

**The Provision of Agricultural Services Through Self-Help in
Sub-Saharan Africa:
A Synthesis Report for Phase I**

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Contents

	Page
Abbreviations	iii
Executive Summary	iv
Introduction	1
Section One: The range of agricultural services undertaken by FCEs	4
Section Two: Internal features of group organisation associated with success	9
Section Three: Promotional Issues	17
Section Four: Overall conclusions from the research findings and proposals for follow up in Phase II	23
Bibliography	26
Appendix 1 Summary of the Ghana Case Study	28
Appendix 2 Summary of the Uganda Case Study	32
Appendix 3 Summary of the Zimbabwe Case Study	36
Appendix 4 Summary of the Francophone Case Study	40

Abbreviations

AGRITEX	Agricultural Research and Extension Service, Ministry of Agriculture, Zimbabwe
CLUSA	Co-operative League of the United States of America
CMDT	Compagnie Malienne de Textiles
EDF	European Development Fund
ENDA	Environmental and Development Agency
EU	European Union
FCE	Farmer Controlled Enterprise
FSCC	Farmer Service Co-operative Centre
IDEA	Investing in Developing Export Agriculture
IFAD	International Fund for Agricultural Development
ITDG	Intermediate Technology Development Group
OHVN	L'Office de la Haute Vallée du Niger
MMM	Mission Moving Mountains
NGO	Non Government Organisation
USAID	United States Agency for International Development

Executive Summary

1. The purpose of this research is to improve the understanding of governments, donors and non-government organisations (NGOs) of the role that farmer controlled enterprises (FCEs) can play in the provision of agricultural services to smallholders with commercial potential.
2. The research combined desk studies and country visits to three Anglophone countries in Sub-Saharan Africa (Ghana, Uganda and Zimbabwe) and to two countries in Francophone Africa (Mali and Burkina Faso).
3. Our findings suggest that with regard to the activities in which FCEs are successfully engaged:
 - The majority are involved in relatively simple marketing activities involving bulking up of produce and/or liaison with market intermediaries higher up the marketing chain rather than more complex operations involving the operation and management of jointly owned fixed assets;
 - However processing activities are traditionally undertaken on a group basis, particularly by women, and where developed sensitively and in line with market opportunities, can sometimes provide opportunities for FCEs. But where projects have donated or subsidised equipment, whether for marketing or processing purposes, problems relating to the operation and management of these assets have often undermined group performance;
 - Group financing for input supply has been successful where groups are self selecting and producing a high value commodity traded in a relatively concentrated marketing system.
4. Evidence from the research about the internal characteristics of successful groups indicates that:
 - Above all they need strong internal cohesion and a clear member-driven agenda. Small, homogeneous groups exhibit these features more readily than large, heterogeneous groups. Equally there can be greater accountability in small groups due to more face-to-face interaction. Small size and homogeneity are most important where the group activity requires a commitment of financial resources to a shared enterprise.
 - Previous experience of group or co-operative activity can make an important contribution to the development of cohesive groups. Women often have an established tradition of co-operative interaction underpinned by both social and economic factors.
 - The pursuit of a single activity in the early stages of group development and the optimum balance between individual activity and group activity both appear to contribute to group success.
 - Internal organisational features are no substitute for a viable business opportunity. The group must have a strong business rationale if it is to develop successfully.
 - External training inputs have played an important role in ensuring the success of many groups.

