

Lincy proposal
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Rwanda Essential Oils Agribusiness: Holistic Transformation

A Request to The Lincy Foundation

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Introduction

As Rwanda emerges from its tragic recent history, a variety of social problems plague the nation including poverty, ethnic strife, AIDS and political uncertainty. The nation continues to struggle to boost investment and agricultural output but remains a poor, rural, landlocked country with about 80 percent of the population engaged in mainly subsistence agriculture. The nation has few natural resources and minimal industry.

In Rwanda, the present remains intertwined with the country's tragic past. The 1994 genocide decimated Rwanda's fragile economic base, severely impoverished the population (particularly women), and eroded the country's ability to attract private and external investment. While the country has a fertile ecosystem, food production often does not keep pace with population growth, which results in the need for food imports.

Since 1994, World Relief has been active in Rwanda, providing humanitarian aid in many forms: reconciliation projects to heal deep emotional wounds between individuals and communities; AIDS interventions (care and prevention projects); mother and child health programs; micro-credit programs to help the poor begin small enterprises; and agribusiness projects.

One of the most promising agribusiness initiatives is the Essential Oils project. In August 2005, Ikirezi Natural Products, meaning *precious pearl*, was founded as a community-interest company. Ikirezi partners with small farmers in Rwanda to harvest geranium leaves for oil distillation. The geranium oil is 100% organic, wholly derived from *Pelargonium graveolens*. In 2006, World Relief secured a grant from USAID to expand World Relief's Essential Oils program over the next five years. Today, Ikirezi Natural Products is an emerging agribusiness that is pioneering the production of high quality essential oils in Rwanda.

The project was created to help people who became widows and orphans as a result of the genocide. The project leverages their desire to work hard, and in the process creates a sustainable business. So far, the project has exceeded all expectations, creating a desirable product for export to overseas markets. A South African buyer has been purchasing as much of the product as we can produce, and other buyers have expressed interest as well.

The Essential Oils project has achieved impressive success in its first three years and is now looking to take the next steps toward long-term viability. To help the project expand its reach, penetrate new markets and involve more people, World Relief is seeking funding partners for this critical stage.

World Relief is requesting a grant of \$100,000 from The Lincy Foundation to strengthen and expand the Essential Oils project – a vital investment in self-sufficiency, hope and the future security of hundreds of hard-working farmers in Rwanda.

Statement of Need: Life on the Edge in Rwanda

Perhaps more than any other nation, Rwanda represents the struggle of development in the face of severe challenges. The most densely-populated nation in Africa, Rwanda has been hard-hit by poverty, AIDS, political upheaval and ethnic tension. Most tragically, the country is still primarily known for the April 1994 genocide, in which roughly 800,000 Tutsis lost their lives. Politically and psychologically, the nation is still trying to recover from this shattering event.

As in many other African nations, Rwandans live off the land. More than 80 percent of the population is dependent on subsistence farming, and approximately 40 percent of “value added as a percentage of GDP” is earned in agriculture. The pressure on agricultural land is extreme.

Economically, the situation remains precarious. In 2000, 65 percent of the population lived below the poverty line – a marked decline from 1985, when 45 percent of the population fell below the poverty line. The expansion of poverty is indicative of the devastating impact of armed conflict during the 1990s, which seriously affected the country’s human capital as well as its agricultural and industrial infrastructures.

In 2007, Rwanda ranked 17th from the bottom of the human development index (UNDP Human Development Report, 2007), with 52 percent of the population living in extreme poverty (less than one dollar per day). The annual population growth rate of 2.9 percent limits the amount of land a family can access for agricultural production. Average per capita income is about \$250 per year, but significant socioeconomic discrepancies exist between the country’s rural and urban areas: 68 percent of the rural population lives below the poverty line versus 22.6 percent of the urban population.

The overall prevalence rate for AIDS among adults is 13 percent, and it is estimated that one in four adults has HIV in Kigali, the capital city. The number of AIDS orphans is also rapidly increasing; every year, about 40,000 to 50,000 infants are born to HIV-infected mothers, of whom 10,000 to 15,000 are themselves infected perinatally. The genocide played a key role in the spread of HIV/AIDS: the massive internal and external movements of millions of people during and after the genocide have contributed to the diffusion of the virus. It was also a weapon used by the perpetrators against women and young girls who were raped and tortured. Today, due to the high number of widows, unofficial polygamy is reported to be substantial and therefore another factor in the spread of AIDS. The impact of AIDS on families is significant, as it weakens and kills productive adults, thus thrusting more people into poverty.

