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VALUE CHAIN ACTIVITIES FOR CONFLICT-AFFECTED POPULATIONS IN GUINEA

GUIDED CASE STUDIES IN VALUE CHAIN DEVELOPMENT FOR CONFLICT-AFFECTED
ENVIRONMENTS

microREPORT #90



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LIST OF ACRONYMS

AMAP	Accelerated Microenterprise Advancement Program
APC	All People's Congress
BEE	Business enabling environment
CBO	Community-based organizations
DIP	Detailed implementation plan
EC	European Commission
EIU	Economist Intelligence Unit
ERD	Economic Recovery and Development
EU	European Union
GNF	Guinean Francs
GNI	Gross National Income
GoG	Government of Guinea
GTZ	Gesellschaft für Technische Zusammenarbeit
FIDA (IFAD)	Fonds International de Développement Agricole
IDP	Internally displaced person
IMF	International Monetary Fund
IRC	International Rescue Committee
INADER	Institut National pour le Développement Rural
IRAG	Institut Recherche Agronomie de Guinea
MARWOPNET	Mano River Women's Peace Network
MoU	Memorandum of understanding
MT	Metric tons
NGO	Nongovernment organization
NPFL	National Patriotic Front of Liberia
OCHA	Office for the Coordination of Humanitarian Affairs
PRIDE/Guinea	Programme Intégré pour le Développement de l'Entreprise
RSE-DC	Relance Sociale et Economique à travers un appui aux initiatives de Développement Communautaire
RUF	Revolutionary United Front
SER-CD	Social and Economic Recovery through Community Development Initiatives
UN	United Nations
UNDP	United Nations Development Program
UNHCR	United Nations High Commission for Refugees
US\$	United States dollar
USAID	United States Agency for International Development
VDC	Village Development Committees
WFP	World Food Program

EXECUTIVE SUMMARY

This report is part of a USAID-funded research project using guided case studies to explore whether and under what conditions the application of a value chain approach can help accelerate growth in conflict-affected environments. This study uses the value chain framework to look at an integrated community development initiative called “Social and Economic Recovery through Community Development Initiatives” (SER-CD). SER-CD is a three-year project implemented by the International Rescue Committee (IRC) and funded by the EU that is addressing the rehabilitation and revitalization of Guinea’s Forest Region where it borders Liberia, Sierra Leone and Ivory Coast.

Prior to visiting the project, the researchers reviewed support documentation and supplementary background reading (see references) and met with the ACDI/VOCA Technical Advisor for the Accelerated Microenterprise Advancement Program and the IRC Director for Economic Recovery and Development. The meeting provided an initial briefing and identified research priorities. The research methodology included qualitative and quantitative data gathered during key informant interviews, focus group discussions and stakeholder meetings conducted with community and prefecture-level value chain participants—producers, village traders, wholesalers and input providers—and with program staff and partners and the EU representative (Annex 1). The research question discussion focused on a review of value chain activities, lessons learned about intervention tools and approaches, and project results to date.

RESEARCH FINDINGS

Research Finding 1: Trade relationships can help improve communications and help integrate conflict-affected communities by linking actors in mutually beneficial relationships. The value chain analysis of the groundnut sector included prefecture-level meetings of *Guerse* farmers and *Malinke* wholesalers that helped address ethnic tensions; improve communications; and initiate trade relationships between the groups. In addition to bringing disconnected groups together and stimulating their thinking about trade, the meetings helped build confidence and lay a foundation of trust. Other examples of stakeholder collaboration include farmers who are forming groups and saving regularly with a commercial bank, and wholesalers and input suppliers who are investing time and effort in building relationships with farmers.

Research Finding 2: Stakeholders can be encouraged to overcome short-term survival instincts and adopt a “win-win” perspective. Although it remains to be seen if the value chain approach will result in chain players making long-term investments, the approach is encouraging many to consider the future. In looking at long-term, win-win scenarios in the groundnut value chain, the researchers found large-scale wholesalers to be key investors. Project incentives stimulated and facilitated these investments and a challenge for the project was to determine what, where and how to apply incentives that could both turn wholesaler interest into action and minimize market distortion.

Research Finding 3: Value chain activities can be used to create a socio-economic context that facilitates the rehabilitation and transition of post-conflict communities. The evidence from this case supports:

- A market assessment is a critical first step to identifying and, importantly, emphasizing opportunities and overcoming constraints;
- Introducing new ideas and innovative technologies can help stimulate creative thinking amongst value chain players;
- It is important to target key social groups, such as refugees, and to select value chains and development initiatives that have significant growth potential.

Research Finding 4: The research illustrates that both an initial market assessment and a detailed value chain analysis are essential to identify upgrading opportunities and constraints throughout the chain. While the initial market assessment quickly identified growth potential in the regional groundnut market, inexperienced staff overlooked regional and international opportunities. In addition, the analysis lacked the detail that might have revealed specific business opportunities as well as problems at other levels of the chain. While project outcomes are still to be determined, better data and closer examination of available information may have identified additional opportunities and constraints and more comprehensive and innovative means for addressing them.

RECOMMENDATIONS

Ongoing interaction with relevant national government agencies and knowledge of their policies and plans can help to minimize the effect that unanticipated and unfavorable new policies can have on project activities. Because there was a favorable regional market for groundnuts, SER-CD targeted that value chain. However, a short time later, the government banned exports of the crop. Value chain analysts in post-conflict situations need to develop and maintain relationships with government officials/staffs and remain current on plans and policies. They also need to integrate all government policies and trends into project planning activities.

Flexibility is key when working with agricultural planting and harvesting seasons. Funding disruptions and a subsequent lack of donor flexibility led SER-CD to implement a high-risk strategy of planting groundnuts out of season.¹

Ensure that the project has the human resource capacity, support and organizational commitment to conduct a complete and insightful value chain assessment and analysis. Humanitarian staff, particularly those who have an emergency response perspective, may not understand the roles of all market players or be comfortable working with businesses. A lack of understanding or lack of sufficient time and funds can hamper the process of asking the right people the necessary questions and of getting accurate information and a complete picture of the situation prior to designing a program.

The initial market assessment must be broad and deep enough to capture a range of opportunities. The tightly focused nature of the initial SER-CD market assessment overlooked potentially significant opportunities. Project experience suggests that detailed analyses should contemplate how business ideas, innovation and new technologies can be stimulated internally by value chain actors and introduced by outside players such as government, NGOs, or donors.

¹ In the event, this strategy paid off and the harvest was a good one.

I. INTRODUCTION

BRIEF OVERVIEW OF THE COUNTRY AND CONFLICT CONTEXT

This study presents research gathered during a value chain analysis of an integrated community development initiative. The Social and Economic Recovery through Community Development Initiatives is a three-year project implemented by IRC and funded by the EU. The project addresses the rehabilitation and revitalization of communities in the N'Zerekore and Macenta Prefectures² of Guinea's remote and largely under-supported Forest region bordering Liberia, Sierra Leone and Ivory Coast. Economic growth in Guinea is stagnant with GNI per capita of US\$420 (Atlas method World Bank, 2005). Currently ranked 160 out of 177 on the UNDP Human Development Index, Guinea has dropped three places since 2003.

Throughout the 1990s, the Forest region absorbed refugees fleeing regional conflicts, and in 2000-2001 the conflict entered the region when Liberian and Sierra Leonean factions attacked. Although peace had returned and recovery had begun by 2003, it was in an environment of significant tension. Localized violence erupted again in 2006 based on ethnic divides between the growing Islamic business minority, the *Malinke* ethnic group and the indigenous agricultural Christian majority, the *Guerse*.

Renewed conflict from January to March 2007 directly affected project implementation. The causes of this nationwide dispute included poor governance, economic stagnation, changes in relationships between political and economic elites, and growing dissatisfaction with Guinea's authoritarian government.

RELEVANT MID- AND POST-CONFLICT ACTIVITIES AND INTERVENTIONS

During the 1990s, refugee aid programs were designed to address the needs of refugees and to assist the Guinean villagers who welcomed them. This resulted in refugees helping the Guineans increase their agricultural productivity and output and in health care systems becoming better developed in the Forest region than they were elsewhere in Guinea. Additionally, the refugee school and feeding programs were extended to Guinean schoolchildren. These methods were ways to join relief for refugees with development for local communities at a time when most of the assistance sent to the Forest region was earmarked for refugee programs.

At the height of the conflict in 2000-2001, the UNHCR moved the Sierra Leonean and Liberian refugees to camps in Albadariah, a safer distance from the unstable border, and segregated them from the local population. Although they did this to protect the refugees, the move left tens of thousands of Guineans unable to participate in the relief program and it fostered ill will toward the refugees³, which eventually resulted in Forest region aid programs focusing on host as well as refugee populations. The SER-CD project works with the host communities.

Since 2000-2001, some organizations working in the Forest region have begun alleviating the most damaging effects of the rebel attacks, helping communities rebuild and rehabilitate schools, clinics and public spaces. It is evident, however, that the region needs more than infrastructure improvements. Social service professionals need training, local service centers need help with re-stocking and re-supplying their centers, and communities need the power and confidence to drive their own recovery.

² A prefecture is a sub-regional administrative level that is between a district and a region.

³ IRC report (Guinea – Political and Social Context)

By May 2006, the UNHCR had repatriated more than 15,500 refugees and many others had moved back on their own. However, camp closings and the development of long-term solutions for those who are not or cannot repatriate are a growing concern for both UN and GoG agencies as well as for Guinean communities in the affected areas.

HOW THIS CASE STUDY RELATES TO THE RELIEF-TO-DEVELOPMENT CONTINUUM

The main relief phase in the Forest region occurred during the late 1990s and early 2000 when the Forest region began transitioning from relief to development. In 2000 and 2001, insecurity in the region was at its height and project staff focused on delivering relief services to refugees and IDPs. However, when the UNHCR Head of Mission was killed in Macenta and rebel commanders informed IRC that N'Zerekore would be attacked the following day, IRC immediately evacuated project staff. On at least one occasion rebels destroyed all IRC supplies, but by 2003 the attacks had stopped and the situation began improving. By this time, the needs of host communities had risen to the top of the international aid community's agenda and, in an effort to accelerate the recovery and development of conflict-affected populations and facilitate the integration of IDPs, refugees, and returning Guineans, the SER-CD project initiated an integrated value chain and relief approach that combined economic development with health, water, sanitation and adult education.

There are different perspectives on where the project lies on the relief to development continuum. Some see the SER-CD emphasis on community institution and capacity building as evidence of a development bias, while others argue that the focus on infrastructure means it is a relief-oriented project. Proponents of the latter view maintain that when the project was interrupted by civil strife in 2007, this was a conflict context that necessitated a relief response. Although SER-CD was designed to address post-conflict economic recovery and development using a value chain approach, project staff understood that building health posts and digging wells would have a more immediate impact on communities damaged by recurring hostilities. This realization prompted them to engage in relief activities before taking measures to develop value chains and local economies. Still others believe that the delay in implementing the value chain component was influenced by the knowledge, skills and beliefs of project staff. The individual who had championed the value chain approach had moved on and those remaining were either unfamiliar with it or considered it a low priority. In the end, however, those with different perspectives agreed that the project contributed substantially to the transition of the Forest region from relief to development. This also demonstrates the need to clearly define terms like 'conflict' and 'post-conflict' as they relate to the value chain framework.

PROJECT DESCRIPTION

The SER-CD project was initiated February 1, 2006 and the value chain activities began in August 2006. The project works with three local NGO partners in 58 villages with approximately 1,100 farmers. One of the local NGOs, PRIDE Guinea, is focused primarily on economic development⁴ and is the lead facilitator of the value chain approach.

An external consultant provided project and PRIDE Guinea staff with training and support in selecting, assessing and analyzing a value chain. Following selection of the groundnut chain, PRIDE facilitated the formation of village-level farmer groups and two prefecture-level unions of farmers, input suppliers and wholesalers. PRIDE also linked the farmer groups to a commercial bank for savings and promoted off-season groundnut production by the farmer

⁴ Other project-implementing partners are INADER, Institut National pour le Développement Rural, and REFMAR/MARWOPNET (Mano River Women's Peace Network).

groups. In January 2007, project implementation was interrupted when national governance issues led to a nationwide civil strike. These events led to a three-month hiatus in project funding and implementation.

INTRODUCTION TO THE GROUNDNUT VALUE CHAIN

Though groundnuts are grown in the Forest region, it is primarily as a subsistence crop that is consumed whole or as a paste. Most groundnuts in Guinea are produced in the Kankan region, passing through the Forest region in trade flows to Liberia and Sierra Leone. The main market has been the Liberian shelled groundnut market with total trade estimated to be around 5,000 MT per year. However, a 2007 GoG ban on regional exports that some suggest was enacted to improve Guinea's food security now inhibits commercial activities between Guinea and its neighbors. Groundnut processing in Guinea is limited; there used to be an oil processing plant in Kankan, but it closed in the 1990s and most oil is now imported from Senegal. In the Forest region processing is limited to shelling, roasting and paste production. There are no markets for by-products.

CASE STUDY PREPARATION

Research began with a review of support documentation and background reading and a meeting with the ACIDI/VOCA Technical Advisor for AMAP and the IRC Director of Economic Recovery and Development. The meeting provided an initial briefing and identified research priorities that were reflected in a draft report later revised to both reflect AMAP staff comments and follow the *AMAP Guidelines for Case Studies* format.

The research methodology collected qualitative and quantitative data gathered during key informant interviews, focus group discussions and stakeholder meetings conducted with community and prefecture-level value chain participants—producers, village traders, wholesalers and input providers—and with program staff and partners and the EU representative (Annex 1). The research question discussion focused on a review of value chain activities, lessons learned about intervention tools and approaches, and project results to date.

An IRC consultant conducted the field research from 12 August to 1 September 2007. PRIDE and IRC SER-CD project staff joined the consultant during the fieldwork. The IRC ERD Director and ACIDI/VOCA Technical Advisor provided oversight. IRC Guinea staff provided significant input to the Analysis of Conflict/Post-Conflict Environment section.

II. ANALYSIS OF CONFLICT/POST-CONFLICT ENVIRONMENT

The post-conflict environment in the Guinea Forest region has been significantly influenced by the recent history of violence in Liberia, Sierra Leone and, to some extent, Ivory Coast. A series of conflicts in Liberia and Sierra Leone spilled across the borders in the 1990s and peaked in 2000 and 2001.

