
A systematic bottom up model is needed to revive the cocoa industry

By
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Abstract

The early results of initial government and donor support respond to the cocoa pod borer (CPB) attack, still leave a lot to be desired, partly due to the sporadic attempt to control it. For this approach to be revised successfully, a bottom up systematic model that is initiated at community level needs to be encouraged. It should be underscored by three complementary thematic areas, namely land user rights (social/economic), group economic activities and a sun-set legislation to compel participation by all cocoa growers (CGs).

Through a sun-set law, the nucleus estate enterprise (NEE) concept, that links CGs with cooperatives to impart better cocoa management practices mainly in rural communities, should be able to effectively manage CPB. The hands of both GoPNG and development partners are vital in this endeavour, from financial and technical aspects.

1.0. Introduction

This paper is intended to inform the audience about a local economic development initiative (LEDI). It is a communitarian based systematic bottom up model, being proposed as a pilot project for cocoa rehabilitation by the Sotakap community in North Bougainville's Selau constituency.

The aim is to get the whole community to participate in reviving cocoa production, as well as to protect the industry from further destruction by the cocoa pod borer (CPB). There is hard evidence, that many farmers are neglecting their cocoa blocks for easier and illegal options such as propagating and selling both marijuana and homebrew to youths in order to generate income.

Unfortunately, it is the women folk that are being used by their partners, to be involved in these illegal activities for income generation. Communities need to urgently arrest this selfish behavior.

When majority of cocoa growers are disinterested in adopting the five steps of managing CPB being promulgated by the Cocoa Board of Papua New Guinea (CBPNG), communities need to come up with combined programs to capture and redirect interest to cocoa, otherwise the industry will fall into total disarray.

A whole community could be devastated by marijuana and homebrew consumption. Consequently, the economy of the area could become a potential target for outsiders to exploit by sole dictates of the market forces.

The current World bank productive partnerships in Agriculture Project (PPAP), appears to fail in encouraging a bottom-up approach. More needs to be done in the PPAP smallholder component, to identify potential community partners and to encourage their initiatives. This oversight results in PPAP being implemented at a much higher cost band than is necessary. Arguably, the biggest beneficiaries from PPAP would be foreign exporters and consultants.

2.0. Thematic issues

For a rural based community to be comprehensively involved, three complementary thematic issues need to be considered, namely :

- Land user rights (social & economic)
- Group economic activities
- Legislation to compel participation

These are directly connected with community involvement, which have to be addressed. First, unless cocoa growers have clearly defined land user rights on the land that they are working on, putting additional effort to that land is not going to be attractive in the long run. For example, majority of households in Sotakap are peasants (from other parts of the region), not members of clans that own the land.

Once land is seen to be highly productive, the rightful landowners in terms of traditional clans, would start finding excuses to undermine such efforts; this is common, which results in land disputes.

To alleviate this problem, each clan in the community should be encouraged to incorporate their respective land groups and provide legally registered leases to each smallholder. Only secured land will be more productive in a market economy.

Secondly, the smallholder can then sublease their cocoa block to their respective nucleus estate enterprise (NEEs). For example, one NEE can be owned by a collective of up to 30 smallholders in one precinct. This is the bases of modification in the NEE concept, where it is not a stand-alone entity, but part of a collective economic undertaking.

These NEEs will be more business-like in their operations. Hence, smallholders can secure either casual or fulltime employment in agricultural aspects from their own NEEs. It is obvious then, that smallholders could secure two means of reliable income streams; one from rent and the other from employment (either casual or fulltime).

The above will replace the hands to mouth subsistence mindset that is customary in smallholdings; the practice that allowed CPB to take a foothold in the first place.

Thirdly, sunset laws by both the Autonomous Bougainville Government (ABG) and Government of Papua New Guinea (GoPNG) need to be passed, to compel cocoa growing communities to fully participate in the program until CPB is eradicated.