The Cycle of Rural Poverty

The rural poverty that afflicts Rwanda is a familiar scenario throughout the world. More than half the world’s population is employed in the agricultural sector. And for many, poverty is as much a fact of daily life as planting and harvesting. The world’s rural poor

face a unique set of challenges that, taken together, often represent an iron-clad cycle of poverty that can only be broken with help from outside. According to *The Hunger Report 2005*, the rural poor “are trapped in poverty They face such colossal barriers that they are incapable of breaking the cycle of poverty without help from the outside.”

Of the world’s “poorest of the poor,” 75 percent live isolated in rural areas where income is unstable, temporary or non-existent. Work conditions are often hazardous or extremely difficult, and regional and world markets are far away. Chronic hunger is common, as is lack of access to health care, safe drinking water and sanitation. An estimated 1.3 billion live on “marginal” land, where soil quality is poor and irrigation is unavailable. And 70 percent do not own the land they work.

For the rural poor, there is a “tyranny of the urgent.” They are often trapped in a cycle of trying to meet short-term needs which precludes planning for long-term security. Crops are grown to meet a family’s food needs, or to sell at the local market for income. But when those income-producing crops are not in high demand, farmers receive little benefit from their toil. As a result, farmers find themselves trapped in a cycle of desperation, hunger, poverty and increasingly limited opportunities. And as the years go by, with little accumulated capital, families around the world (and in Rwanda) face bleak futures.

The needs are considerable – and for poor widows and orphans in rural communities, life on the margin is particularly difficult. Many women are contending with life as widows and single mothers, a sobering reminder of Rwanda’s bloody recent past. Meanwhile, Rwanda’s large population of orphans faces its own set of challenges. Feeding a family and earning a livable wage are daunting tasks for anyone in an agricultural community, but for widows and orphans, the situation is particularly fragile.

Solution: Innovative Agribusiness Produces High-Value Crop

The goal of any agricultural development project is to enable the poor to sustain themselves through their own efforts – helping them make use of their farming knowledge and experience and their proximity to the land so that they can work profitably.

Those underlying principles are the key to the success of the Rwanda Essential Oils project. The Essential Oils agribusiness employs 830 widows who work together to grow geraniums that yield high-value essential oils that are used in perfumes and cosmetics. The geranium is a hardy flower – ideally suited to Rwanda’s climate – and it holds some of the most valuable oil in the world.

The natural plant products industry has been experiencing enormous growth over the last ten years. By reviving the essential oils industry in Rwanda, which was popular in the early 1900s, income in rural areas can be increased in a sustainable, environmentally friendly way through the establishment of strong co-operatives with small shareholders at the grassroots level. These farmers are the main implementers of the activities.

For World Relief’s Essential Oils project, the ultimate objective is to help Rwanda’s rural poor, primarily widows, to boost current income and ensure their long-term financial security with their own efforts.

Along with the tangible benefits, other project goals include helping participants build their confidence and knowledge of markets, to work communally toward a common goal, and to develop the ability to plan for the long-term. In short, the project replaces desperation with hope.

Our vision is to be a leading supplier of essential oils and other natural plant products that maximizes profits to small farmers, holistically transforms communities and strengthens agribusiness in Rwanda.

Objectives: Boost Personal Income and the Local Economy

In the Essential Oils project, widows and orphans who need economic opportunities are given training, planting materials and the opportunity to sell their geranium crop at a rate higher than many other crops typically grown in Rwanda.

The objectives of this project include:

- **Increase rural incomes.** The Essential Oils program seeks to improve the lives of the poor through the establishment of strong cooperatives of small holders at the grassroots level who are the main implementers and principal income earners.
- **Partnerships that favor the poor.** World Relief seeks to strengthen the Essential Oils program in order to organize farmers, provide technical assistance and processing expertise, ensure high quality organic oils and take them to market.
- **Foster economic growth.** The program's impact will result in economic empowerment, holistic transformation, and a strengthened agribusiness sector in Rwanda.

The project addresses two of the major development issues – economic development and community reconciliation – by creating networks of farmers to share in the profits of essential oils production. The cooperative farming structure is a valuable social arrangement for fostering reconciliation, unity, and relationships among farmers. World Relief believes in fostering cooperative autonomy and self-sufficiency, while providing trainings on topics like agribusiness management and personal savings management. These efforts help build sustainable change in the long run, but in the short term, empowering farmers to enter the essential oils market affords them nearly twice as much income from land that would otherwise be used for traditional crops.