A. MOTIVES FOR VIOLENCE

ETHNIC AND RELIGIOUS DIVISIONS

Localized violence in 2006 was based largely on ethnic divides and disputes between the growing *Malinke*⁵ minority and the native *Guerse* majority. The *Guerse* are agriculturalists who comprise approximately 55 percent of the Forest region while the *Malinke* are a business-oriented minority based in the town of N'Zerekore where regional trade routes from Liberia and Ivory Coast converge. The increasing numbers of *Malinke*, who now make up 30 percent of the local population, are groundnut wholesalers whose success as traders coupled with their economic status and investments in buildings, land and businesses have prompted often violent encounters with the *Guerse*.

Another factor contributing to the rise in social unrest between the two groups is religion. The *Malinke* are Muslims and some suggest that their trade networks are religion-based. Religious tension expressed itself in 2006 when petty disputes developed into family feuds with sometimes fatal results⁶.

The other main ethnic group found in the Forest region is the *Fulani*⁷ who form roughly 15 percent of the population. The Fulani dominate the national economy and are major land owners around N'Zerekore. Although there is commercial rivalry between them and the *Malinke*, there is no record of violence.

ECONOMIC CAUSES

The economic outlook in Guinea is bleak with high poverty levels and stagnant economic growth. Frustration with inflation, particularly for staple foods and fuel, recently led to unrest and violence erupted from January to March 2007 with over one hundred fatalities nationally, including deaths in the Forest region. Weak national governance, economic stagnation, changes in relationships between political and economic elites and growing dissatisfaction with authoritarian government are primary causes of nationwide instability that often results in violence. People see few benefits from the taxes they pay and the country's stagnant economic growth has long been a cause of dissatisfaction and resentment, particularly among lower income groups. Relationships between *Fulani* business groups and President Lansana Conté are reported to have changed (see Section II C, Institutional Capacity of State and Civil Society) and observers suggest that the general population is increasingly dissatisfied with the army's role in supporting government. Once seen as a protector of the people, the army is now viewed as the government's population control mechanism.

⁵ Known in the Forest Region as *Madingo*

⁶ One example was when music at a church disturbed those attending a nearby mosque. This led to complaints, violence and fatalities. In another situation, a children's dispute in which adults became involved resulted in fatalities.

⁷ Known in the Forest Region as *Fula*

DESTABILIZING DEMOGRAPHIC SHIFTS

The influx of large numbers of refugees fleeing conflicts in Liberia and Sierra Leone during the 1990s significantly destabilized the Forest region. When Liberian and Sierra Leonean rebel groups entered the Forest region in 2000 and 2001, Guineans associated them with the refugees, who suffered the threat of violence by both host communities and opposing rebel groups. During this time, the UNHCR moved some of the refugees out of the Forest region for their own safety. Stability returned to the region from about 2001-2005 and many refugees moved back home. However, the differing levels of international support to host and refugee populations during this period of flux occasioned violence when host communities felt excluded from aid. Current demographic shifts reflect the changes in the proportion of the different ethnic groups due to the increase in the number of successful *Malinke* traders. This is discussed above in Section II, Ethnic and Religious Divisions.

ELITE INCENTIVES TO CAPTURE OR MAINTAIN POLITICAL OR ECONOMIC POWER

Changes in political and economic power between elite groups have contributed to national and Forest region violence. At the national level, these changes (detailed in Section II C, Institutional Capacity of State and Civil Society) include the rejection of government policies by the *Fulani*, the nation's main economic trading group, and allegations that Al Hajj Mamadou Syla, the country's richest man, has a stake in economic stagnation rather than reform.

B. CONFLICT MOBILIZATION AND EXPANSION DYNAMICS

ORGANIZATIONAL FACTORS THAT FACILITATE COLLECTIVE VIOLENCE

Organizational structures able to sustain widespread violence were present in Liberia and Sierra Leone in the 1990s, including Charles Taylor's group in Liberia and the Kamajors/Civil Defense Force in Sierra Leone. No evidence was found of similar Guinean rebel groups. The only organization sufficiently organized to facilitate collective violence in Guinea is the army. It was the army that defended Guinea at the time of regional conflict.

Mixed results were found during field work regarding other organizations in Guinea that could challenge the army. Some respondents suggested a rise in trade unions and local organizations such as the Guinea Association for the Development of the N'Zerekore region, which could organize people for collective action. Other respondents questioned whether there would be any significant changes within Guinea due to a lack of alternative leadership, coordination and collective action organization.

FINANCIAL RESOURCES

Significant financial support existed to fund various fighting forces in Liberia and Sierra Leone. Charles Taylor was financially supported by the Americo-Liberian *Congo* who are descended from free-born and formerly enslaved blacks from America. Diamonds helped finance the Revolutionary United Front's (RUF) bloody reign of terror in Sierra Leone (USAID 2004). The government-financed army defended Guinea during the primary regional conflict. No evidence was found during this research to suggest natural resources, corruption or diaspora communities were, or are, funding organizations within Guinea which could lead to violence.

Charles Taylor's rise began in December 1989 when he launched an armed uprising from Ivory Coast into Liberia to overthrow its government. His forces, known as the National Patriotic Front of Liberia (NPFL), soon controlled most of the country. Then-president Samuel Doe was overthrown and killed the following year by Prince Johnson, a former senior commander of Taylor's NPFL who broke away and formed his own group. Doe's fall led to the political fragmentation of the country into violent factionalism. Informants suggest that Doe was financially supported

by the *Malinke* ethnic group. This explains why many Liberian *Malinke*, now in Guinea, will not return to Liberia. Taylor's *Congo* financial support can be seen as this community's response to Doe. Doe was a native Liberian who replaced the *Congo*-backed William Tolbert by military coup. In mid-1990, Prince Johnson's supporters split from Taylor's group and captured Monrovia for themselves, depriving Taylor of outright victory. The civil war turned into an ethnic conflict, with seven factions fighting for control of Liberia's resources (especially iron ore, diamonds, timber and rubber). Between 50,000 and 200,000 people were killed, and more than two million people, out of a population of six million, were forced from their homes. This was planned and financed by Taylor. As president in 1999, he was accused by the United Nations of smuggling arms and diamonds.

The Sierra Leone Civil War began in 1991 and was initiated by the Revolutionary United Front (RUF) under Foday Sankoh. When it began, it put forward the slogan, "No More Slaves, No More Masters, Power and Wealth to the People." While its goal was clearly to overthrow the All People's Congress (APC) government of Sierra Leone, the RUF gave little indication of what sort of government would replace it. The group did not advocate Marxism or any similar leftist ideology, nor did it advocate extreme nationalism. It also did not claim to be a force fighting for a certain ethnic group or region. The RUF did receive substantial assistance from Charles Taylor. At first, the RUF was popular with Sierra Leoneans, many of who resented the APC governing elite, which they considered corrupt, and looked forward to promised free education and health care and equitable sharing of diamond revenues. Diamonds appeared to be the main driver of the conflict in Sierra Leone.

HUMAN RESOURCES

Members of the armed forces were drawn from all areas of Guinea to serve in the Forest region conflict. Abundant human resources were available in Liberia and Sierra Leone to join fighting forces and perpetrate the violence that spilled into Guinea. In Liberia most NPFL fighters were originally drawn from the *Gio* and *Mano* ethnic groups of northern Liberia, which were persecuted under Doe's regime. Popular support within Liberia for the NPFL helped the group grow from an initial force numbering in the low hundreds to a large irregular army. By 1996 the NPFL was estimated to have around 25,000 combatants. By 2000, NPFL could have been of mixed ethnic background. An IRC driver said that he had been captured by a rebel group and eventually served that group. The availability of human resources for violence is a continuing concern as unemployment remains a primary cause of unease in Liberia and government focuses on job creation. Guinea's unemployment situation and economic stagnation suggest that sufficient human resources also are available there to engage in conflict.

As a measure of the human resources available in Sierra Leone, by early 2002 some 72,000 ex-combatants had been disarmed and demobilized, though many still await re-integration assistance (Cooper 2004, 110; Bell 2005). There were many child soldiers in the RUF, with estimates of 23,000 quoted on Wikipedia. Most were used for attacks on villages and on guard duty at diamond fields. Many of these child soldiers are now serving in government armed forces. Unemployment in Sierra Leone is again a concern, as it leads to a ready source of recruits.

C. INSTITUTIONAL CAPACITY OF THE STATE AND CIVIL SOCIETY

Economic underperformance is linked to weak governance. Transparency International's Corruption Perceptions Index gives an indication of corruption in Guinea. It currently places Guinea at 160 out of 163 countries. National political power is linked to economic power. The recent instability is connected to the government's inability to control the economy, notably inflation and the exchange rate. Some observers suggest that government efforts to control prices were rejected by the nation's main economic trading group, the *Fulani* ethnic group. In BBC reports that Al Hajj Mamadou Sylia, the country's richest man, is said to have more interest in economic stagnation than in reform. While they did not remove the President (previously an army Colonel from the *Soussou* ethnic group), the *Fulani* used their economic power to remove some government personnel and to influence those who remain. This political patronage is not based purely on ethnic lines. What is important is the system of networks and what you can bring to negotiate with the holders of power. President Conte, with strong links to the army⁸, can bring protection, while the *Fulani* bring money to pay for this 'service'. The future is uncertain as President Conte is not expected to live to the end of his current term in 2010 due to old age and ill health. A clear process of political transition is lacking and the Economist Intelligence Unit (December 2006) is predicting a military coup.

The state's institutional capacity to respond to violence is weak⁹. Hostilities erupted in early 2007 due to public dissatisfaction with government and IRIN reported that in January and February, army and presidential guard troops fired on civilians during unprecedented nationwide strikes in which demonstrators called for President Conte to step down. Among the 137 people killed were several children and nearly 2,000 people were reported wounded. A few months later more civilians were killed or injured when soldiers rioted over back pay and other grievances. This unlawful state violence changed civilian perceptions away from seeing the army as a friend. When President Conte agreed in February to devolve some powers to a new prime minister¹⁰, citizens' expectations were high. But since then people have seen little to no tangible change in their everyday lives. The International Monetary Fund (IMF) Head of Mission in Guinea saw "the coming months (March 2007 onwards) as critical to better manage government expenditures, improve transparency, and rein in inflation" (inflation rose from 5.4 percent in 2002 to 39.1 percent in 2006).

D. REGIONAL AND GLOBAL FORCES AFFECTING CONFLICT DYNAMICS

During the 1990s there were frequent disputes between Liberia and Sierra Leone which spilled over into Guinea and Forest region and by 1999, repeated Sierra Leonean rebel attacks were reported on Guinean villages close to the border. The protracted civil war in Sierra Leone had led to food insecurity and rebels attacked the villages in search of food (IRIN 1999). In addition, by 2000 Charles Taylor was claiming that dissidents allied with former Liberian faction leaders, whom he once fought as a rebel leader, were using bases in Guinea to de-stabilize his government and he accused Kamajor fighters from Sierra Leone of joining the dissidents. The Kamajors, also known as Civil Defense

⁸ Rice is the main staple food in Guinea and a political crop linked to governing elites and the military. President Conte is a large scale rice farmer. Rice is used to pay the military and soldiers can sell any surplus to supplement their salaries. This is one way Conte's elite control the military. Support in the form of tractors for rice cultivation has also been provided to Prefecture governments as a way of meeting their 'needs' and increasing their economic status. Here again the rice sector is used for political leverage.

⁹ Democracy and Governance are generally weak with the international community considering 2003 Presidential elections flawed.

¹⁰ Conte appointed Prime Minister Kouyate whose appointment initially eased tension, but the underlying causes remain. US Department of State March, 22 2007.

Forces, had backed President Ahmad Tejan Kabbah in Sierra Leone's war, which began in 1991 with a rebel incursion from Liberia.

The impact of conflict peaked in 2000 to 2001 with more than 500,000 Sierra Leoneans and Liberians seeking refuge in Guinea, mostly in the Forest region. As many as 670,000 people were displaced within Guinea at this time and the insecurity in Liberia and another conflict in Ivory Coast caused 48,000 Guineans (OCHA survey, December 2003) once living in those countries to return to Guinea. A vast majority of these people sought shelter in the border prefectures putting an additional strain on already scarce resources. Attacks and insecurity substantially reduced the productive capacity of the region by driving the merchant class (*Malinke, Fulani* and Lebanese) to relative safety in the interior of the country. This intellectual, financial and physical capital flight¹¹ compounded the impact of the destruction the rebels caused in the region.

Towns such as Macenta and N'Zerekore, benefiting from the presence of international aid programmes responding to the refugee crisis, became the fastest growing in the country. In 2000, the Forest region's location at the convergence of the three countries turned from an advantage to a liability with the rebel attacks on N'Zerekore, Macenta and Gueckedou prefectures. Local populations linked the escalating violence to refugee presence and refugees fled to camps and urban centers as they were not welcome or safe in rural areas.

At this time the UNHCR transferred the majority of the refugees from the Gueckedou and Macenta areas to camps further from the fighting in Albadariah. In doing this, the UNHCR segregated refugees from the local population to protect them as host-refugee conflicts had increased. Some rebel incursions were said to be motivated by a need to defend their people against attacks from other rebel groups and from host communities. The resulting encampment of refugees, most of who had once been integrated within local Guinean communities, significantly isolated host communities from participation in international aid and development and government investments were reoriented towards improving security. Competition for scarce resources and the perception by host communities that refugees were better cared for led to a further rise in tension. While the UN and NGOs have implemented programs that benefit both host and refugee communities' tension remains today. Refugees are reticent to identify themselves as stigma remains. IRC staff sees that the violence perpetrated by Liberians and Sierra Leoneans in Guinea continues to reflect on refugees.

E. WINDOWS OF OPPORTUNITY AND VULNERABILITY FOR RESURGENCE OF VIOLENCE

According to a study conducted by the Mano River Women's Peace Network in 2005, potential areas of conflict remain in the Forest Region, particularly in Macenta, Gueckedou, and N'Zérékoré, and tensions are high around issues such as land tenure, ethnic and religious lines, and political affiliation.

Major government reforms were planned with the introduction of a new Prime minister. The process is, however, non-transparent and slow. Some key informants suggested an army coup as the main threat to political and economic power, while others felt that the lack of leadership for change would maintain the status quo. Elections planned for late 2007 likely will be postponed, as have previous planned elections. The country is not vulnerable to natural disasters. The economy is not highly vulnerable to global economic shocks, but it is chronically mismanaged and government does not have a history of responding well to crises or local instability.

¹¹ IRC staff members recall businesses filling convoys of trucks with goods to vacate the area.