5. The implications of these findings for policy makers and those involved in the design of programmes of rural enterprise development are that:
 - Although FCEs do have a role to play in the provision of marketing and related services to smallholders in Sub-Saharan Africa, their success depends upon the motivations of group members and the viability of the business enterprise and cannot be prescribed for by any outside party.
 - The difficulty in achieving group cohesion should not be underestimated, especially if the group is involved in the operation of vehicles and processing equipment.
 - The process of group formation should not be rushed, and subsidised credit or grants should be avoided. Groups should not be overloaded with too many or too complex functions.
 - Given the above, groups which bulk up produce and/or negotiate on their members behalf with private sector players may prove more sustainable than more complex groups which undertake a series of functions (e.g. bulking up, storage, transport, milling, wholesaling) with a view to by-passing other players in the marketing system.
 - Group financing arrangements to improve access to financial services can work effectively in certain circumstances, but the need for peer pressure and self-selection by the group will restrict access to more highly motivated farmers. The need to concentrate on higher-value commodities will likewise restrict access to smallholders who can produce them.
6. With regard specifically to the role of donors in the promotion of FCEs, the following recommendations are made:
 - Donor pressure to achieve rapid disbursement of funds must be resisted. If it is not, projects seeking to develop group enterprise are likely to be counterproductive, causing disillusionment and discouraging future co-operation among farmers.
 - Assistance provided by donors should be promotional and educational in nature, and the provision of material resources should be avoided. Assistance should take the form of new ideas, information and training to help rural people take advantage of new opportunities within the context of a market economy. It should be participative, encouraging farmers to analyse opportunities and constraints for themselves and devise and implement their own projects. Self-reliance and savings mobilisation should be emphasised.
 - NGOs are likely to be best suited to assist the development of FCEs, subject to their having a professional commitment to the area, with government agencies acting in a collaborative role.
 - The promotion of links between farmer groups and the private sector should be a central part of rural enterprise development programmes.
7. In conclusion we recommend that the promotion of FCEs be undertaken within a programme of rural enterprise development which has as its objective the creation of sustainable linkages between smallholders and the wider economy. Further research is recommended to address particular issues with regard to the design of such programmes including developing appropriate institutional mechanisms to link smallholders and the private sector, planning for the long term sustainability of programme activities and measuring their impact over time.

Introduction

Background to the research

Improving the access of smallholder farmers to agricultural services in sub-Saharan Africa is a central challenge facing governments in the region. Structural adjustment and a commitment to market-based agricultural development have reduced the direct role of the state in providing services. In most countries publicly-financed marketing boards have disappeared and access to unsecured and subsidised credit through government lending institutions has dried up. A private system is emerging but there remains a question mark about its ability adequately to fill the gap left by state withdrawal, especially in the short term. In these circumstances there may be a role for policy makers and/or donors to take steps to promote the more rapid development of private marketing systems.

At the outset of this research farmer co-operation was identified as one mechanism to facilitate the access of smallholders with commercial potential to agricultural services (covering marketing, processing, input supply and financing services) at the village (or primary) level. By forming groups, to which we will also refer as *Farmer-Controlled Enterprises* (or FCEs), farmers can realise the scale advantages of bulk purchase or supply and enter into more stable relationships with suppliers or traders. By pooling resources to invest in transport or processing operations they can become more active participants in the marketing system, adding value to their production. The purpose of this research therefore is to help policy makers and donor agencies improve their understanding of the role that such groups might play in agricultural service provision.

In surveying such a large topic, the authors sought to focus the study as far as possible, and avoid trying to answer too many questions at once. The research therefore focuses on small-scale but commercially-oriented sedentary farmers (not pastoralists), in countries where the policy environment is favourable to the development of small-scale private business (or where such enterprises have been able to develop despite official policies).

The main concern of the study is sustainability of group enterprise, rather than poverty alleviation. This is because in the current African context, the whole concept of farmer co-operation is widely questioned. It is first necessary to establish whether sustainable models of co-operation can be established at all. In relation to this, the question of whether groups benefit the poorest of the poor, or the not-so-poorest of the poor is relatively academic. Thus we did not attempt to carry out wealth-ranking or similar exercises, though cases where elite-domination reduces members' benefits or threatens group survival were relevant to the study. The role of FCEs was approached from a more incremental standpoint, and the key questions asked were 'to what extent can FCEs play a role in the smallholder economy?' and 'how can this be brought about?'

Methodology

Following a desk review, which included a consultation exercise to solicit the views of a large number of development professionals with experience of FCEs in Africa,

field work was carried out in Ghana, Uganda and Zimbabwe. Complementary experience was collected on a visit to Francophone West Africa which included Mali and Burkina Faso. The study also draws upon other work by the authors in Africa since 1993, including research into the operation of outgrower schemes, a review of the impact of structural adjustment on agricultural service provision in Mali, and a strategic consultancy on the post-harvest sector in Mozambique. These key source documents and others quoted in the text are listed in the Bibliography.

The desk review produced a set of hypotheses about the development of successful FCEs which were subsequently tested during fieldwork. These are presented in Figure 1. A successful group was defined as one bringing benefits to members and which was sustainable, increasing in membership and inwardly democratic. The hypotheses themselves can be grouped into three thematic areas: (i) the range of agricultural services undertaken by FCEs; (ii) the features of internal organisation associated with the success of FCEs; and (iii) the influence and role of external agents in the promotion of FCEs. Sections One to Three review the findings of the fieldwork against these three sets of hypotheses.

