

It was originally thought that the *Allanblackia* seeds could be found in sufficient quantities on local farms and on the fringes of the rainforest. It was also thought that most of the collectors would be farmers, who will see collection of the seeds as additional income-generating opportunities. Two phases of the pilot have taught us that although the collectors are predominantly farmers (farming being the main activity in the communities) it requires much additional effort, including walking long distances, to find the trees and the seeds in sufficient quantities to become an attractive commercial activity. The collectors are expected to lodge their collections with the focal persons, or at least stay in contact with the focal person to know when the buyers will come. Monitoring activities by both SNV and the local NGOs have found sufficient evidence that women play key roles in collecting seeds, while no evidence was found that children participate in the chain.

Focal persons

The focal persons currently mobilize the collectors within their communities and encourage them to collect the seeds during the harvesting season in return for a commission on every kilo of seeds sold. At the moment they form an important link between the buyers and the collectors. A clear advantage is that they reside in the local communities, while the buyers mostly come from the cities. As the business develops, it is expected that the focal persons and local businesses may form their own buying networks to buy and sell directly to the processors or to the buyers from the cities.

Buying company and transporters

Unilever has contracted a buying company to purchase the seeds on its behalf and to transport them to the processing plant near Accra. The buying company deploys its own resources to buy the seeds and is only required to sell the seeds to Unilever at a pre-set price. The contractual arrangement between Unilever and the buying company does not, however, preclude others from buying and selling the seeds. In fact almost all the actors will welcome more buyers to ensure timely purchase of all the seeds collected in the communities. The buying company liaises with the NGOs and Unilever field staff to determine the areas where seeds might be readily available to purchase. In the actual phase the terrain is vast and the quantities of collected seeds in the communities are small; therefore the buying company is

unable to deploy resources to all the communities to purchase all the seeds. This discourages those whose seeds were not purchased from collecting more.

Oil processors

Currently a private company processes the seeds for Unilever. It has previously invested in infrastructure to process other oils for Unilever. It receives the seeds from the buying company for processing. In the third harvesting season the processor is also involved in purchasing the seeds directly from the collectors.

Purchase of oil fat (Unilever)

Unilever guarantees the processor a vast market for the *Allanblackia* seed oil at an agreed price. Through this process Unilever takes steps to ensure that all the safety and quality standards are met. This is an important incentive for actors in the supply chain.

ACHIEVEMENTS AND LESSONS LEARNT

Halfway through the third harvesting season and the pilot phases there are certainly some achievements and lessons to share. Yet many challenges remain.

Achievements

Several achievements can be mentioned at this stage. A solid partnership between public and private entities has been established with a clear commitment to develop the supply chain on sound business principles. There is a high level of awareness about the Novella Project in many communities where the seeds can be found. Various community entry and education formats have been tested. There is increased awareness about sustainable use of natural resources in the project communities. Some farmers regret ever cutting the many *Allanblackia* trees they thought were useless. Some farmers have agreed to plant *Allanblackia* trees and there is commitment to invest in propagation and domestication of the *Allanblackia* seeds. Participation of women in the project has been encouraging.

In the domain of knowledge and skills acceptable standards for handling and processing of *Allanblackia* seeds has been established (Amanor et al. 2003) and various researches have been carried out and others initiated to understand the business of *Allanblackia* (Attipoe et al. 2004). Actual partners show commitment to expand the scale of the project in Ghana and Tanzania and to commence in Nigeria, Cameroon and the Congo basin. The project raised interest of other development partners including the UNDP, Novib, GTZ, Seco, Intercooperation and Technoserve. Their involvement will, as expected, expand the scope and coverage of the supply chain.

Lessons learnt

The partnership has so far been a very rewarding experience for all the partners. It is clear that private and public organizations can work together to achieve common goals and objectives once the objectives, roles and responsibilities are clear. To achieve this clarity it is important to do a critical assessment of the mission, vision and resource bases of all partners. There should be a clear definition of roles and responsibilities among partners including who should coordinate the activities of the partnership. This should not be taken for granted. Furthermore, open and constant communication among partners is critical for the partnership. If possible the formats and standards for information sharing and communication should be discussed and agreed, including the levels and types of information that partners should have access to. The development agenda costs money and requires careful preparations to pursue. It has to be sufficiently clear to the partners, at the inception stage, how the project will be financed. This was not very clear in the Novella Project.

Another important lesson is learning a creative way to enhance access to important markets for the poor. In this case Unilever has guaranteed the market with the additional responsibility of assuring product safety and quality. The farmers in their individual capacities would not have had easy access to the market. Not only will their numbers be too low, but also the cost of investing in safety standards would be prohibitive at this stage. Involvement of local businesses and business interests is very critical to maintain local community interest in the project. Efforts should be made to include them.

Finally our experience has been that in this kind of partnership there are enormous opportunities to learn new things, new ways of doing things and new strategies, through open, frank and transparent engagements with partners.

CHALLENGES AND THE WAY FORWARD

To a new supply chain, developing from scratch for a product for which there was hardly any commercial value, there are bound to be challenges at different levels. The challenges are identified and activities are planned to meet them.