F. CURRENT CONFLICTS AND TRENDS/ANTICIPATED CONFLICT DYNAMICS IN THE NEAR FUTURE

As described above, the Forest region is a remote, under-supported area in a low income country with stagnant economic growth. Guinea is ranked 160 out of 177 on the UNDP Human Development Index, a drop of three places since 2003. The economic outlook is bleak with the Economist Intelligence Unit (EIU) Country Report emphasizing “lax fiscal policy... expected to drive loose monetary policy” resulting in exchange rate depreciation and inflation. This mismanagement is set in a country rich in natural resources¹². The Forest region has reserves of iron ore, diamonds and gold and coffee, cocoa, rice and palm oil are significant agricultural products. While coffee and cocoa were looted during the regional conflict by all sides, key informants report that competition for natural resources did not lead to conflict.

Guinea is chronically misruled, which results in unrest. As part of the 2007 civil unrest, people in N’Zerekore formed the Association for the Development of the N’Zerekore region. Project staff interviewed as part of this study report that N’Zerekore’s population felt it was being excluded from development¹³ and this rising dissatisfaction led to a five-day strike and removal of government officials from their offices by protesters. Poor governance and infrastructure¹⁴, high prices for food staples and fuel costs rising to GNF 18,000 per liter (approx US\$4.50) from GNF 5,000 (US\$1.20) contributed to the unrest. During the field research, particularly in informal meetings, feelings of exclusion and frustration at the lack of development remained and were strongly expressed.

Demographic factors, especially the growing number of youths¹⁵ in N’Zerekore, are causing concern for the future. Unemployment among educated youth is growing. Project staff report that male youths in particular are investing in their own education, but emerging from colleges and schools unable to find employment that matches their skills and expectations. Exposure to modern influences such as western fashion and products (i.e., mobile phones) increase ‘wants’, but lack of employment opportunities restricts the ability to pay and leads to frustration. The withdrawal of international NGOs is reducing employment opportunities and while multinationals such as Rio Tinto and Ericson are present or entering, they draw mainly on expatriates for skilled positions. *Malinke* and *Fulani* businesses fill skilled posts first from their own ethnic group. This situation is leading disaffected *Guerse* youth to develop clans based on ethnic background and economic position.

Conflict in the Forest region was largely caused by events outside Guinea’s borders spilling over into the country. The memory of this conflict has left refugees stigmatized and cautious about being identified. The current post-conflict environment is characterized by broad social dissatisfaction with government, growing ethnic and religious tension, youth underemployment and, according to the Economist Intelligence Unit (2006), “many regional militias, including Guinean rebels, members of former Liberian militias and soldiers from Ivory Coast that have been hiding in the region”. The situation has led IRIN (2007) to report that “analysts believe violence in Guinea could destabilize the already fragile Mano River region (Sierra Leone, Liberia, Ivory Coast and Guinea)”.

¹² While natural resource management has favoured special interests who can afford various ‘concessions’ it is not seen as directly contributing to violence.

¹³ Anecdotal evidence suggests there is less government investment in the Forest region. The study did not analyse regional public sector spending.

¹⁴ Two bridges on the route to Conakry collapsed in the rainy season cutting off N’Zerekore and large parts of the Forest region from the rest of the country.

¹⁵ Rough estimates put youth as 60 percent of the population although this estimate does not define a specific age group.

III. VALUE CHAIN ANALYSIS OF THE GROUNDNUT SUBSECTOR

A. INTRODUCTION TO IRC'S VALUE CHAIN ACTIVITY

The value chain approach was new to both IRC and PRIDE staff. The idea was introduced by an IRC community development specialist, Salvator Entiurun Ziza, in 2003-2004. At that time, IRC was working with the local NGO, PRIDE Guinea. PRIDE specializes in economic and entrepreneurial development. IRC had worked with PRIDE in the past and good relations existed between the staffs. PRIDE became the lead partner for value chain activities.

Due to the lengthy donor funding assessment period, the project proposal was accepted and SER-CD implementation begun in early 2006. Value chain activities were initiated in the second half of the year. The project was managed by a national staff member from N'Zerekore who had work experience with WFP and GTZ. Expatriate technical support to the project was provided for six months from March to September 2006 and again in the first three months of 2007. Value chain-related activities began in August 2006 with a socio-economic baseline survey which developed a broad picture of target communities and established initial links to some of the communities where value chain activities would be conducted. Other communities were already sites of other PRIDE activities.

The baseline study was followed by a market assessment to make an “informed” choice of the subsector for further value chain analysis. The assessment was supported via internet with a consultant, Mary Morgan. In Morgan's report¹⁶ she writes “to direct this process, the consultant sent some guidelines on how to proceed with conducting a superficial market assessment. It was suggested that partners go through the socio-economic baseline study to identify potential agricultural products that farmers are already growing and processing. After identifying four or five products from the baseline study, they then would need to determine if there was unmet demand in a higher value market and what the key issues were with supply¹⁷. This was to be done with a market scan and some brief interviews with wholesalers and large traders. Essentially project staff were encouraged to find out if the wholesalers or large traders had enough supply and how much they were buying and selling a week”. The consultant also sent a one page questionnaire assessing yield and income potential for potential crops, price information, potential demand in urban markets and constraints to input supply, product development, storage, transport, finance and producer organizations.

Following the rapid market assessment Morgan visited the program in November 2006 to:

- Assist/train IRC and its partners to use value chain analysis techniques to identify needs and constraints of agriculture-based micro-enterprises in a selected agricultural production value chain.

¹⁶ Value Chain Training Report, Prepared for IRC Guinea by Mary Morgan, November 2006

¹⁷ While M. Morgan's report states that project staff identified four or five products from the baseline, the PRIDE market study covered the following products: eggplant, fresh big pepper, fresh small pepper, dry pepper, unshelled peanuts, shelled peanut, roasted peanut, red palm oil, banana, maize grain, maize flour, cassava, white beans, cola nut and cocoa.

- Assist IRC and its partners to use this information to design community-based initiatives (based on other SER-CD activities) to address the identified gaps and increase the profitability and income of value chain actors and project beneficiaries along the selected chain.

The value chain analysis focused on existing market channels and the project's target groups rather than looking at the whole system for a particular commodity or product.

As part of the consultancy Morgan spent eight days in N'Zerekore supporting the SER-CD value chain assessment and analysis work. During this time Morgan worked with project staff and partners. Participants learned how to select a subsector to study by using a ranking mechanism to select criteria. Participants then ranked selection criteria. The three criteria selected were increased income, employment creation and the potential to increase production. These criteria were then applied to rapid market assessment data to choose a subsector. As a result the shelled groundnut sector was selected.

Participants then analyzed the groundnut chain by visiting N'Zerekore market and interviewing the various traders present. The resultant overview of the subsector indicated that there was a scarcity of groundnuts in the town market, that there were weak links between producers and the town or regional market, and that producers sold most of their produce at the village-level to visiting traders. Participants then underwent an exercise to identify constraints and solution providers. At this point, consultancy time ran out and program staff members were left to complete work on the design of interventions. The effect of this was to leave people doing an activity for the first time largely unsupported.

The program activities decided upon were:

- 1) Form producer groups to achieve bulk buying discounts for fertilizer and seed and capture economies of joint selling.
- 2) Provide technical assistance to improve production yields and post harvest handling.
- 3) Address market access by forming prefecture-level unions. The unions plan to hold regular quarterly meetings where farmer's representatives, input providers¹⁸ (blacksmiths¹⁹ and chemical/fertilizer providers) and wholesalers come together.
- 4) Improve access to finance for producers²⁰. This is being addressed by facilitating farmer group savings with a commercial bank (Credit Rural) and by trying to negotiate provision of seed on credit from wholesalers under a buy-back arrangement.²¹

Morgan's report from this period illustrates some of the challenges faced by the project. "The lack of data at the government level on economic development in the region required that the local NGO partner PRIDE Guinea take on the responsibility for gathering data to assist in the process of subsector selection. Their limited experience in assessing markets resulted in insufficient data to select a subsector. This was a learning experience. As this approach was new for the local partners and IRC staff, market literacy levels were low which affected data collection and

¹⁸ Providers of equipment are classed as support markets under USAID's value chain framework. Input providers provide materials that become part of the product.

¹⁹ Products produced by blacksmiths are discussed below.

²⁰ Constraints of other value chain actors are discussed in Section IV of this report.

²¹ The introduction of off-season ground nuts was decided upon after the disruption of project funding in early 2007. This approach was not planned as a result of the initial value chain activity.

analysis” (M. Morgan, 2006). If a more complete assessment had been done greater knowledge would have been built of business opportunities for target groups in the Forest region. Additionally, the project would have explored international and regional markets more widely and built a better knowledge of local and national government policy and the business environment. The project also would have had better insight into problems higher up the chain such as with processing, transport, packaging, wholesale, retail or at the input provider level (low-quality seed, lack of finance).

As a result of the assessment, the project formed farmer groups and is linking them to wholesalers. The prefecture union is playing a facilitation role in this linkage by introducing and bringing the actors together. Actual trade flows will not pass via the union. The new linkages being formed will potentially bypass smaller scale traders who buy small quantities at the farm gate and transport to trading centers and larger towns²². The prefecture-level unions also are facilitating linkages between rural-based farmer groups and town-based input providers and blacksmiths.

Production of project-supported groundnuts began with planting in August 2007. The project initially planned to support a first production cycle starting in April 2007. However, the civil disturbances of January to March 2007 delayed funding and implementation and the project chose to encourage farmers to plant groundnuts out of season in August on slopes and hill land. This planting is during the peak of the wet season and takes a number of production risks as pest and disease profiles are different.²³ The project has decided to take these risks rather than wait²⁴. Staff had been hired to perform the work and waiting until April 2008 would leave little time for a second round of production within the project time frame. This example is illustrative of the difficulties faced when trying to manage seasonally-influenced agricultural projects in unstable political environments with fixed funding and implementation timeframes.

B. THE GROUNDNUT VALUE CHAIN SUMMARY

The target groundnut chain has a relatively simple structure of input provider, farmer, small scale trader, wholesaler and retailer. Processing is in its infancy. One specialist processor was found making groundnut paste. Trade is centered on local consumption within the Forest region and regional exports, primarily to Liberia.

Industry dynamics appear to be centered on the growth of *Malinke* wholesalers within the value chain. Other changes appear small. Groundnut oil is imported and suggested economies of scale mean oil production is centered on large-scale production facilities outside of Guinea. No groundnut by-product markets were found during this study.

While detailed information of industry trends was not available, anecdotal evidence suggests growth in the Liberian export market has occurred over the past five years. This growth has recently been compromised by a government ban on regional export of groundnuts. Farmers and some retailers have also suggested that groundnut paste production is a growth market segment. The groundnut value chain is now discussed in more detail.

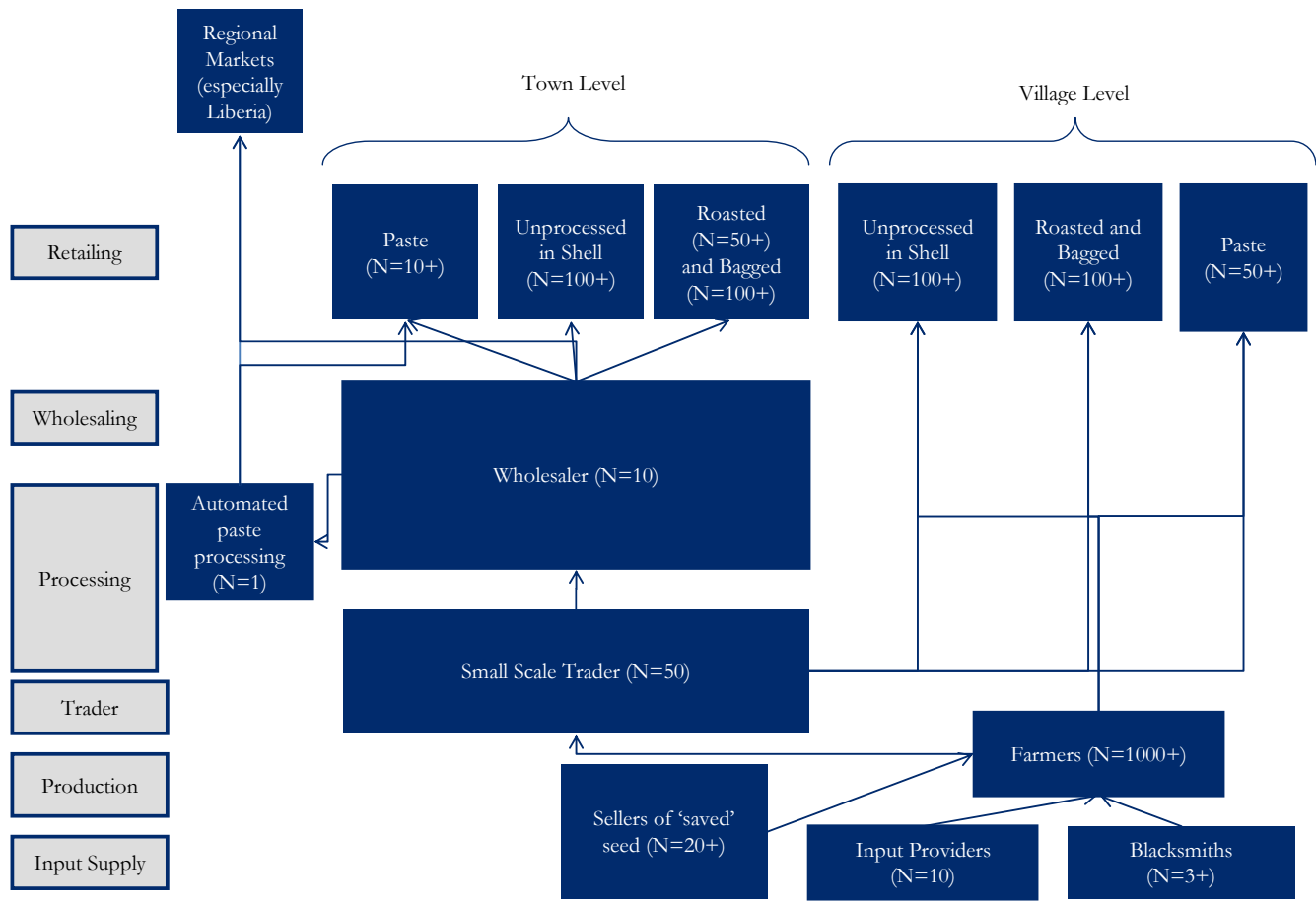
²² The decision to bypass small-scale traders may have been due to a lack of understanding on the part of local staff of the specific role that these traders play in the value chain and a perception that “cutting out the middleman” is always a good thing. This misperception is one of the reasons this case study has recommended ensuring appropriate human resources are available to do a value chain assessment—it is important to ensure that efficiencies in the chain are utilized. It is not clear whether the creation of prefecture-level unions created efficiency in the value chain.

²³ Farmers traditionally plant groundnuts in April on hills and sloping land. January planting can take place in paddy fields after the rice harvest, when water levels are receding.