Figure 1 List of hypotheses tested during field work

(1) The range of agricultural services undertaken by FCEs

Hypothesis One: That the promotion of Farmer Controlled Enterprises is widely justified in the African context for the provision of financial, input supply and marketing services, but notwithstanding exceptions, is not widely justified for the development of milling, agro-industry and export-based activities.

(2) The features of internal organisation associated with the success of FCEs

Hypothesis Two: That the features usually associated with success include:

- a lack of political links
- member homogeneity
- primary organisations with between 8 and 25 members
- a clear written constitution and set of membership rules
- purely financial objectives
- broad social objectives
- a clear member-driven agenda
- a high degree of self-financing
- an absence of subsidised interest rates
- starting with a single activity
- effective structures of accountability
- financial transparency and record keeping
- strong individual leadership
- participatory decision-making
- heavy external training inputs in the early stages

(3) The influence and role of external agents in the promotion of FCEs

Hypothesis Three: That NGOs specialised in small business and/or co-operative development are generally more effective in promoting FCEs (e.g. small group savings schemes)

Hypothesis Four: That financial sector reform and the establishment of a dynamic commercial banking sector are key steps in establishing effective primary level group enterprises.

Hypothesis Five: That donor largesse and lack of co-ordination are significantly undermining African initiative in creating sustainable and dynamic FCEs.

The approach adopted during field work was first to gain an overview of the role played by farmer groups in each country, by consulting as widely as possible with personnel in government, the donor community and in the private sector, as well as with farmers themselves and their representatives. This information was then used to identify a small number of apparently successful FCEs for more detailed study in order to test the original hypotheses. After the Ghana country study it was decided to spend more time collecting background information on the marketing systems and attempts to promote farmer co-operation in each country visited, before proceeding to the case studies.

Inevitably, given the short time available for each case study, this approach created a tension between the need to generate an understanding of the broader picture and the need to produce detailed information on a small number of individual case studies. As a result interviews with groups were generally restricted to a single visit and it was not generally possible for all group members to be present. An investigation of the socio-economic profile of groups relative to their communities was not possible either in the limited time available. For this reason no attempt is made to attach any statistical significance to the findings of the case studies. However despite this, the research did reveal common themes and trends across the countries visited which we feel have important lessons for policy makers and those involved in programme design.

Section One: The range of agricultural services undertaken by FCEs

Hypothesis One: That the promotion of FCEs is widely justified in the African context for the provision of financial, input supply and marketing services but, notwithstanding exceptions, is not widely justified for the development of milling, agro-industry and other export-based activities

Underpinning this hypothesis is the idea that group activities bring costs as well as benefits to individual members. These include the commitment of capital (investment costs), time through meetings and co-ordination activities (transaction costs) and the commitment of managerial capacity (technical, financial and entrepreneurial skills). In the rural African context the commitment of investment and time carries a high opportunity cost for the smallholder and managerial skills have a high premium, given their scarcity. The hypothesis is that more complex activities (milling, exporting) require larger commitments of capital, time and managerial skills to the extent that costs outweigh benefits and success is unlikely. The table below develops this idea in more detail.

Table 1 Costs and benefits of farmer co-operation to access agricultural services

Group activity	Benefits	Costs		
		Capital investment	Transaction	Managerial
Input supply	<ul style="list-style-type: none"> • lower cost of input • improved access to supplier 	low	low	low
Financing	<ul style="list-style-type: none"> • improved access to financial intermediaries • lower cost (vis-à-vis village money-lender) 	low	low	low
Marketing	<ul style="list-style-type: none"> • improved access to markets • lower marketing costs • higher output prices 	low	low	low
Processing	<ul style="list-style-type: none"> • access to a share of the value added through processing 	high	high	high
Exporting	<ul style="list-style-type: none"> • access to share of the value added through exporting 	high	high	high

Table 2 (overleaf) provides an opportunity to test this hypothesis against the evidence of the successful groups selected during fieldwork in Ghana, Uganda, Zimbabwe and the Francophone countries.