The current strategy to address CPB, being employed by authorities and donor partners appear to be very selective and leaving the majority of rural communities to drift further into oblivion.

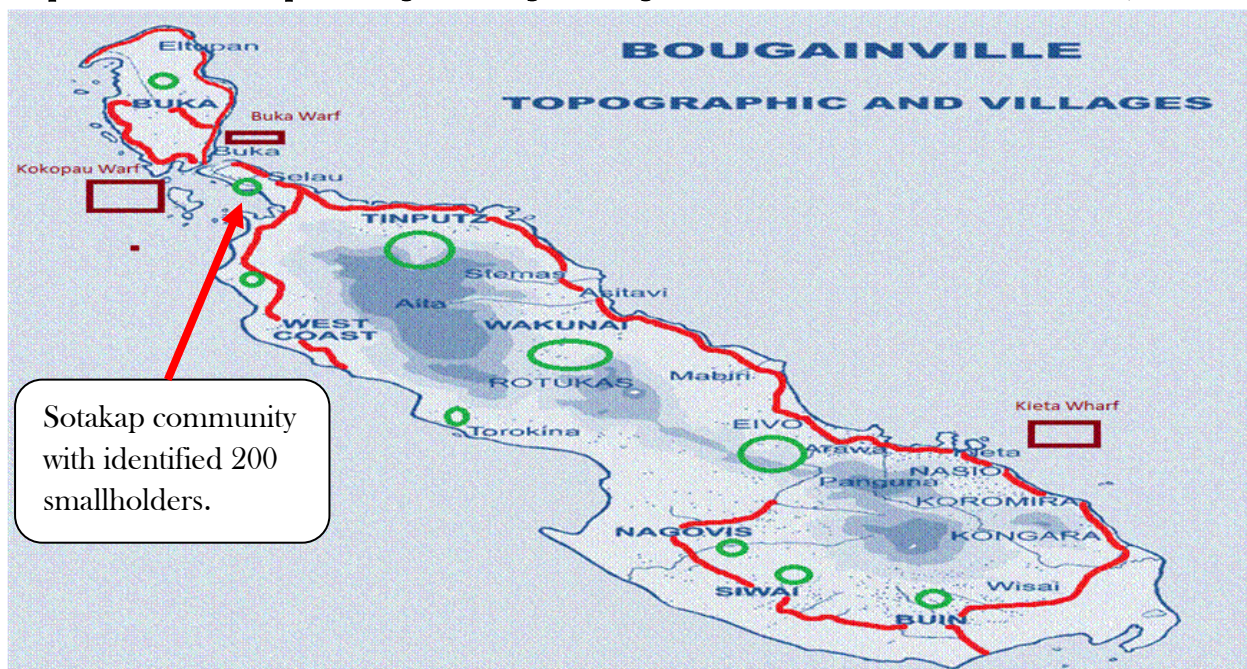
Communities with initiatives to do something about CPB, cannot proceed further because of lack of recognition and funding support. But the drawback for such initiatives, is that there is no guarantee that money will not be wasted, should they succeed in obtaining government funding.

Therefore it calls for a LEDI model being initiated by a community to be pilot-tested. In other word, a home grown initiative and which is not being pushed down their throat.

3.0. Sotakap community model

Sotakap is a community in the Selau constituency in the northern tip of Bougainville mainland. As indicated in map1, Selau is a small cocoa producing area compared to Tinputz and Wakunai. Feeder roads in the area with access to main trunk road are better maintained.

Map 1: AROB cocoa producing areas in green rings. Source: National Research Institute, 2011.



The Sotakap community is also well known in the region as the home of the Nazareth Centre for Rehabilitation (NCFR). The re-known Sister Lorraine Garasu is the executive

director of this charity organization. The Centre has taken many initiatives, which has attracted international recognition and donor support.