²⁴ IRC is now looking at ways that it can mitigate this risk for the farmers. However, initial reports have indicated that the December 2007 harvest “was good.”

C. VALUE CHAIN MAP

Figure 1: Groundnut Value Chain



Note: N = Number. This figure is the authors estimate.

D. NARRATIVE DESCRIPTION OF VALUE CHAIN STRUCTURES AND DYNAMICS

END MARKETS

The Forest region groundnut value chain serves both the local domestic (i.e., Forest region only) and regional markets. Both markets were served pre-conflict and had largely recovered by the time of field work. Evidence of potential new markets is anecdotal as project market research is partial. Regional markets, especially Liberia, appear to have significant growth potential now that the region enjoys a period of relative stability. Fieldwork respondents felt local groundnut processing markets had good growth potential, especially paste and processed snack markets. No supporting evidence was available and this growth is questioned due to Guinea's flat per capita income growth. Whole nut groundnut market requirements are for whole unbroken nuts with low moisture content to facilitate storage and low trash/debris levels. Competition in markets is primarily from other areas of Guinea. Production from the traditional groundnut growing area of Kankan is potentially of higher quality, although transport conditions and costs limit crop movement. Although the research team did not visit Kankan, it is probable that Kankan's climate provides

greater production efficiency. The study found no evidence of product or operational differentiation or untapped market demand.

The groundnut oil market in the Forest region is estimated to be smaller than the whole nut and paste markets. As mentioned above, groundnut oil is imported from Senegal and project staff report that economies of scale favor large-scale production.

Estimates of product flows are provided in Table 1. Anecdotal evidence suggests trends in regional sales have been rising over the past five years, but this growth is now threatened by the government export ban. However, it is considered likely that wholesalers are able to avoid some or all of these restrictions by using bribes or alternative routes. Regional market growth has been driven by post war economic recovery in Liberia and Sierra Leone. While domestic markets are seen as stable with little growth potential due to wider economic stagnation, it is possible that changes are occurring within and between different income groups. Competition in the groundnut chain is limited by transportation (roads and available vehicles), access to finance and government taxation in the form of bribes to site and transport inspectors.

Table 1: Estimates of Product Flows by Market

End Market	Volume (MT)
Domestic Unshelled in Forest Region	1,856
Regional Export to Liberia	1,666
Regional Export to Sierra Leone and Ivory Coast	500
Paste	400
Shelled and roasted (sold in the Forest region)	328
Seed (sales of seed from traders and other farmers)	250
Total	5,000

Source: Author's estimates based on study fieldwork

Information on regional groundnut systems can be found at: <http://www.icrisat.org/gsp/default.asp>

BUSINESS ENABLING ENVIRONMENT

The business environment in the Forest region is not enabling due in large part to the government ban on regional exports that limit a major trade opportunity. Key informants suggested the government imposed the ban to help ensure food security in Guinea. No evidence of other relevant international/regional trade agreements (including sanctions, quotas or other preferential agreements) were found as part of this study.

While quality is a significant concern, no effective regulation of this issue was found. While wholesalers reported government representatives visited their premises to inspect health and food quality factors, actual conditions were extremely poor suggesting that government representatives collect a bribe from wholesalers rather than enforce quality standards.

The research found no evidence of relevant national policy assessments, reforms and initiatives; local economic development policies; legal and regulatory enforcement capacity or regulatory policies supportive of small businesses. As previously stated, the government in the Forest region is very weak and the January 2007 disturbances further weakened the previous local government structure. Government officials were removed from office and were found during fieldwork sitting in temporary buildings, essentially unemployed. Their function, roles and responsibilities were unclear. New occupants, referred to as 'district officials' were sitting in some of the government offices. Linkages

between local and national government were unclear at the time of fieldwork. Evidence of local-level planning was found at a sub-district level as project-supported village development plans were tailored to fit local government sub-district plans. It is assumed these sub-district plans complied with district and prefectural planning. Given the changes in prefecture-level personnel, it is not known what actual linkage exists between the prefecture and national governments.

Business culture in the Forest region is not transparent and this is a significant challenge for value chain assessment work with wholesalers who generally are not willing to discuss their business details. However, some wholesalers are willing to work with the project and look for win-win opportunities.

The legal system in the Forest region is in its infancy. No evidence of formal institutional protection of basic preconditions for business such as contract enforcement and property rights was found as part of this study. It is assumed these institutions do not exist.

Financial and economic institutions are beginning to emerge in the region and the project is creating links between farmers and a commercial bank. Project staff explained that they help farmers' groups work with the bank teller/clerk to open and use accounts. No special arrangements are made with the bank just the normal opening and use of a bank account for regular savings. Institutional soundness of this bank was not evaluated.

Traders (large and small) within the groundnut value chain are not dependant on aid or relief interventions. These actors will ask for and accept any support available, but will focus on their business. They will not invest heavily in attending workshops and interacting with the project compared to farmers due to their higher opportunity costs. Farmers showed differing levels of dependency culture resulting from previous aid or relief interventions. Most farmers engaged in the project appeared willing to follow project leadership, join project activities and accept the incentives available (e.g., for transport to meetings). A minority of farmers, usually those in less remote or villages with better resources, were less willing to follow project leadership.

VALUE CHAIN PARTICIPANTS

WHOLESALEERS

Wholesalers are town-based, owning or sharing warehouses. They mainly buy from smaller scale traders and sell to town-based retailers or processors or they export regionally, primarily to Liberia. Regional exports were estimated to be one third of total trade at 1,666 MT per year. A recent government export ban has restricted this trade. Wholesalers can engage in shelling and roasting.

Wholesalers are usually experienced traders, some with over thirty year's experience. Wholesalers differ in their level of specialization. Most trade in a variety of commodities. They also have wide regional networks including links to Senegal, Burkina Faso, Gambia and Mali. These networks give wholesalers the highest levels of market information within the value chain and a pivotal position in governance of the value chain. Levels of involvement between wholesalers and farmers pre-project were minimal. Wholesalers were found to interact well with smaller scale traders.

SMALLER-SCALE TRADERS

Small-scale traders currently act as the main collectors in the market chain. These people usually have village stores and buy one to two tons of groundnuts, mainly for sale to larger wholesalers. Smaller-scale traders engage in shelling before onward sale. They can also be involved in roasting and grinding activities for village/trading center-level sales.

The project has chosen to bypass small scale traders to enable farmers and wholesalers to capture part of the profit made by these actors. While the project is facilitating direct linkage between farmers and wholesalers, it is not yet apparent who will provide the functions currently provided by smaller scale traders.

FARMERS

Farmers are primarily production-focused in their thinking. Groundnut yields are highly variable. Sale volumes are typically small. Small-scale, subsistence-oriented farmers usually produce groundnuts for own consumption and sell any surplus or if they have pressing cash needs (such as for health or education). Volumes sold are typically less than 100kg although large-scale producers can have 300kg to 500kg of unshelled groundnuts for sale. Sales are carried out at the farm gate to visiting traders. Groups²⁵ are typically planting one to two hectares of groundnuts and expect to yield approximately one metric ton.

Farmers suggest groups allow them to boost production. The project is planning to help groups achieve bulk buy discounts and joint selling efficiencies. Farmers are currently price takers accepting spot market prices for their output. It is hoped that the group structure will increase bargaining power. Accessing bulk purchase discounts will require time as groups currently purchase only non-commercial seed.

Choices for Farmers:

Production

Farmers face a wide range of production choices. Main cash crops are coffee, cocoa and oil palm. During field work male farmers faced the choice of investing their labor in cleaning plantations or working on groundnuts. Other food crop options, tending to use female labor, include cassava and field beans. In discussions, farmers usually compared groundnut returns with those for rice²⁶, saying they favored groundnuts' shorter production period and higher profitability compared to rice. These answers were consistent with PRIDE's promotion of why farmers should grow groundnuts, although rice prices have recently risen.

Farmers also have options of when to grow groundnuts. The traditional main planting time is in April with harvest in August. Groundnuts can also be grown in rice fields, with planting in January, following the rice harvest. Planting in January is usually done in heaps to prevent excess moisture. Farmers' planting in August at the beginning of the wet season represented a significant production risk due to higher moisture levels combined with potentially different weed, pest and disease profiles.

Forest region cultural respect for leadership means many of the choices taken by farmers are determined by village heads. Farmers also show significant levels of respect for the value chain assessment implementing local NGO, PRIDE. Current choices taken by project-supported farmers appear largely based on PRIDE extension messages reinforced by village leadership direction.

Marketing

Once groundnuts are harvested farmers can:

- consume in the household

²⁵ Groups usually contain approximately six members. The group leader is usually male with the majority of other members being women.

²⁶ Rice varieties typically grown have five to six month production cycles.

- sell at the farm gate to visiting traders (usually unshelled)
- sell in local market (usually unshelled)
- sell in town markets (shelled or unshelled)
- shell and grind locally, then transport groundnuts to N’Zerekore market to process into paste
- shell, grind and use a pestle and mortar technique to make paste for sale at a village level
- store for later sale

While current practice is for small-scale farmers to sell any surplus to visiting traders, larger scale producers more commonly bag production and store it for up to three months. These groundnuts will then be sold to visiting traders as prices improve or transported to towns for sale.

The project currently has a shortage of budgetary data for analyzing various production and marketing options. This represents a lesson learned for the project when looking at options for all actors in the value chain.

PROCESSORS: GROUNDNUT PASTE MAKERS

One groundnut paste maker was found and visited in N’Zerekore. The business used a generator to power a pulping machine, and hired three to four people. The owner of the business was not available during fieldwork and was not a member of the project-supported prefectural union.

RETAILERS

Groundnuts are retailed through a wide variety of temporary or fixed kiosks and shops. Temporary small-scale retailers may sell groundnuts during the harvest season while other outlets trade a wide range of food and non-food items. Retailers may trade any combination of unshelled, shelled, roasted, bagged or paste groundnuts. Some retailers will perform the processing function involved in the final product. For example, a retailer may purchase paste from the processor in N’Zerekore or make the paste him/herself. Retailers in towns are usually supplied by a wholesaler, while trading center and village-level retailers buy from smaller scale traders or directly from farmers. These local-level retailers can also engage in groundnut production, processing and/or wider trading activities.

INPUT PROVIDERS

Input providers have retail outlets in the main towns of N’Zerekore and Macenta that form part of national or regional chains. Fertilizers and herbicides, insecticides and occasionally fungicides are traded with some outlets selling commercial vegetable seed and machinery such as generators.

It is currently very rare for farmers to buy chemicals for groundnuts. Farmers with coffee, cocoa and palm oil are the usual customers, plus growers of horticultural crops (i.e., peppers, potatoes).

BLACKSMITHS (SUPPORT SERVICES)

As with input providers, blacksmiths see the value chain project as a marketing opportunity. The prefectural union represents a chance to meet new customers, build linkages and increase sales. These blacksmiths currently produce a range of handheld tools (hoes, knives, hammers, wheel barrows, basic roasters). Basic small charcoal burning furnaces are used to heat and bend metal. These businesses have no access to electricity or gas to power welders. Non-prefectural union blacksmiths were present in N’Zerekore and Macenta who did use electric welders. Welders would be necessary to make some types of groundnut processing machinery. Most smiths were either self-taught or family-trained.

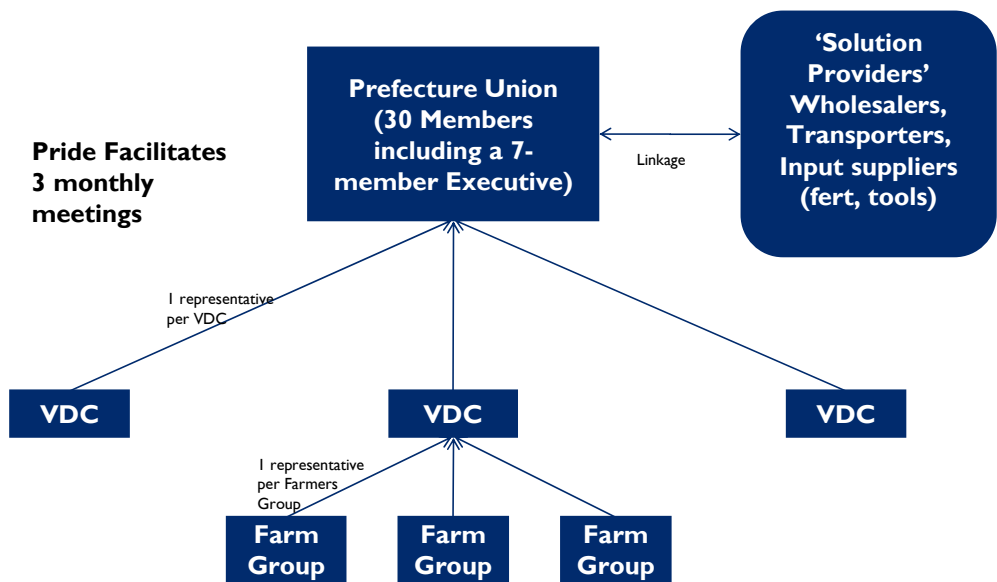
TRANSPORTERS (SUPPORT SERVICES)

Wholesalers and smaller scale traders hire transporters to collect and deliver groundnuts as required. Wholesalers usually send one of their staff carrying funds with a vehicle. Groundnuts are transported with other commodities on the same truck or vehicle. Wholesalers usually hire 40 MT trucks. A range of vehicles are used for shorter range journeys. Wholesalers tend to use the same truck owners, where there is a long-term relationship between the wholesalers and the transport owner.

PREFECTURAL UNION

The project has established two prefectural unions, one in Macenta and one in N’Zerekore. Each union has approximately 30 farmer members with an executive body. The objective of the union is to facilitate linkages within the value chain and build trade. Prefectural linkages are shown in Figure 2: Prefecture Union Linkage, which shows that Village Development Committees (VDC) contain representatives from farmer groups at the community-level. Selected representatives from the VDCs come together in prefectural-level meetings. Wholesalers, input providers and blacksmiths attend the quarterly union meetings. These meetings act as an opportunity to meet, build linkages and negotiate trade deals. The Union has worked to establish a broad Memorandum of Understanding (MoU) between wholesalers and farmers for the supply of groundnuts. MoUs are broad documents and do not contain trade-related details (i.e. price, quality and volume). Arrangements made under the MoUs have not yet been tested by actual trade.

Figure 2: Prefecture Union Linkage



INTER-FIRM LINKAGES

Before the project started, individual farmers sold groundnuts to small-scale traveling traders and local-level retailers/processors. Small-scale traders then sold to wholesalers and town-based retailers. Wholesalers were linked to town-based retailers and processors as well as regional markets. Pre-project there was little transfer of information between farmer and trader or wholesaler. Farmer linkages to small-scale traders were mainly at the point of sale.