The Essential Oils project seeks to impact transformational development in Rwanda on an individual, community, and macroeconomic level, while operating as a financially sustainable enterprise. As one association member recently recounted, “It has been good for us to work together. After the genocide we were scattered and scared. Now . . . we are a real community. Before, we were not connected to one another, but now we have relationships with each other. We help each other with medical costs, take each other to the hospital when necessary, and help build each other's houses.”

Plan/Methodology

Ikireza Natural Products is an emerging agribusiness that is pioneering the production of high quality essential oils in Rwanda. Ikirezi (which means *precious pearl*) partners with small farmers in Rwanda to harvest geranium leaves for oil distillation. The geranium oil is 100% organic, wholly derived from *Pelagonium graveolens*.

In the project, widows and orphans in Rwanda's central and northern highlands are given training, planting materials and the opportunity to sell their geranium crop at a rate higher than many other crops typically grown in Rwanda. The widows work hard to grow the flowers and process the oil for sale at local and international markets. The project doesn't just create opportunities for income. It also provides a vital support network for individuals who have suffered unspeakable horrors and continue to experience trauma. The cooperative farming structure is a valuable social arrangement and a forum for fostering reconciliation, unity and deep relationships among farmers.

Project participants are committed to the project, as evidenced by the hard work they are willing to donate to the cooperative. Growing the geranium plants is not a replacement for their normal farming work at home, but is an added responsibility that all participants share. In addition to tending their own plots to meet their family's basic needs, members are asked to donate 20 percent of their time (typically, one full work day per week) to the project. Profits from the sale of the geraniums are divided among participants.

The natural plant products industry has seen enormous growth over the last ten years, and it demonstrates strong prospects going forward. Organic geranium oil sells for approximately \$150 per kilogram and possesses stable pricing characteristics compared to other essential oils, according to industry experts. In addition to geranium oil, Ikireza Natural products is also working to increase the number of products in its basket by introducing other essential oils, such as chamomile, eucalyptus, and patchouli, as well as other natural products like herbal teas and spices, based on market demand. By participating in this opportunity, personal income in rural areas can be increased in a sustainable, environmentally-friendly way. Strong co-operatives are established, and farmers become shareholders in the project.

Geraniums are a high-value crop, which is important in a land-locked country where transport costs are high (up to 60 percent of earnings). The production, processing and packaging of high quality plant products such as essential oils, botanicals and medicinals may eventually contribute to the development of Rwanda's economy.

Widows and orphans comprise 84% of current Ikirezi members. Currently, Ikireza works with 830 farmers and plans to expand the number to 2,000 growers by 2010. They are trained in business principles, and the co-op model provides access to shared machinery and enhanced quality through common production standards. The project helps participants develop markets and link producers and suppliers to viable buyers.

For 2008, the Ikirezi project has established the following targets:

- 54 hectares of land will be planted with geraniums
- The project will realize 335 tons of leaf yield
- 558 kilograms of oil will be produced
- 900 people will be members of farmer cooperatives

Project Components

The Essential Oils project focuses on the following components:

1. **Enterprise Development** – Farmers are trained in business development models as well as bookkeeping, negotiation, costing and micro-enterprise management. Through the cooperative model, farmers access shared machinery and enhanced quality through common production standards.
2. **Ownership** – The marketing business entity (Ikirezi Natural Products, SARL) owns the distillation units and will assure the production and processing of both geranium and eucalyptus oils. Ikirezi Natural Products, SARL will also provide specialized expertise in natural products and will play the role of distillation, marketing, quality control and quality assurance, as well as providing technical expertise to the associations. As a Community Interest Company, all profits are for the account of the cooperatives which Ikirezi serves.
3. **Quality Assurance** – Each batch of geranium oil is tested and analyzed by an independent laboratory trained by Rutgers University's New Use Agriculture & Natural Products Program (NUANPP). Evaluations of oil characteristics (e.g., chemical composition by GC/MS) are available for all essential oils produced by the project. Additional goals include:
 - Develop national trade standards with a team of regulatory bodies.
 - Develop specification sheets, certificates and safety sheets.
 - Develop national labels for the industry.
 - Train farmers, food processors, manufacturers, oil extractors and exporters to implement and adopt industry standards.
4. **Market Development** – Developing markets and linking producers and supplies to viable buyers is one of the most critical components of the project. Some specific marketing initiatives will include publications in trade journals, nutraceutical journals, the International Trade Center (ITC) Market Newsletter on medicinal plants, Herbalgram (USA) and other journals, and websites.
5. **Community Development** – World Relief supports a holistic program that fights poverty at multiple levels. In addition to learning about farming and marketing, our program recipients will be educated about HIV/AIDS prevention to ensure they live healthy lives.