With cocoa being attacked by CPB, the community is initiating a pilot project that will involve using already available local technical know-how in the community-these are semi retired and retired professionals. Nonetheless, this important initiative needs financial support from DSIP/PSIP. In addition donor support will also be welcomed. Often donor funds have been available for social programs only. However, this time it should be a combined economic, as well as social community life improvement approach.

It is estimated that Sotakap community will have seven NEEs, and only one cooperative. The community already has a registered cooperative in Nigumgum Producers Cooperative Society Limited (NPCSL).

NPCSL will be the major or sole buyer and exporter of dry cocoa from the seven NEEs.

4.0. Principles

Therefore, the model to be adopted has to be holistic and deals with more than one aspect of the smallholders' life. This rural community approach should induce willingness by growers to participate. Cocoa is the economic component, but it will be combined with social aspects as follows:

- Best cocoa management practice to improve production, hence increase income.
- Improve water and sanitation for the community.
- Built safer communities by targeting both women and youth.

As such, water and sanitation is to be integrated with better citizenship programs for mothers and youths, so as to be all-inclusive in building safer communities with agriculture as the primary economic base.

5.0. Strategies

All three aforementioned programs must be concurrently implemented. All programs cost money, and this is where the model will depend on the participation of local entities, owned by smallholders namely NPCSL and the proposed seven nucleus estate enterprises. Also available with facilities for training on social skills and other related aspects, including vast experience is NCFR.

One important area of funding support will be Government annual budget allocation for its extension services in agriculture. A percentage of that money should be used through DSIP/PSIP to pay for local private service providers (PSSP).

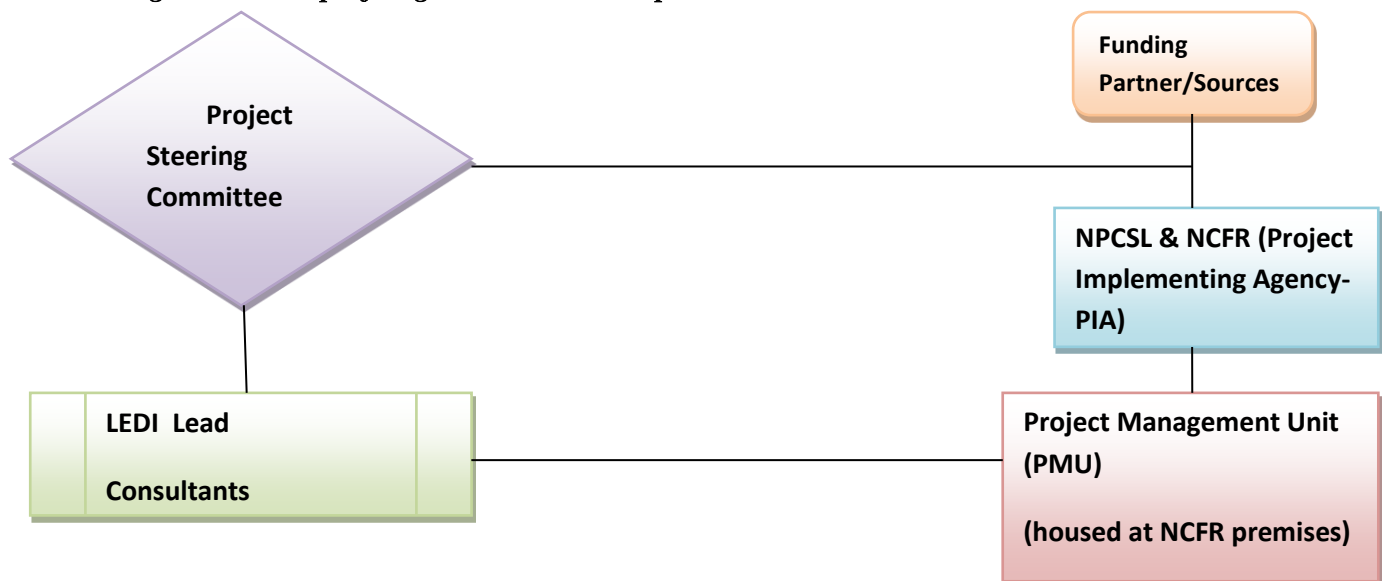
Once the community starts applying the acquired skills and there is overall improvement in the quality of life, the economic returns should far outweigh initial investment outlay.