The project has now formed farmer groups and started to group wholesalers via the prefectural unions. While farmers will still be able to sell groundnuts to visiting traders, the prefectural unions present potential for increased access to

information and joint learning between farmer and wholesaler. These changes in relationships and their potential impact on distribution of and access to information, learning and benefits within the value chain are discussed in Section IV. Relationships between value chain participants and service providers are also discussed in Section IV.

Market power lies chiefly with wholesalers. Their superior market information and trade networks give them an advantage in price negotiation. Individual farmers have little market power and group formation is an attempt to address this issue. Farm groups are viewed by the project as having potential to increase bargaining power. Group formation is currently not seen as part of an approach to address information asymmetries. Wholesalers complain about poor groundnut quality, but appear unable to improve the standard of farm output, or unwilling to pay a price premium. Potential quality price premiums are unknown. However, linking wholesalers to farmers presents an opportunity to address quality issues. The SER-CD project is attempting to change areas of governance and market power. These changes are discussed more fully in Section IV.

IV. VALUE CHAIN FINDINGS

A. CONSTRAINTS AND OPPORTUNITIES FOR FIRMS

WHOLESALERS

The government's export ban is a major constraint for wholesalers. One wholesaler estimated regional exports make up 33 percent of total market sales (approximately 1,660 MT/year). Taxation and various rent seeking behaviors by civil servants is a further limitation. Wholesalers face regular visits regarding inspection of food and their storage/trading environment from government officials. These visitors require payment while stores remain dirty and food hygiene low. Similar rents are collected during transportation. Government is also threatening price controls on food.

Post harvest handling is a further constraint to trade. Drying groundnuts is a challenge given the climatic conditions in the Forest region. Groundnut quality is low with high moisture content leading to early germination and fungal infection. Aflatoxin is a risk (Slide 1) and the level of broken grains and foreign object/ trash content is high.

Slide 1: Groundnut Quality



Wholesalers identified the lack of a reliable supply of groundnuts as a constraint for their business as are the transport difficulties caused by failing road infrastructure. Increased production of groundnuts in the Forest region would reduce transport costs. Wholesalers traditionally supply Guinea's southern neighbors with groundnuts from Kankan to the north of the Forest region. Reduced transport costs would explain wholesaler's interest (and incentive) in promoting groundnut production in the Forest Region.

Wholesalers see many market opportunities and are potential key drivers of change in the market chain. They are able to buy groundnuts at harvest and store, with some loss of quality, until seasonal prices are higher. They also are currently engaged in basic forms of value-adding processing activities. Family labor is used in shelling (Slide 2) and roasting (Slide 3) activities. Wholesalers were interested in a more advanced form of groundnut processing. This involved coating groundnuts and foil packing for the snack market. This type of product is currently imported from

Ghana. Interested wholesalers said a lack of materials, expertise and finance prevented them from engaging in this activity.

Slide 2: Wholesaler Shelling Equipment



Slide 3: Wholesaler Roasting Equipment



SMALLER-SCALE TRADERS

Small-scale traders face transport and infrastructure constraints when moving groundnuts from remote rural locations to urban trading centers. Road conditions are poor especially in the wet season and hired vehicles are prone to break down. They also mention access to finance and shared storage as problems. These traders are less well-resourced than large-scale wholesalers who share vehicles, storage and shop space. Their networks are also geographically smaller giving them less regional price information.

Smaller scale traders see their opportunities as being to grow into larger scale traders, i.e., to become wholesalers. To do this they seek to increase their volumes traded and expand their networks. They are interested in similar opportunities as wholesalers (storage, regional markets, processing) but have less resources to invest.

FARMERS

Farmers point to the main production constraints as being pests (rodents, crickets and grass-cutters), disease (primarily Rosette) and low soil fertility²⁷. General wet season agricultural production faces labor constraints as food insecurity during the August to November period limits labor availability²⁸. In addition, male labor is focused on the cash crops of coffee, cocoa and oil palm during this period. Farmers have no access to high quality commercial groundnut seed (i.e. Rosette resistant varieties) and report that wet season production makes burning difficult (this is necessary to clear forest land). In addition, rain can stimulate flowering resulting in lack of pod fill.

Farmers are primarily production-focused in their thinking. Groundnut yields are highly variable and when asked about market opportunities or sale plans, farmers say that they will wait until harvest to see what quantities they have²⁹. Seasonal price variations and high costs of transport and post harvest handling equipment (tarpaulins) are other constraints faced by producers.

Farmers see their main opportunity as being to increase production and hence volumes sold. Farmers suggest groups allow them to boost production.

Farmers are also interested in processing to make paste. While evidence is scarce, farmers believe there is significant profit potential in this form of processing. If production volumes permit, farmers say they plan to shell and grind groundnuts at a village level. They will then transport ground groundnuts to major towns for processing to paste.

Farmers also have the opportunity to add value through shelling and roasting. There is a need to increase the amount of project financial analysis being performed to confirm these options.

INPUT PROVIDERS

Input providers see the value chain activity prefectural unions as an opportunity for them to open new markets by building linkages to farmers, allowing them to promote their products and potentially increase sales. Some traders are also interested in selling processing machinery such as coffee pulping machines that can also make groundnut paste along with the necessary electricity generators.

²⁷ Farmers currently use no commercial chemicals or fertilisers for groundnuts.

²⁸ WFP provided Food for Work during this period and are interested in providing this support to SER-CD value chain activity farmer groups.

²⁹ This is a common problem and a challenge to getting producers to engage in functional upgrading.

Input providers have constraints of insufficient specialist knowledge. Some store owners recommended fungicides for treatment of rosette³⁰. Rosette is caused by a virus with an aphid vector.

Price instability due to exchange rate variations is a major constraint as are taxation and poor road conditions that lead to high transport costs. Some input suppliers report that farmers regularly apply chemicals incorrectly, resulting in crop failure. Some sellers offer demonstrations to help overcome this problem.

BLACKSMITHS

As with input providers, blacksmiths see the project's value chain activities as a marketing opportunity. The prefectural unions represent a chance to meet new customers, build linkages and increase sales.

Project-supported blacksmiths face infrastructure constraints with no access to electricity or gas to power welders. Non-prefectural union blacksmiths were present in N'Zerekore and Macenta who did use electric welders. Electric welders would be necessary to make some types of groundnut processing machinery. Other constraints faced by blacksmiths included limited access to raw materials (scrap metals) and skills. Most smiths were either self taught or family-trained.

Market growth opportunities for SER-CD-supported blacksmiths are limited by Guinea's stagnant economy. Growth in commodity markets (i.e. coffee, palm oil) or favorable exchange rate movements could present opportunities. Neither SER-CD nor this study fully analyzed processing of groundnuts or other crops. This lack of analysis means it is difficult to comment with any certainty on blacksmiths' opportunities to supply processing equipment.

PROCESSORS: GROUNDNUT PASTE MAKERS

One groundnut paste maker was found and visited in N'Zerekore. The business used a generator to power a pulping machine and hired three to four workers. The owner of the business was not available during fieldwork and was not a member of a project-supported prefectural union. Key informants pointed out that the main opportunity for groundnut paste was the regional export market to Liberia.

Observation showed the groundnut paste industry faced a number of health, hygiene and safety issues. These included levels of dirt in the processing area and in storage containers and the potential for carbon monoxide poisoning within the processing premises

Addressing quality issues could represent an opportunity for the value chain. This depends on changes in the costs and revenues involved. These aspects are discussed in the recommendations section, which calls for greater investment in analysis.

TRANSPORTERS

Opportunities for transporters are to support regional trade although the current government export ban threatens this business. Transportation faces the primary constraints of poor road infrastructure and shortage of fuel. Fuel has to be delivered from Conakry.

³⁰ This could be over-zealous marketing and/or lack of knowledge about treatment.

B. ANALYSIS OF INCENTIVES AND TRUST³¹

PERCEIVED RISKS AND INCENTIVES FOR VALUE CHAIN ENHANCEMENT

Farmers perceive lower risk in dealing with project-linked wholesalers. The use of MoUs between the prefectural unions and wholesalers is creating confidence and has potential to build trust. As mentioned above, direct trade between these parties has not yet started and MoUs do not discuss price. While farmers have confidence in the MoUs, they remain realistic and see wholesalers as “never accepting a loss.”

Farmers perceive visiting small-scale traders offering a low price compared to what can be achieved at a town market. Small-scale farmers selling <100kg emphasized that they sometimes had no alternative but to sell if they needed money (i.e. for school fees, health costs). Female farmers feel they particularly have little choice other than to sell to these traders as they have small surpluses and cannot travel to large towns where better prices exist³².

Wholesalers lack confidence and trust in farmers. They perceive risks particularly related to quality and drying. Broken and moist groundnuts are a significant problem. Credit provision to farmers is considered high risk. While wholesalers will provide credit to retailers, it is rarely offered to farmers. One exception was found where an input provider (Peve Honold of Magasin, Macenta) gave credit to farmers and had lost money as people did not repay.

Wholesalers and traders perceive a lower risk in dealing with Guineans as opposed to visiting regional traders. Traders may offer credit to fellow Guineans but felt Liberians should pay cash as they can leave and not return. Traders also know Liberian traders will have brought cash with them to do business.

While actual trust between traders and farmers is questionable, both parties have sufficient confidence in project-supported arrangements. Farmers’ representatives and wholesalers are prepared to invest time in MoUs and work towards other project-facilitated arrangements such as supply of seed to farmers on credit. PRIDE will monitor these arrangements to build confidence between actors. While these initiatives are still new and, as yet unproven, the project has been able to lay foundations for building trust. The SER-CD value chain story shows that value chain actors’ confidence in a project provides a major opportunity for facilitation of linkages to build further relationships and trust.

The project’s value chain activities have altered the perceived risks and incentives of farmers. Farmers show a high level of willingness to follow project leadership. Given the high risk of planting groundnuts in the wet season, it was surprising that only one group of farmers questioned groundnut production. At Noborotono, farmers felt planting groundnuts in the wet season was mistaken due to the wrong seed type being used at the wrong time and when they were not ready (these farmers were busy in coffee/cocoa/palm oil plantations).

Farmers’ willingness to follow project direction can be explained in part by available incentives and the culture of following leaders.

Current incentives for prefectural union meetings are:

³¹ For the purposes of this report, trust is seen as multifaceted but primarily being made up of a combination of perceived risk and incentives.

³² It is assumed that small scale female farmers are limited in their ability to travel to town due to a combination of factors including cost and home based responsibilities.

Cash: General members receive a per diem of GNF 5,000 (US\$1.11) plus a transport allowance. Executive members receive a per diem of GNF 10,000 (US\$2.22) plus a transport allowance. Wholesalers, input providers and blacksmiths also receive per diems, travel allowances and food when attending union meetings.

Food and nonfood items: Farmers groups receive food, books, pens and brochures. Food is a significant incentive in rural communities, especially during the August to November hunger gap. Value chain analyses are performed by PRIDE. This local NGO is also part of a project that has provided wells, health posts and community centers to some farmers' communities.

Access to financial services: The project pays transport, bank charges and also helps with administration requirements, i.e. getting a photograph of the savings account holder³³.

Culture: The strong cultural aspects of rural communities to follow their leader linked to the projects incentives places the value chain activity implementer in a highly influential position. This position gives significant responsibility and influence and can be used over time to spread confidence and build trust. While it is too early to say with any certainty what trust has been built, foundations have been laid through the linkages and interactions stimulated between wholesalers and farmers.

Incentives were initially seen as a good idea by project staff to attract people to meetings. However, these incentives should be withdrawn as the project moves forward to ensure union meetings are achieving their intended benefits. It is noted that the financial incentives may reduce the motivation for project staff to ensure that meetings produce valuable results for stakeholders. Players higher up the chain are not attending these meetings, probably due to the relatively higher opportunity cost. This may be an example of how a “relief mentality” of staff familiar with emergency operations interferes with, and potentially undermines, market-driven approaches.

C. BEHAVIOR CHANGE RELATING TO REINTEGRATION

The return of displaced Guineans to the Forest region was completed by the time value chain analysis activities started in late 2006. These people were welcomed back and re-integration was not reported as problematic. The Value Chain Activity project has provided an opportunity for these people to be involved in groundnut production.

Integration of non-Guineans and the growth of ethnic minorities in the Forest region are more challenging. The Value Chain Activity project is helping to stimulate positive behavioral change in these areas (i) between *Malinke* wholesalers and *Guerse* farmers and (ii) between Liberian *Pele* and Guinean *Guerse* in rural communities.

Malinke wholesalers and *Guerse* farmers are willing to trade with each other. This is helping overcome ethnic and religious tensions discussed in Section II. This willingness to trade is due to the mutually-recognized possibility of profit. The project has identified potential benefits and brought the actors together. Behavior change has started as farmers and wholesalers think of direct trade relationships. Time will now be needed for these trade relationships to be tested and developed.

The project is also facilitating integration at the rural community level. Refugees remain stigmatized by the events of the past. This stigmatization is especially noticeable in rural communities so most refugees remain in camps or live in urban locations. Rural-based refugees are usually married to local people. The story of Andie Loua and Seny Lamah is an example.

³³ Saving accounts provide the bank's standard rate of interest as paid on all the bank's savings accounts.

MEMBERS OF THE VILLAGE FARMERS GROUP

Andie Loua (*Guerse*) and Seny Lamah (*Pele*) live in Keremeda village. Andie is Guinean and has visited Liberia and Sierra Leone. Seny came to the village five years ago and married Andie. When the value chain analysis activities started she volunteered to join the group. Group members say that they had to “watch her commitment,” a sign of stigma attached to her as a Liberian. Her marriage to the group leader is no guarantee she will receive any special treatment. She remains quiet. The IRC project fieldworker (Ousman) says she is reticent to identify herself as a refugee during our visit. Ousman points out that Seny’s conversation with others present shows she can understand the English used, however, she will not join in the English-based conversation. Group members say that the group is allowing her to join in. Seny wants to be associated with her new community and they need the labor. These benefits of the acceptance and additional labor will help to build trust with time.

Slide 4: Members of Keremeda Village Farmers Group



D. CONSTRAINTS AND OPPORTUNITIES FOR THE VALUE CHAIN

Historically, the main opportunity for groundnuts is the regional market, particularly export to Liberia. This market remains vibrant, but has been disrupted by the recent government export ban. While wholesalers report disruption to trade, ‘off the record’ informal discussion suggested it is possible that groundnuts are still being exported through smaller, alternative border crossing points or by the use of bribes. A further disabling factor being considered by government is the imposition of price controls on food commodities. The impact on the value chain of these price controls will largely depend on which commodities are affected and the levels of price set. Other government-related

constraints include deteriorating infrastructure, with roads and electricity supply being major problem areas to transportation and processing respectively.