Partnership communication and coordination

The partnership is a novelty for all members. It is complex, involving multiple and sometimes contrasting objectives, orientations and methods, of partner organizations and stakeholders who are learning to adjust to each other's pace of work. There should be commitment to this learning process. It has been very difficult to communicate and coordinate activities among the partners. This meant that not all the partners had access to information in a timely manner. This is being addressed through a newly established Partnership Committee to be chaired by SNV.

Unilever had expected the NGOs to be fully committed to the achievement of the development agenda in the communities they were already working in. They were expected to use this experience to reach out to new communities. That commitment, it is assumed, should also challenge them to find additional resources to support the

project. That is far from happening in the immediate future. The capacity of the NGOs to deliver has been weak in the two pilot years. The NGOs and service providers have created awareness through community entry, posters, public campaigns and interactions with the communities, yet most communities have not fully accepted the project. Education has to continue until the local communities realize the potential that is hidden in the *Allanblackia* seeds and can totally commit to its development. This has been an important learning point for the project. There has to be a realistic and fair assessment of the motivation and resource capacity of future participants in the project.

At the end of the evaluation after the second season, it became very clear that to achieve the targets the project has to expand to cover many communities scattered over the rainforest. The failure to achieve the set targets has a number of underlying causes: price, roles of and incentives for focal persons and buyers, volume and density of trees, motivation of local business.

Price

Feedback from stakeholders and field visits by all partners suggest that the going price of 1000 Ghanaian Cedis (the equivalent of 10 eurocents) per kilo is low and does not adequately motivate the collectors and focal persons. In some cases, however, with intensive education and persuasion some collectors and focal persons have renewed their commitment to the project believing that one day the chain will develop to the extent similar to cocoa. The strength of that commitment was greatly tested when we found that some of the collectors are not prepared, even where they have already collected the seeds, to sell them to the buyers. On the one hand there is a price beyond which the end product cannot enter the external market; on the other hand a price below which the collectors have absolutely no motivation to collect the seeds. This has been the real dilemma for the project and a challenge we accept with continuous education, information and communication.

All the partners recognized the price issue as a critical success factor of the project and have shown commitment to finding a solution. There have been very open and frank discussions among all the partners including a close scrutiny of Unilever's pricing formula. SNV has been conducting a price study to determine, from the point of view of the collectors, what are the main elements of a fair price for a product still in development.

Role of focal persons and buyers

Purchasing the seeds from the collectors is a great challenge at this moment. The volumes are still very low despite the huge potential that exists. There is no doubt that, just like cocoa and oil palm, once the project reaches critical mass businesses will find sufficient interest to warrant significant investment. At the moment, it seems, this has to be engineered in a very creative manner. The focal persons can play a very important role in the whole supply chain of the seeds. They have primary contacts with collectors and in most cases know them very well. Because the

business is not sufficiently attractive at the moment the focal persons have not shown much commitment. The low volumes realized mean that they did not earn enough from commissions to be motivated. Also, not everyone in the communities accepted their role as buying agents. Some preferred to sell directly to the buying company. In some cases the focal persons did not have the appropriate equipment to weigh the seeds. Their role is being streamlined as we move into the next phase. SNV is developing an entrepreneurship development/awareness programme to sharpen the entrepreneurial competencies of the focal persons and generate enough business interest in the project within the communities.

Research has shown that there are indeed not enough seeds from wild-picking to make the project commercially viable for both Unilever and the communities. The partners are currently preparing a prospectus to raise 20 million euros for propagation and domestication of the *Allanblackia* trees to guarantee the quantities that will ensure commercial viability in the long term.

Motivation of local business

There is yet an important issue that has to be addressed to boost community interest in the project. Perhaps one of the greatest challenges we face with the Novella Project is how to motivate local businesses (businesses within the project communities) to participate actively in the supply chain of the *Allanblackia* seeds. In part this is because the potential business benefits are still not too clear to local entrepreneurs. Another reason is the lack of capital to invest in a venture that is still rather exploratory at this stage. Yet local business participation will perhaps be the best guarantee for sustainability of the project. Local entrepreneurs should be able to set up businesses around collecting, storage and transporting the product to the Unilever processing centres. The benefits accruing from local participation in increasingly longer segments of the chain will, hopefully, encourage more local people to participate in the collection of the seeds, which is the major weak link in the supply chain. Additionally local business participation is the only way we can put real incomes into the communities. The way it is currently structured most of the business and the benefits will only go to processors, buyers and transporters, who do not reside in the project areas. It is a real challenge to change this.

CONCLUSION

There is enough interest among the partners to continue with the project. All partners have renewed their commitment to the next phase of the project to ensure that the environment is not destroyed, that communities gain additional income through fair prices for their efforts, and also that women will continue to be the major beneficiaries of the project. The partners have all planned key activities for improving performance of all the actors in the supply chain as well as the supporting institutions with the view to supporting the development of a strong supply chain that provides good incentives for all stakeholders. Chaired by SNV a Partnership

Committee has been formed to improve communication and coordination among partners.

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