Nevertheless, this can only be an outcome, if both good governance and community commitment are implemented under an acceptable system or model.

An overall governance system (see figure 1) will require participation by all important stakeholders and should include:

- Potential external funding source(s)
- A local project implementing agency (PIA)
- A Steering Committee (PSC)
- Project Management Unit (PMU); and
- Consultant (s)-both local and external

Figure 1: Pilot project governance and implementation structure



Besides the financier making money available, the job of a sound governance system will be to ensure that:

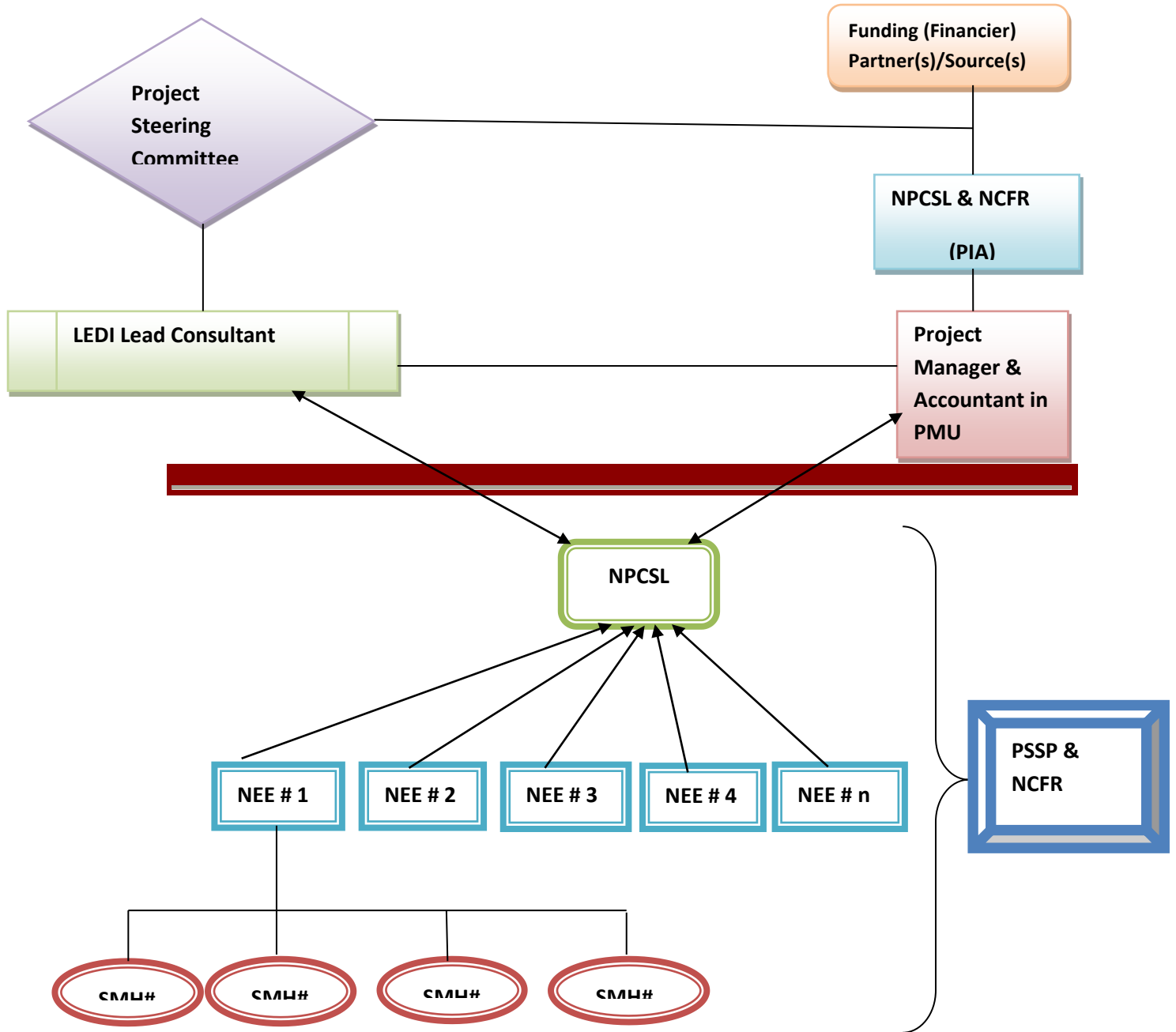
- Funds are sourced and utilized accordingly.
- Best cocoa production management skills are passed on to smallholders.
- Water and sanitation program is effectively implemented; and
- Program for building a better community (skilling, income generation activities and sporting activities) are planned and implemented accordingly.