Groundnut oil production is a potential opportunity for the value chain as a whole. However, this processing alternative requires further regional investment analysis. All groundnut oil sold in the Forest region is imported from Senegal. Project staff report that production in Senegal is based in large-scale commercial factories benefiting from economies of scale. Guinea used to have a groundnut oil producing facility close to Kankan, the main groundnut producing region in the country. Shelled groundnut husks were discarded and unused as no animal feed industry was present. No evidence was found as part of this study to suggest animal feed is an opportunity for groundnuts at the present time.

Opportunities for the groundnut chain in the Forest region are as follows:

Reopen regional markets. Liberia and to a lesser extent Sierra Leone represent export opportunities for Forest region groundnuts. Liberia imports approximately 1,660 MT of shelled groundnuts or 30 percent of the groundnuts traded in the Forest region. These groundnut markets are anticipated to grow by 5 percent to 10 percent per year as economic recovery progresses³⁴. Engaging the government in lobbying activities is required with the prefectural unions a potential lead group.

Increase efficiency of groundnut shelling. It is estimated that more than 3,000 MT of shelled groundnuts are traded in the Forest region per year. Future growth is seen as low, largely determined by predicted low growth in income levels and the effect of the export ban. However, opportunity exists to increase quality and reduce post harvest losses. Current groundnut shellers are either unavailable or prone to cause broken grains. Potential exists for alternative shelling technologies to be introduced to farmer groups and traders. It is probable that economies of scale exist for groundnut shelling, but further investment analysis is required to confirm that potential.

Improve post-harvest handling. Drying groundnuts is a significant challenge. Value chain participants see tarpaulins as the answer, but if price premiums are available, review of all appropriate drying technologies is required. This should seek to enhance quality by reducing the levels of moisture, foreign objects / trash and broken grains.

Promote groundnut paste production. Farmers and PRIDE saw paste making as an opportunity for groundnuts. The local market is estimated to use 300 to 400 MT of groundnuts per year with low growth predicted. Groundnut paste is exported to Liberia. This processing may be a way of avoiding export bans. Economic growth potential in Liberia is currently strong and good potential exists in this market, however supportive government policies that do not ban exports are required.

E. RISKABLE STEPS FOR PARTICIPANTS IN A VALUE CHAIN

Different people in the value chain are willing to take different levels of risk. While individuals differ, groups of similar individuals show some similarities in their attitude to “riskable steps.”

³⁴ Author’s estimate

FARMERS

The farmers met during fieldwork perceived increasing production as an initial riskable step for themselves. The target group's approach is first to increase revenues. Once this is achieved, farmers feel they can invest a proportion of increased profit in value-added activities such as paste production.

Riskable steps for most farmers, especially small-scale farmers, are minimal. An example of a riskable step, viable for these farmers, would be formation of a producers group to work together. This could then evolve into joint purchase of inputs for bulk discounts and joint marketing.

Larger scale farmers or those with more secure income streams were investing in longer term tree crops, such as palm oil and banana. While larger scale farmers are willing to take longer term riskable steps, no evidence was found of actual farmer investment in processing equipment i.e. shellers, roasters, or grinders. At this early stage, farmers were discussing these ideas.

WHOLESALERS

Riskable steps for wholesalers include investment in processing, credit provision to farmers or retailers, and seed distribution. Wholesalers are seen to have higher levels of finance than other market actors, but transparency issues makes this difficult to prove. Their trade and social networks give them access to superior market information compared to other value chain actors. Wholesalers' position in the groundnut value chain places them in a position from where relatively larger riskable steps can be taken. This was evidenced by fieldwork where wholesalers were actively engaged in shelling and grinding and were interested in more advanced processing for the snack market.

SMALLER-SCALE TRADERS

Small-scale traders see their riskable steps in a similar, but smaller manner to wholesalers. Smaller scale traders are primarily interested in becoming larger scale or wholesale traders. They are actively looking for ways to expand their business. Riskable steps for these traders are again investment in seed credit provision and groundnut processing (shellers, grinders), but on a potentially smaller scale than wholesalers.

INPUT SUPPLIERS

Riskable steps for input suppliers are to increase volumes of existing products and enter new input markets through diversifying input types. For example chemical sellers are engaged in the prefectural union as they try to find new markets for existing chemicals. The traders stock processing machinery if they see a demand and potential profit. Examples of processing machinery are generator-powered grinders used in coffee processing that can also be used to grind groundnuts. Similarly, input providers are interested in diversifying into sale of commercial groundnut seed.

Input providers do not appear interested in the operation of processing equipment or farming activities. This is due to their human resource profiles and national or regional company structures. Input providers see profitability in the end market for groundnuts as driving farmers demand for their products.

BLACKSMITHS

Riskable steps for blacksmiths are to engage in the production of basic processing equipment. Blacksmiths with electric powered welders could produce more sophisticated shelling machines than those seen during fieldwork. Existing blacksmiths would take the riskable step of producing new, appropriate types of roasters and grinders given the equipment they have available.

F. CREATING EFFICIENCY THROUGH BUILDING RELATIONSHIPS AND COORDINATION

FARMER TO WHOLESALER

Linking farmers to wholesalers is key to improving coordination and efficiency in the value chain. The value chain approach addresses this relationship through the prefectural unions. Project-facilitated trade flows are anticipated to begin at the end of 2007. Coordination will be needed to ensure (i) consistent safe quality standards and (ii) a price that appropriately rewards quality.

Wholesalers have a pivotal role in governing value chain actions as they react to changes in regional supply and demand. Increasing supply or decreasing demand will cause wholesalers to reduce prices and farmers will then increase storage and potentially reduce future groundnut production areas. This chain of events could break trade relationships. Farmers also need to be aware of regional market changes so that they can anticipate future supply and demand situations and plan production accordingly. Wholesalers have a potential role in providing this forecast information at prefectural union meetings.

FARMER TO PASTE PROCESSORS

Increasing farmers' linkages to the groundnut paste processors is also important. Groundnut paste has regional growth potential. Linking farmers to buyers other than wholesalers will increase competition in output markets and build their bargaining power. Farmers currently have the choice to consume groundnuts or sell to various traders. Adding a link to processors will increase the sale options for farmers.

VALUE CHAIN ACTORS TO GOVERNMENT

Government policies are a major constraint on the groundnut value chain. Groundnut value chain actors need to build relationships with government at an appropriate level and lobby for improvements in the enabling environment. The project-supported prefectural unions are a potential lobby group. Lobbyists need to emphasize the benefits of increased trade, both financial and as a contributor to peace, for all sides.

VALUE CHAIN ACTORS TO SOURCES OF INFORMATION AND TECHNOLOGY

Value chain efficiency improvements can be achieved through introduction and adoption of appropriate technology. Currently, linkages between groundnut value chain actors and any form of research or new technology is limited. Linkages need to be built to external sources of information, ideas and technology to provide ways of enhancing efficiency.

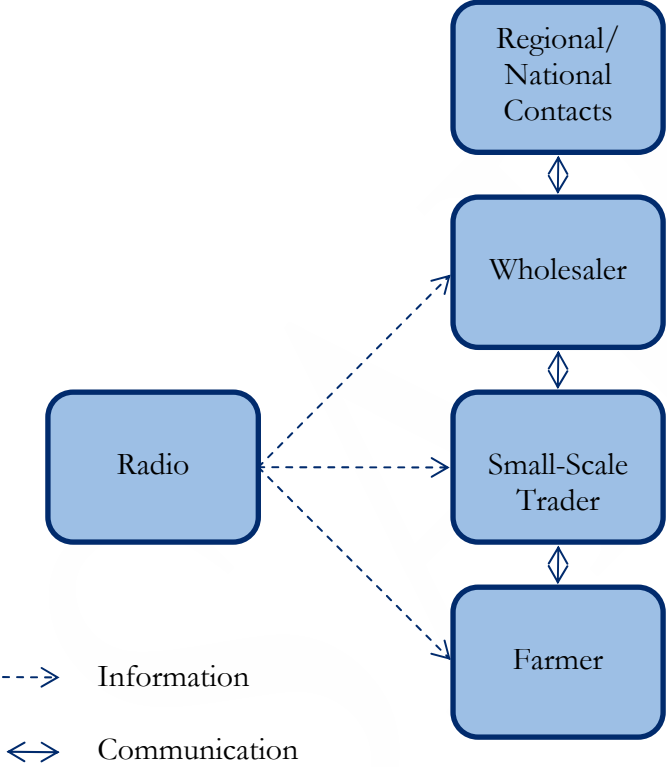
Linkage of groundnut value chain actors could be enhanced through national (IRAG) and international research (ICRISAT) organizations and/or to providers of appropriate technology (specialist NGOs). A potential focal point for this linkage and learning are the prefectural unions.

G. INFORMATION AND COMMUNICATION FLOWS

The main way that the project's value chain activities are changing information and communication flows is through linkage of farmers, wholesalers and input providers at prefectural union meetings. These quarterly meetings are improving communication between these actors. Figures 3 and 4 show the change in communication and information flows resulting from the project.

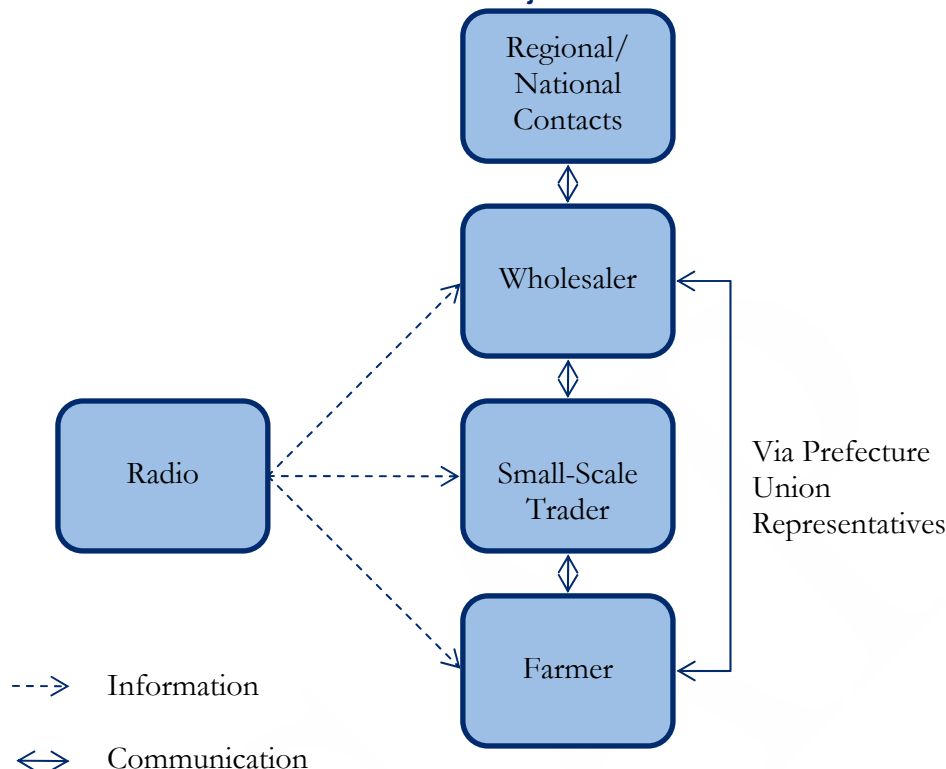
Farmers rely on weekly, government-provided price information transmitted via radio for national price data³⁵, while their own visits to markets provide local price information. Some wealthier farmers have mobile phones, but report that these are not usually used to access price information. Wholesalers and traders use mobile phones, fixed line telephones, family and business contacts to gain price and volume information.

Figure 3: Information and Communication Flows before the Project



³⁵ There is only one government radio station in N’Zerekore that carries weekly national price information. This is effective and PRIDE uses the station to call people to meetings. However, some farmers report the radio station does not always give commodity prices.

Figure 4: Information and Communication Flows after the Project



H. INPUT MARKETS (INCLUDING SEED)

The groundnut seed market is estimated to be five percent of the total groundnut market at around 250 MT/year in the Forest region. The project is estimated to have boosted demand for seed by five to ten metric tons³⁶. Farmers save their own seed or buy it from neighbors or traders /wholesalers. Farmers perceive wholesalers as having the best available seed. This is due to wholesaler's wide trade networks and relatively high trade volumes allowing them to access and save the best quality seed.

To address seed supply and producer credit requirements, the project is planning to facilitate a system whereby wholesalers supply seed on credit to farmers. Farmers will then sell their crop or part of the crop back to the wholesaler after harvest. Details of this system are currently being finalized and the approach has not yet been implemented.

The lack of disease-resistant seed is a handicap in the battle against Rosette, the main disease problem for groundnuts in the Forest region. Commercial supplies linked to research institutes are an option the project could explore. The main commercial inputs available are those used in major cash and food crops, e.g., herbicides for tree crops and fertilizers for rice. These chemicals and fertilizers are imported from Japan, India and China and are subject to exchange rate volatility. Current use of artificial inputs in groundnut cropping is unusual.

³⁶ It is estimated that 116 farm groups have used 70kg of seed each. This seed is not supplied or subsidised by the project.

I. THE ROLE OF THE VALUE CHAIN IN MAINTAINING AND BUILDING PEACE

The role of the project's value chain in building peace lies in its contribution to the stimulation of economic recovery and growth. Specifically, the value chain activities aim to:

Help to build the economic fabric by facilitating linkages between the *Guerse* and *Malinke* ethnic groups.

The groundnut market chain has started to build mutually-beneficial, interdependent trade relationships between different ethnic groups. The *Malinke* are wholesalers in the groundnut market chain, while the *Guerse* are the primary producers. The SER-CD project is facilitating the introduction of these primary producers and wholesalers and it is anticipated that forthcoming groundnut production will help cement this trade link. Following the current production cycle, it is planned that wholesalers will provide seeds to producers on credit and buy-back a proportion or all of the resultant harvest. Through establishing and building trade relationships it is hoped that current tension between these ethnic groups can be reduced.

Help to build regional trade despite the current Guinean government export ban. Groundnuts are a traditional Guinean export crop to Liberia. *Malinke* wholesaler interest in the crop is particularly driven by this regional market. These wholesalers are interested in reducing their transport costs by buying groundnuts in the Forest region rather than the distant Kankan region (approximately 500 km to the north) for sale in Liberia. Having both the *Malinke* and the *Guerse* view Liberia as a profitable market is favorable to those who now see Liberia only as a source of destructive rebels. Establishment of profitable trade routes and linkages should provide incentives for peace as growers and traders will have something to lose from war. This scenario is currently threatened as the Guinea government has banned groundnut exports. Anecdotal evidence suggests some wholesalers are managing to avoid the restrictions on groundnut exports.