Evaluation

Progress on the Essential Oils project is continuously monitored. The project will be considered successful when the following qualitative and quantitative indicators are achieved:

- Ikirezi will become an independently profitable business by 2013.
- Essential oil yields will reach 500 kg by 2009 and 2,000 kg by 2010.
- The number of partnering farmers will increase proportional to the number of hectares of land on which Ikirezi operates.
- Profits returning to the farmers will increase proportional to Ikirezi's sales.
- Partnering farmers will demonstrate basic business knowledge.
- Partnering farmers will demonstrate knowledge of how to manage their personal finances.
- Partnering farmers will express an overall improved quality of life.

Budget Detail

In August 2005, USAID committed a three year grant of \$500,000, which will conclude in August 2008. World Relief is now seeking support from private donors to continue the business expansion. Our goal is to continue to support the Essential Oils project beyond the three-year agreement until it is self-sustaining in business operations, growth and development. Today, World Relief is seeking partners who will provide financial support to this vital effort.

The project is focused on establishing a sustainable business model that leverage initial funding and scales up operations to achieve profitability by 2010. As the Ikirezi organization continues its pursuit of self-sustainability, additional funding will be required annually. The business plan projects achievement of positive net income by 2011. After this point, Ikireza Natural Products should no longer require donor funding, but will continue to impact Rwanda and the East African region in order to benefit its partnering farmers.

The budget for fiscal year 2008 is \$366,200, including a \$260,000 Cooperative Agreement Grant from USAID.

[INSERT BUDGET DETAIL HERE]

For the current fiscal year (2008), project funds will support the preparation of three new plots of land with their irrigation systems – which are gravity controlled ditches and drip irrigation systems, as appropriate to the plot.

World Relief is requesting a grant of \$100,000 from The Lincy Foundation to strengthen and expand the Essential Oils project. We believe this grant request reflects The Lincy Foundation's commitment to providing vital help for those who are marginalized. Your gift will be an important investment in self-sufficiency, hope and the future security of hundreds of hard-working farmers in Rwanda. We look forward to your partnership in this transformational project!

About World Relief

World Relief began in 1944 when American Christian denominations, together with sister churches in war-torn Europe, addressed the great needs of people whose lives had been disrupted by fighting in many parts of the continent. The National Association of Evangelicals (NAE) established the War Relief Commission to send clothing and food to victims of World War II.

After the war, evangelical leaders decided that the War Relief Commission should continue, as human need remained great both in post-war Europe and in other parts of the world. In 1950, the agency was renamed World Relief. The organization soon expanded its programs to include economic development – an early example was the provision of sewing machines and training so war widows in Korea could earn a living – setting up TB clinics, supporting orphanages and initiating land reclamation projects.

In 1961, World Relief's former chairman, C.N. Hostetter, Jr., served as a member of President Kennedy's "Food for Peace" committee to help distribute more food to destitute regions of the world. World Relief's initiatives expanded in scope throughout the decades as it worked to foster long-term development to help the poor rise above subsistence. The organization embraced micro-enterprise development in the 1990s and has received international acclaim for its approach to women/children health programs and AIDS education and prevention outreaches.

In 1979, World Relief mobilized churches in the United States to help resettle Vietnamese refugees. This large-scale initiative was the genesis of World Relief's work with refugees throughout the U.S., which has helped 200,000 refugees from every corner of the world adapt to new lives in America. Today, World Relief is one of the largest U.S. refugee resettlement agencies, receiving numerous commendations from the U.S. Department of State for its efforts.

The organization's mission statement is straightforward: "World Relief's mission is to work with, for and from the Christian Church to relieve human suffering, poverty and hunger worldwide in the name of Christ." Although churches are at the center of World Relief's work, and staff is primarily Christian, the outreach and programs are community wide and based without respect to race, religion or lifestyle.

Today, World Relief works in approximately 20 countries to help churches assist victims of poverty, disease, hunger, war, disasters and persecution. World Relief offers assistance in health care, child development, income generation, agricultural assistance, anti-trafficking, refugee care, and emergency relief and rehabilitation. The organization is supported by member denominations of the NAE, churches and individual donors, as well as through grants from corporations, foundations and funding bodies such as USAID. World Relief is headquartered in Baltimore, MD.