Training in best cocoa production and management is to be provided by available local Private Sector Service Providers (PSSPs). There are retired and semi retired technical resource people in the community, who can pass on technical knowledge, however they need financial support.

Water and sanitation, and building safer communities will be the social aspects of living, that will also need facilitating. This is where the Nazareth Centre for Rehabilitation (NCFR) will be responsible, as they have vast experience in such areas.

Both of the above will benefit the Sotakap community, who are themselves the cooperative, NEEs and smallholders, all rolled into a single recipient. Such an important arrangement is captured in the bottom layer of figure 2 below.

Figure 2: Project Governance & Implementation Structure & linkage with NPCSL/ NEE/PSSP & NCFR

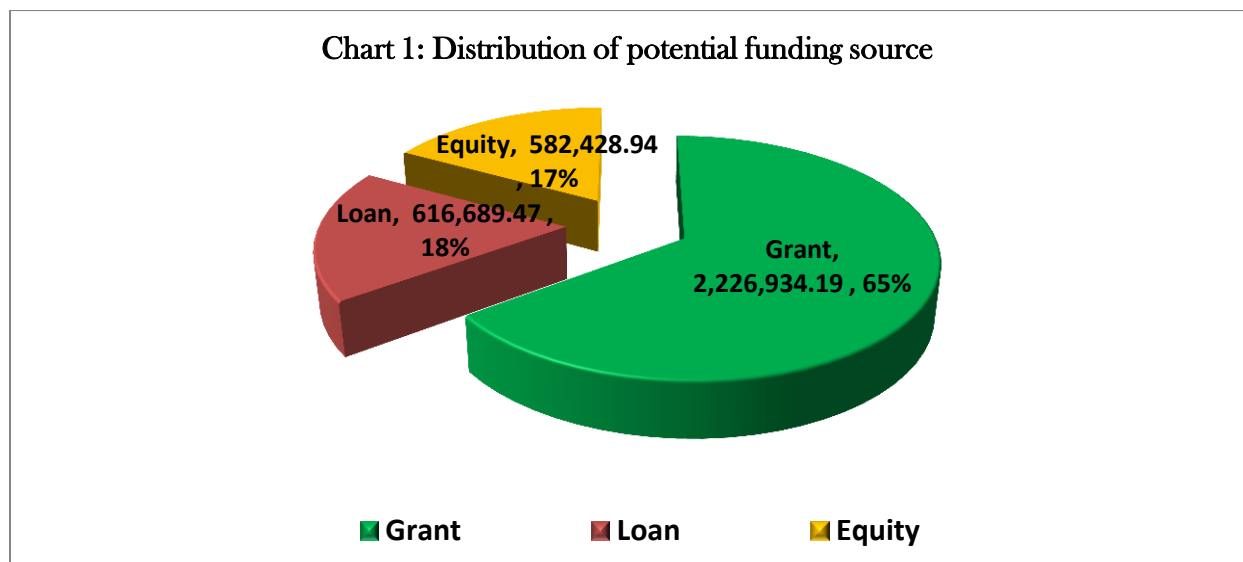


7.0. Financial analysis

Funds that are made available to community initiative for both economic and social purposes, must bear benefits. That is why it is being referred to as a public and private partnership initiative. Detail financial modeling has been undertaken for this approach and the projected results are being laid out below:

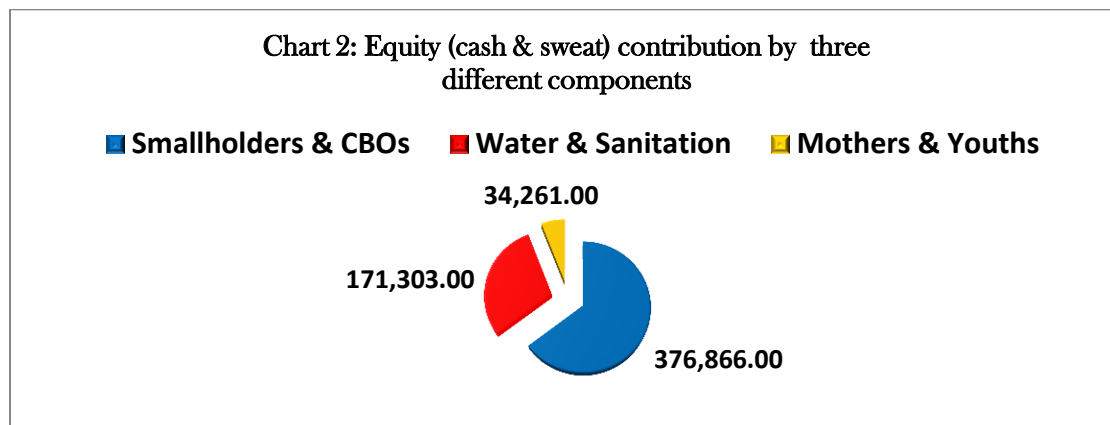
- Total budget over two years for the implementation will be K3,426,052.60
- For the cocoa component: K1,902,920
- For water & sanitation component: K374,946
- For building safer communities component: K210,000
- For governance and management unit component: K384,000
- For lead consultants: K300,000
- The balance will be for GST at K254,186.60

That should come in 3 main categories: grant, loan and equity as indicated in chart1.



The community equity component will be both in cash and sweat totaling K582,428.94 (17%). Grant will be K2,226,934.19 (65%) and loan, K616,689.47 (18%). Financial institutions like the National Development Bank (NDB) and local microfinance institutions (MFIs) will be responsible for disbursing loans out from a proposed government's revolving finance facility (RFF). (Refer to chart 2 below).

Water and sanitation component will involve purchases and installment of community water tanks in 13 villages and hamlets. Water tank is most suitable for this flat area. Total cost is being estimated at K374,946, with partners' funding at K203,643 (54.31%) and local equity component at K171,303 (45.69%).



Building safer communities through rehabilitation programs and income generation activities will target mostly both women and youth. These two groups are the most affected. Women produce and sell marijuana and homebrew, while the youth buy and consume these illegal substances.

It is being estimated that such programs, which cover mostly training costs and sporting activities, will require equity contribution of K34,261 (5.88%) towards a total of K210,000 budgeted for two years.

From an economic production perspective, cocoa would be the mainstay. Land, capital and labour are resources that are available locally. However, as usual capital is more scarce compared to the other two, and this is where both government and donor capital input is being sought. Likewise, skilling (ie. technical) the local labour component will also require external input.