Build social fabric between refugees and host communities. While refugees have mostly returned home, the project's value chain activities include a small number of refugees (<5 percent) in groundnut-producing farmer groups. These people are usually women from the same ethnic group, linked by marriage (*Guerse* in Guinea, *Pele* in Liberia). The project has further potential to contribute to rebuilding social and economic fabric with remaining refugees who are usually involved in informal trade in urban centers and in the remaining camps. Targeting them for retail and processing value chain activities may be possible.

Build peace by encouraging people to think about business opportunities and giving them confidence. The project is shifting peoples' thinking to future business profitability where any instability would threaten potential future gains. Investing in groundnut production, working on links to wholesalers and facilitating linkages to a commercial bank for savings provide incentives for peace. This project has the potential to give people a taste of success and the hope is that beneficiaries will want to re-experience this benefit and build. This should provide motivation to avoid conflict and seek ways to maintain peace.

V. STATEMENT AND ANALYSIS OF CASE STUDY RESEARCH QUESTIONS

A. RESEARCH QUESTION I

How can improved communication—based on trade relationships—help integrate communities whose social structure has changed due to conflict and contribute to rebuilding trust between members of the communities?

ANALYSIS OF THE RESEARCH QUESTION

The SER-CD project groundnut value chain approach has improved communication based on trade relationships by linking farmers to wholesalers. In doing this, the value chain approach is addressing ethnic tensions between *Malinke* wholesalers and *Guerse* farmers through building trade relationships.

The project used value chain assessment mapping tools to understand the structure of the groundnut value chain. The tools revealed the potential for changing the dynamics of the value chain through bypassing small-scale traders and linking farmers directly to wholesalers. This has the advantage of potentially increasing returns to farmers and wholesalers as the small-scale traders' margin is shared between them. However, small scale traders' roles in transportation, shelling and quality control will have to be performed by one or another of the two remaining actors. As discussed in Section IV, wholesalers are already involved in shelling and roasting. Farmer groups will take over the small scale trader role of collecting product together. The success or failure of these groups will determine the impact on intra-community relationships. Success in the new farmer to wholesaler relationship will potentially build links to other value chain actors. For example, increased farm profitability is more likely to cultivate linkages with input suppliers.

The approach used to link farmers and wholesalers occurred through the facilitation of a quarterly forum called prefectural unions. The structure of the prefectural unions is presented in Figure 2.

The prefectural union structure is based on farmer group representatives coming together in Village Development Committees (VDCs). Each village has roughly two to five farm groups. Groups generally have male leadership, with women making up the majority of the membership³⁷. VDC structures were formed by the SER-CD project and have been used primarily to deliver infrastructure to host communities. Farmer group representatives form a subcommittee as part of the VDC. VDCs can send a representative to attend prefectural union meetings. While VDCs are not seen as being sustainable without further project funding, the farmer to wholesaler linkage made during the project lifetime has potential to survive assuming mutually beneficial, long-term trade relationships can be formed.

Prefectural union meetings have provided a structure for engaging stakeholders in assessing constraints and opportunities and developing a way forward. The unions have introduced farmer leaders to wholesalers, input providers and blacksmiths. Linkages to input providers and blacksmiths have not yet resulted in trade. Future trade in input markets depends on farmer profitability in output markets, hence the importance of groundnut price and farmer

³⁷ Attending Prefectural Union meetings required representatives to be literate. Female literacy is particularly low in target groups. Therefore, future phases of the project should look at ways to share information through the Prefectural Union that do not require literacy.

profitability. With project support the prefectural unions have drawn up Memorandums of Understanding (MoUs) between farmer members and wholesalers. These documents provide broad data such as identifying the trading parties and stating what will be traded. Details such as price and volumes are not covered. While the MoUs are non-binding, they have served to build confidence between the parties.

The results of the project so far have been to bring disconnected people together and stimulate their thinking about trade. This process is contributing to building confidence and laying the foundations for trust. The prefectural unions are providing a forum for economically beneficial inter-ethnic cooperation.

Project experience shows that use of trusted local partners (e.g., PRIDE) as facilitators of prefecture-level (District) meetings between actors is a valuable way of improving communication. Direct communication between actors can then identify ways to move forward in a mutually-beneficial manner. Mutual benefit is critically important. In the groundnut chain, wholesalers require dependable local supplies and farmers want access to seeds, credit and a higher market price. Potential mutual benefit is seen by both actors and initial progress is being made. In this manner the process involved in convincing individual firms that their long-term viability depends on their ability to trust and cooperate with other firms to overcome shared constraints has been started.

A lesson learned by the project is that, to better address integration through trade relationships between refugees and host communities directly³⁸, requires this criterion to be included when initially selecting the value chain. Refugee groups did not figure strongly in value chain assessment activities. Current focus is on Guineans from different ethnic groups. The groundnut value chain was selected based on criteria of increasing income, employment creation and the potential to increase production. By including a criterion to address integration, value chain selection may have been different and project activities within the chain may also have been different.

B. RESEARCH QUESTION 2

Can stakeholders be encouraged through a value chain approach to adopt a long-term, win-win perspective and overcome the ‘right-here, right-now’ survival instinct that is often a result of conflict and instability?

ANALYSIS OF THE RESEARCH QUESTION

SER-CD progress shows that value chain activities can encourage stakeholders to adopt win-win perspectives and overcome short-term survival instincts. SER-CD is encouraging farmers and wholesalers to adopt longer term perspectives by encouraging: (i) farmers and wholesalers to build long-term linkages with each other, (ii) farmers to save with a commercial bank, and (iii) farmers to form groups. All of these activities require an investment of time by value chain actors and the project uses incentives to facilitate this investment.

Both potential win-win actors (producers and wholesalers) were fully engaged in the project after the initial value chain analysis, while small-scale traders have been involved to a lesser extent. As in Research Question 1, project staff used the value chain analysis to identify adjustments in the value chain, such as linking farmers and wholesalers. They also used limited budgets comparing buying and selling prices between actors to assess profitability. It is anticipated that the new linkages will allow farmers to sell at a higher price and wholesalers to buy at a lower price. Assuming all other variables remain constant, both parties anticipate greater profit, at least in the short term. In the longer term, any additional profits may return to normal levels, if eroded by competition.

³⁸ Integration of rural based refugees is discussed in research question 3.

The project has facilitated farmers, with the use of incentives (see Section IV) to form groups to better allow them to interact with wholesalers. It is planned that groups will permit production and collection of larger quantities to meet wholesaler's higher volume purchase requirements. It is very probable that farmers will need to improve and maintain quality levels when dealing directly with wholesalers³⁹. This is not currently planned by farmers. In addition, the project has not planned measures to support quality enhancement. This area remains a potential pitfall when the parties come to trade.

Fieldwork showed that large-scale wholesalers have the most potential and interest in longer term investment in the groundnut chain. These people were very interested in processing alternatives, such as different forms of machinery and value-added markets. Wholesalers are the best informed actors in the Forest region groundnut value chain with the widest trade and knowledge networks. While wholesalers did not wish to divulge details of their business, it is reasonable to assume they are the best financially-resourced actors in the chain.

Wholesalers are key players when exploring longer term win-win scenarios. A challenge for the project is determining the level of subsidy required to turn their interest in longer term thinking into action. Wholesalers will require subsidies for additional investments, but these will need to be balanced with wholesalers' relatively large resource bases and their higher opportunity costs of engaging in activities such as workshops and union meetings. Sound analysis of investment options is required, but challenging given the post-conflict environment and wholesalers' lack of transparency. The SER-CD experience shows value chain activities in post-conflict environments have to make difficult choices based on incomplete information and analysis, for example on whom and whether to subsidize and by how much.

Fieldwork shows that the farmers' primary goal is to increase production. Marketing was seen by many farmers as something to be considered post-harvest. This way of thinking is rational given the variable yields experienced by growers. One way that farmers mitigate risk is by diversifying their economic and food producing activities. Within this diversity there is investment in longer term crops, such as the tree crops. This investment is seen to evolve as a household becomes more food and income secure. Wealthier farmers are more likely to invest in tree crops. Farmers, especially small-scale farmers, are less likely to take longer term risks without significant safety nets in the form of subsidies. Given sufficient subsidies, the planting of groundnuts in the wet season shows that farmers will work towards win-win solutions that have significant risk.

One way the project is addressing farmer's low level of resources for investment is through facilitating group linkages to a commercial bank⁴⁰. Farm groups are being encouraged to save regular amounts in a standard bank deposit account. This initiative had been in operation for three months at the time of the research. The project has subsidized this activity by covering all banking costs (cost of photo, account charges, transport cost of a selected group member to visit the bank). Groups have responded by saving between GNF 2,000 (US\$0.35) to GNF 5,000 (US\$1.15) per member per month. PRIDE stressed that a long-term, regular savings history plus a saved balance will allow groups to access bank credit. This initiative again focuses on building a long-term perspective.

³⁹ Small-scale traders buying at the farm gate will have performed a quality screening function and have a significant role in shelling groundnuts. This role appears to have been overlooked by the project. As stated previously, the choice to bypass small scale-traders may be due a lack of understanding on the part of local staff of the specific role that these traders play in the value chain, and a perception that "cutting out the middleman" is always good thing. This misperception is one of the reasons this case study has recommended ensuring appropriate human resources are available to do a value chain assessment—it is important to ensure that efficiencies in the value chain are utilized. This is a lesson learned for future program design.

⁴⁰ The Credit Rural Bank acts solely as a commercial bank and is not involved in project activities in any other way.

SER-CD project activities show actors will engage in long-term win-win actions. This investment has required sufficient subsidies in the SER-CD example. Subsidies need sufficient analysis and balanced judgment by project managers. Long-term perspectives are best developed with a step-by-step approach that builds confidence and trust. Senior PRIDE staff members felt they needed three production cycles⁴¹ to build sustainable win-win relationships.

C. RESEARCH QUESTION 3

How can value chain activities be used to create a socio-economic context that facilitates the rehabilitation and transition of post-conflict communities?

ANALYSIS OF THE RESEARCH QUESTION

War breaks economic and social contacts. Conflict in the Forest region caused the exit of traders and severed relations between nationalities. The social economic context was one of low economic activity and poor social cohesion. The SER-CD project's value chain activities are helping to facilitate rehabilitation and transition by facilitating positive thinking about opportunity and overcoming constraints. The approach of engaging businesses in discussion at various levels (individual interviews, farmer group meetings and prefectural union fora) is playing a valuable role in rehabilitation and transition. With peace, traders are re-entering villages and towns. The approach is helping to support this re-entry by rebuilding selected links, increasing blacksmith, input provider, wholesaler, and farmer information flows and by encouraging investment.

While the current project is making a positive impact on the socio-economic context, the scale of this impact is relatively small. The total wholesale annual market value of groundnuts in the Forest region is US\$5,000,000⁴². Project supported production is estimated to value US\$116,000⁴³ per crop. This level of potential impact is understandable as the SER-CD project's value chain component is relatively small with a cost of approximately Euro 200,000 spread over three years. A larger scale project addressing higher value commodity chains such as coffee, cocoa, rice or palm oil would potentially have a greater impact on the socio-economic context. While it is recognized that addressing value chain issues in these commodities would require larger scale investment the potential impact on rehabilitation and transition is also seen as greater.

Value chain analysis can be used to create a socio-economic context for rehabilitation and transition by:

- **Emphasizing opportunities and the overcoming of constraints:** Initial market assessments are an important first step. Continued work with interested actors to exploit opportunities and overcome constraints motivates actors and shifts thinking to being positive.
- **Introducing ideas and innovative technologies:** Work with actors should stimulate creative thinking. This can be done by expanding knowledge networks through building links to research, engaging technology providers and increasing access to information. The prefectural unions in the groundnut value chain are potentially learning centers.

⁴¹ Three production cycles are possible in the remaining, planned life of the project with the 'out of season' planting.

⁴² Estimated annual groundnut trade is 5,000 MT with a wholesale value of US\$1,000 per MT

⁴³ This estimate assumes the project supports 116 farmer groups. Each group produces 1 MT of groundnuts per planting with a sale value of US\$1,000/MT

- **Including government:** While government is weak in Guinea, greater government involvement would permit engagement to lobby for a better enabling environment. Government inclusion would also support rehabilitation and transition.
- **Targeting:** Select value chains and initiatives within value chains that target key social groups such as refugees.

D. RESEARCH QUESTION 4

How can value chain analysis help to quickly identify the major opportunities for upgrading and the constraints to market growth immediately after a conflict?

ANALYSIS OF THE RESEARCH QUESTION

In order to quickly identify major opportunities for (i) upgrading⁴⁴ and (ii) the constraints to market growth, the SER-CD value chain case study shows the importance of the initial market study in identifying which value chain/s to engage. Due to resource constraints the project value chain selection was limited to using a baseline study, reliance on local knowledge and restricted input from an international consultant. Information on new inputs, technologies and end markets came from outside the immediate project location. The SER-CD project considered the baseline study products and assessed their demand and supply with traders in local markets. While this approach was partial, it did quickly identify the regional export potential of groundnuts. To date, farmers have formed groups and planted groundnuts and value chain businesses have invested in attending meetings. However, significant upgrading in the form of capital investments by the firms has not yet resulted. To better identify major opportunities and constraints, a value chain development project needs to have a broader, deeper initial analysis to select a value chain. For example, market analysis should assess international as well as regional and local markets, cost and benefit structures of various options need exploration, and government policies require review. This information and analysis requirement has to be balanced with the need for speed to achieve quick, beneficial solutions in immediate post-conflict environments. To be practical, in an immediate post-conflict environment, a tailored assessment will most likely be required. In the SER-CD case study, tailoring has been too severe and more initial resources should have been invested.

Equally important in opportunity and constraint identification is the detailed analysis within the selected value chain. In the SER-CD value chain case study, this process was rapidly performed due to resource constraints. However, the work performed shows that this approach allowed participants to rapidly identify the following constraints:

- Lack of linkages between farmers and wholesalers
- Lack of farm-level organization
- Lack of farm tools
- Lack of finance
- Lack of quality seeds
- Lack of market links and market information
- Lack of processing equipment

⁴⁴ Upgrading is the investments made by firms to achieve higher levels of efficiency, increase product differentiation or reach new markets.

While not all constraints have been addressed, the approach has led to the formation of farmer groups to address organizational issues, linkages to blacksmiths, a relationship with a commercial bank to address finance constraints, and work with wholesalers towards obtaining seed supplies on credit. The level of success achieved by these initiatives will be determined over the forthcoming eighteen months.

The SER-CD project displays less emphasis on opportunity identification and exploitation than it does on constraints. This suggests that any value chain framework adapted for post-conflict environments will need to place greater emphasis on opportunities. The framework should also consider who will implement the value chain assessment. The SER-CD project was largely implemented by a team of local staff from different organizations with no previous assessment experience. Seen in this context, it might have been easier for the implementing team to agree on constraints than it was for them to see and agree on opportunities. SER-CD experience suggests greater emphasis should be placed on recruiting external experts who can introduce ideas as they see opportunities. This needs to be combined with local staff and the valuable knowledge they bring.

The SER-CD project case study shows the importance of the initial market assessment and detailed value chain study in identifying upgrading opportunities and constraints to market growth. The project shows the market assessment did identify a regional opportunity, while the detailed value chain analysis identified constraints that have led to most project activities. At this point in the project cycle, examples of firm investment have not appeared. It is suggested that greater levels of research and analysis during the value chain assessment initial phases would have identified business upgrading opportunities. But, this would have required greater technical input than was available to the project at the time.

VI. CONCLUSIONS AND RECOMMENDATIONS

A. CONCLUSIONS

The SER-CD groundnut sector value chain analysis has led to improved communication based on trade relationships effected through linkages of farmers and wholesalers using prefectural-level meetings. In doing this, the value chain approach is addressing ethnic tensions between *Malinke* wholesalers and *Guerse* farmers. The results of the project so far have been to bring disconnected people together and stimulate their thinking about trade. This process is building confidence and laying the foundations for increased trust.

There currently is no evidence of long-term investment being made by any of the project-supported actors as a result of the value chain approach. However, the approach is encouraging value chain actors to adopt longer-term perspectives. Farmers are forming groups and saving regularly with a commercial bank and all the engaged actors are investing time and effort in linkages (i.e. wholesaler to farmer, input provider to farmer). Project incentives are important in stimulating and facilitating this investment and fieldwork shows that large-scale wholesalers are key investors when exploring longer term groundnut value chain win-win scenarios. A challenge for the project is to determine the level of support required to turn their interest into action.

Value chain activities can be used to create a socio-economic context that facilitates the rehabilitation and transition of post-conflict communities in several ways:

- Emphasizing opportunities and overcoming constraints—initial market assessments are an important first step.
- Introducing ideas and innovative technologies—work with value chain actors should stimulate creative thinking.
- Targeting—selecting value chains and initiatives within them that target key social groups such as refugees.

SER-CD experience emphasizes the best practices or key steps of (i) the initial market assessment and (ii) the detailed value chain analysis. The SER-CD project quickly identified the growth potential in the regional groundnut market; however the partial coverage and lack of experienced staff overlooked other potential opportunities. The fact that many local staff had an emergency response focus to their previous work may have impacted their choices. Project experience also shows that the subsequent detailed analysis within the selected value chain is an important part of the process to identify and analyze constraints. While project outcomes are still to be determined, it is suggested that greater levels of research and analysis during the initial phases of the value chain assessment and analysis could have identified more innovative and better researched initiatives to seize opportunities and overcome constraints.

B. LESSONS LEARNED AND RECOMMENDATIONS

HOW CAN DONORS BEST LEVERAGE CHANGE IN A VALUE CHAIN?

ENGAGE NATIONAL GOVERNMENT

SER-CD project experience shows the importance of government policy. The regional groundnut market opportunity initially identified by the project is now threatened by a recent government export ban.

SER-CD experience shows that a value chain implementer needs to engage or interact with government to a degree that allows the project to know current policy and be aware of future policy changes. Engagement could also be seen as a two-way process, where the project works with the Guinean government to inform and lobby for policy changes. This form of engagement is consistent with efforts to enhance good governance and work towards a better enabling environment for value chain development.

The post-conflict value chain framework should explore ways to develop and provide tools that help incorporate government policy analysis or trends in the analysis itself. Value chain analysts and implementers need to know and understand government plans while value chain practitioners need to contact the right people and ask the right questions.

FLEXIBILITY IN TIMING

Donors need to be flexible in timing their support to projects working in post-conflict environments, especially when project implementation is linked to agricultural seasons. The three-month suspension of funding by the SER-CD donor in early 2007 led to seasonal groundnut planting periods being missed. As a result, the project has taken on increased risk through off-season planting. A lower risk approach would have been to extend the funding period by a few months and wait. High levels of donor bureaucracy and perceived inflexibility led to this approach being rejected.

BEST PRACTICES: WHAT WORKED, WHAT DID NOT, WHAT COULD HAVE BEEN DONE MORE EFFECTIVELY

HUMAN RESOURCE CAPACITY

The SER-CD value chain work relied on local staff performing the market assessment and value chain analysis work for the first time. Dealing with conflict situations requires staff with specialist skills and project, staff members had experience in relief work, but not in market-oriented value chain development skills. Local staff also may have held cultural biases that kept them from evaluating neutrally the role played by small-scale traders. The decision was made to circumvent these participants in the value chain with little analysis of whether the services they provided were worth the prices paid.

Implementing agencies need to ensure that appropriate skills are available either through training or by hiring specialized technical input. The SER-CD project did invest in training, provided by Mary Morgan. However, the benefit of hindsight allows us to conclude that this was insufficient. Morgan's report raises this point and also calls for the "resource of time and the commitment of NGO personnel to go through a learning process" (M Morgan 2006).

Enough money needs to be budgeted to cover required consultancy costs. Projects need to realistically budget consultancy requirements while donors need to support costs for specialist skills.

BROADEN AND DEEPEN THE INITIAL MARKET ASSESSMENT

The SER-CD approach focused on a narrow range of commodities in its initial market assessment. Broadening this range of commodities may have identified opportunities that offered higher economic and social impact. Ideally, the assessment should also have reviewed international, regional and local markets. Given the non-existence of market data in the Forest region more investment should have been made to collect relevant information such as gross and net margins, price trends for sales and costs, and trade volumes from the private sector. Human resources should have included ‘ideas’ people at this stage in the process. These people could have brought broader perspectives regarding opportunities and challenges for various value chains.

INCREASING INVESTMENT IN VALUE CHAIN ACTIVITIES

SER-CD under-invested in its value chain assessment and analysis and much of the information is unrecorded or limited. For example, there is no analysis of who best should perform shelling, drying, and roasting functions. Grinding into paste may be appropriate with manual grinders, or it may not, depending on the opportunity costs of labor. These factors have not been analyzed due to limited resources and many options either were not considered or were quickly put to one side.

Further examples of analysis gaps are (i) the role and contribution to the value chain made by small-scale traders and (ii) the risks of out-of-season production for farmers. While initial reports suggest out-of-season production was successful, the rapid implementation of this case study led to risks being taken that more detailed analysis could have reduced. Local staff members have learned the importance of understanding roles within the supply chain. Initial staff perceptions of the advantages of bypassing middle men (i.e., small-scale traders) to increase margins to remaining players have been developed by understanding the value of various actors’ roles.

SELECTION CRITERIA OF THE VALUE CHAIN FOR ANALYSIS

SER-CD lessons learned show that if the value chain approach is to support transition through the integration of refugees, then value chain identification should select for this criterion. Integration in the Forest region would have benefited more from building rural to urban refugee and/or camp-based links, which would have allowed the selection and development of chains that better linked host and refugee populations.

While integration was a SER-CD project objective, the value chain activities project staff and partners used criteria of (i) income, (ii) employment and (iii) potential to increase production to select the value chain in which it worked. To address integration, re-integration, or other objectives would necessitate appropriate criteria being used to select the value chain.

SELECTION OF LARGER-SCALE VALUE CHAINS (I.E. COFFEE, COCOA, OIL PALM, RICE)

The SER-CD project has chosen to work with a relatively small-scale value chain. The total groundnut wholesale market value in the Forest region is estimated at US\$5 million per year. Given the small scale of the project, this is appropriate. However, to better establish incentives for, and maintenance of, peace and security, large-scale value chains such as coffee, cocoa, oil palm and rice should be considered. Engagement in these crops would provide greater opportunity for economic impact and allow work with business and government elites (Guinea’s president is a large-scale rice farmer). This would require larger scale donor investment especially in specialist staff able to perform this type of initiative.

IMPLEMENT AS A STAND-ALONE VALUE CHAIN DEVELOPMENT PROJECT RATHER THAN A COMPONENT WITHIN AN INTEGRATED APPROACH

Senior project managers suggested implementation of value chain activities would have been easier if it had not been part of a wider integrated initiative. While designed as part of a large, multi-sectoral reintegration grant, the integration with community development and infrastructure components were seen as complicating implementation. This led to sharing some institutions, such as VDCs, and hiring multi-skilled staff as opposed to specialists.

GETTING THE BASICS RIGHT

SER-CD experience shows the difficulties of getting the right people in place at the right time. The value chain work relied on training existing local staff to perform a market assessment and value chain analysis for the first time. While they have performed well and a 'learning by doing' approach has been adopted, greater impact could have been achieved with a larger investment in appropriate skills. SER-CD experience points to the need for a separate project employing specialist new staff.

- Value chain development projects need appropriately skilled people championing the approach;
- Projects require appropriate funding to afford these higher skilled individuals;
- Implementing institutions need to show commitment to the method, including Country Directors who understand and believe in the approach.

GUIDANCE OF HUMANITARIAN PRACTITIONERS TO GATHER INFORMATION FROM NON-TRANSPARENT ORGANIZATIONS

The business and government cultures in the Forest region are not transparent. This presents a significant challenge for value chain assessment and analysis practitioners requiring rapid information. The value chain framework should look further at (i) how information can be gathered from people who do not want to give it and/or (ii) how to research, plan and implement value chain initiatives in situations of incomplete or imperfect information.

BALANCING THE NEED FOR QUICK WINS WITH SUSTAINABILITY

Value chain development initiatives in the initial post-conflict phase (first six months) often require "quick win" activities. Challenges arise if these activities are also required to be sustainable and independent of subsidies in the form of distributions or grants. Incentives need careful management to ensure they empower and do not build dependency. Sustainability is a long-term challenge requiring a mix of inputs. It requires developing local capacity to identify and exploit dynamic market opportunities and institutional development such as building local linkages to people, organizations, or businesses that present opportunities. The value chain framework should address this question of how to achieve success in both the short and long-terms. In addition, the framework could present a process showing how a value chain approach can evolve from the short-term identification of a quick win to making a sustainable contribution to longer term economic recovery and growth.

HOW TO REDUCE COSTS FOR SMALL SCALE FARMERS TO ENGAGE IN MARKETS

FARMER GROUPS

The project is attempting to reduce the costs for small-scale farmers to engage in markets by helping them form producer groups. The issue is being addressed first through joint product marketing. The potential for farmer groups to reduce input purchasing and output marketing costs are, as yet, unproven in the Guinea example and require further monitoring.

INTRODUCING INNOVATION THROUGH INTRODUCING TECHNOLOGY, IDEAS AND INFORMATION

The project supported prefecture unions and farmer groups provide an opportunity for the introduction of technology, ideas and information⁴⁵. The Forest region is remote with relatively poor access to information and ideas. In its efforts to address market opportunities and constraints, the project is learning the value of external information, ideas and technologies in both reducing costs and presenting opportunities.

THE APPROPRIATE ROLE FOR NGOS AS SERVICE PROVIDERS IN VALUE CHAINS

SER-CD experience shows that NGOs can act as valuable facilitators of the value chain approach process. PRIDE has achieved considerable success in facilitating farm groups and prefecture unions, linking various actors, and informing government. This shows the value of strong local NGO contacts—particularly to farmers, community leaders and local government representatives—and their local knowledge of the various necessary and specific administrative and cultural procedures. Working with local NGOs can therefore smooth initial progress by introducing the project to beneficiaries and helping to build local official government contacts. Local NGOs require support when engaging with larger scale private sector actors. Large businesses such as wholesalers in the groundnut chain generally show less interest in working with local NGOs. Wholesalers perceive local NGOs as having inadequate resource levels to offer them support and they see local NGOs' usual social objectives as dissimilar to their own aims. International NGOs, with their higher resource levels are more likely to be successful in building links to these businesses, at least in initial project stages.

⁴⁵ This could include research, extension and commercial seed suppliers.

APPENDICES

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ANNEX I: LIST OF INTERVIEWEES

Location	Activity	Participants
N'Zerekore	Initial briefing with Program, Program Partners, Fieldwork Planning	IRC, Program partners – PRIDE and INADER
N'Zerekore	Introduction to the program	IRC Staff - Kamel Maina, Binty Kamara, Ousman Kabia, Ze Ze Touaro
N'Zerekore	Community focus group discussions	Approx 17 women and 4 men
N'Zerekore	Community focus group discussions	Approx 3 women and 6 men
N'Zerekore	Community focus group discussions	Approx 7 women and 9 men
N'Zerekore	Community focus group discussions	Approx 2 women and 20+ men
N'Zerekore	Community focus group discussions	Approx 3 women and 12 men
N'Zerekore	Community focus group discussions	Approx 3 women and 10 men
N'Zerekore	Community focus group discussions	Approx 2 women and 15 men
N'Zerekore	Community focus group discussions	Approx 3+ women and 15+ men
N'Zerekore	Community focus group discussions	Approx 20 women and 6 men
N'Zerekore	Key Informant Interviews	PRIDE: Francios Lama, Director PRIDE in N'Zerekore and Michel Lead Agricultural Extensionist
N'Zerekore	Key Informant Interviews	INADER, Director INADER in the Forest Region
N'Zerekore	Stakeholder Meeting, N'Zerekore Union	30+ Farmers and Input Providers
N'Zerekore	Farmer group meetings	Field visits with group discussions (3 groups)
N'Zerekore	Wholesaler Meeting	Bakary Koulibaly (Chairman), Mamady Traore, Sali Dnimbouya
N'Zerekore	Wholesaler interview	Kalifa Doumbouya
N'Zerekore	Blacksmith site visit	Blacksmith
N'Zerekore	Input Suppliers shop visit	Mr. Jalo, plus two others
Macenta	Input Suppliers shop visit	Pere Honore
Macenta	Blacksmith site visit	Amadu Bela Barry
Macenta	Groundnut Trader Meeting	Odia Traore + 3 others
Macenta	Groundnut Trader Meeting	Cisse Madigama + 4 others
N'Zerekore	Key Informant Interviews	Ousman Kabia, Selake Keita
N'Zerekore	Feedback meeting to Program Staff	Feedback to Binty Kamara, Ousman Kabia, Ze Ze Touaro
Conakry	Feedback meeting with Country Director	Kamel Maina
Conakry	Key Informant Interviews	EU Egide Kalima

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