As economic entities, smallholders, NEEs and the cooperative (NPCSL) will be important partners with government and donors. Local economic entities will need to make a bigger contribution in order to attract both external capital and technical inputs. Therefore, smallholders and community based organizations' (CBO) equity is being estimated at K376,866 or 64.71%.

Financial analysis further indicate, that after the total capital outlay of K3,426,052.60 over two years, it should take 1 year and nine months to payback the investment. Thus, a total projected annual income of K1,941,800 will pay back the investment as follows:

- Cocoa production: K1,516,934.16 or (78.12%).
- Youth projects & employment: K274,958.88 or (14.16%).
- Women market produce income: K149,906.96 or (7.72%).

The above are key outcomes, in addition to skilling and capacity building of local entities.

6.0. Appeal of the model

It is hoped that the proposed LEDI model attains eminence as a conduit, to assist in implementation and delivery of GoPNG and ABG rural development programs towards realizing development goals.

Moreover, the model has been framed to be in line with ABG's 2014 budget focus on development "...on the empowerment of people in their communities to allow them to participate in the planning and implementation of projects"(ABG Finance Minister, Albert Punghau).

Sotakap's vision is clear, in that Governments' delivery should be under private public partnerships (PPP) by promoting local initiatives. PPP does not have to mean dependency on big players with track records. Both entities and labour has to be locals. Restricting entities involvement to grassroots gives prominence to the bottom-up approach, as spearheaded by community based organizations (NPCSL & NCFR).

As a local economic development initiative (LEDI), it draws from the economic principle that: ***Economies that innovate grow, and those that don't remain stagnant or perish.*** Thus, it embraces the small medium enterprises (SMEs) philosophy of GoPNG and ABG's focus on agriculture and tourism as being pivotal to landowners' participation in community development.

8.0. Innovation

Innovation is about trying out untested ideas, which implies taking a calculated risk; all investment is about risk taking. While this innovation is LEDI in character, it nevertheless is a modification of borrowed contemporary agriculture based socio-economic development models.

Modifications are done so as to best suit indigenous development aspirations and conditions. Consequently, this is not just another superficial innovation, but a significant structural microeconomic reform; where free enterprise takes on a whole new meaning. It looks to strengthen local networks of smallholders under several nucleus estate enterprises connected to their cooperative society.

Essentially, both land and labour are locally available factors of production at the disposal of smallholders under ownership of their respective clans. This is with the exception of venture capital, for which Sotakap looks to Governments and international development partners (IDP) to assist in the proposed pilot project.

This draws attention to issues rife in smallholder sector sparse productivity, and advocates appropriate farming practices towards changing the mindset. No other sector is more important and involves the rural majority for both domestic consumption and export than smallholders.

Thus, the focus on ways and means to reform this sector is so crucial, so as to catch-up with the 21st century and to prevent the unnecessary depletion of the forest for blind consumerism under such misconceived idea as special agriculture business leases (SABLs).

This should create awareness about why community and church based organizations (CBOs) respectively, exhibit proclivity for participation in procurement, implementation and delivery challenges of Vision 2050 and ABG's economic development aspirations.

9.0. Conclusion

- A model to revive the cocoa industry has to be bottom-up and systematic.
- This must involve a combination of both economic and social benefits for the whole community, and to generate and capture their interest for participation.
- There are already available technical know-how on the ground that can contribute both leadership and quality decision making. However, government must pay for their services, where their know-how benefits the community.
- It follows therefore, that when the best coordinated efforts and resources are directed to genuine community initiatives, the anticipated outcomes can be realized.

10.0. Recommendations

It is strongly recommended therefore;

1. That office Vision 2050 study this Sotakap community initiative and to adopt it as a pilot bottom-up model for reviving the cocoa industry, thus recommend it for funding.
2. Through DSIP/PSIP, local MPs should be the main sources of government funding.
3. Donor funding is also needed to supplement both DSIP/PSIP and local equity.
4. Both ABG and GoPNG to pass sun-set laws to compel community participation in the management and eradication of CPB.