Table 2 Types of activity undertaken by FCEs in Ghana, Uganda, Zimbabwe, Mali and Burkina Faso

Group	Input supply	Financing	Marketing	Processing
Ghana				
Adeiso and Dokrochewa Cocoa Financing Societies		•		
Fufuo Co-operative Maize and Cowpea Marketing Society			•	
Ntinanko Oil Palm Processing Co-operative			•	•
Farmer Service Centre Co-operatives at Bulenga and Nadowli	•	•	•	
Uganda				
Bwetyaba Co-operative Society	•	•	•	
Bunandasa Women's Co-operative Group			•	
Kojja Vanilla and Fruit Association		•	•	
Kyeirumba Muslim Women's Association			•	•
Nakatundnu Young Farmers' Group			•	
Makhai Women's Group			•	
Zimbabwe				
ITDG/AGRITEX sorghum marketing groups (Wards 21 and 23 Chivi District)			•	
ENDA seed producing groups	•		•	
Mali/Burkina Faso				
Falaba Village Women's Group, Mali			•	
Ouahigouya Women's Shea Butter Soap Group, Burkina Faso			•	•
Fiena Village Multi-Purpose Association, Mali	•	•	•	
Fuabugu Village Fertiliser Buying Group, Mali	•			
Basnere Women's Mango Drying Group, Burkina Faso		•	•	•
Beregadougou Women's Drying Group, Burkina Faso			•	•

At first glance the evidence would seem to support the hypothesis. Marketing groups, which according to the analysis have low costs and a number of benefits, were the most common form of group organisation among our sample. Benefits were access to new domestic markets (for seed in the case of the Fufuo Co-operative, the Makhai Women's Group and the ENDA groups; and for sorghum in the case of the groups in Chivi) and export markets via an intermediary (for groups supplying dried fruit to Fruits of the Nile in Uganda and to the Cercle des Secheurs in Burkina Faso; for the associations supplying vanilla to UVAN Ltd in Uganda). Lower transport costs were highlighted by the fruit drying groups in Uganda and the shea butter soap group in Burkina Faso. The higher price received by the group relative to that paid by itinerant traders to individuals was emphasised by farmers in Chivi.

With regard to costs associated with group activity, these were limited given that in most cases groups restricted their activities to bulking up for on sale to an intermediary, rather than becoming involved in any kind of speculative activity (interseasonal storage) or in investing in transport or storage facilities, both of which

would require the commitment of resources and a higher degree of entrepreneurial skill. In some cases the groups were contractually linked to one buyer through pre-financing arrangements (Kojja Vanilla in Uganda; the fruit drying groups in Uganda and Burkina Faso; and cotton groups in Zimbabwe and Northern Ghana (in our research we refer to this as “linkage dependent”). The incentives for groups to bulk up appeared to be strongest where opportunities for marketing on an individual basis were limited. In the case of the sorghum groups in Zimbabwe this was because of their remoteness, whilst in other cases it reflected the buyers’ concern to achieve scale economies in terms of procurement.

However marketing groups can trade more actively, as the coffee marketing co-operatives in Uganda demonstrate. The Bwetyaba Co-operative had stores and a vehicle. The management of these assets required a full time manager. This suggests that the assumption implicit in the hypothesis that marketing activities are less complex and therefore less costly may be oversimplified. In the Bwetyaba case the relatively more complex marketing activities of the co-operative appeared to be well managed by the professional manager who was supported by an experienced committee. The co-operative is well established in the area (it has been in operation for nearly 40 years) and has received a lot of training in recent years. However this experience contrasts with that of the EU’s marketing project for smallholder horticultural growers in Mashonaland East, Zimbabwe. This required large associations of smallholders to form rapidly in order for members to receive and operate (donated) trucks to market their production. Lack of skills and experience in operating expensive assets and confusion over ownership and responsibilities among association members has led to many problems.

The inverse of the finding that marketing activities can become quite complex, and therefore demanding in terms of investment, time and skills to a degree beyond the capacity of most rural communities, is that processing activities are not *necessarily* unsuitable for groups of smallholders. The evidence of the case studies in the Francophone countries suggests that women’s groups particularly are successfully engaging in group processing where this is a traditional activity jointly undertaken by women (who derive social as well as financial benefits). In these cases the introduction of improved technologies and access to new markets was built on existing group experience. On the other hand, case study experience in Uganda demonstrated that the higher managerial requirements and investment costs required in operating joint processing equipment led members of one women’s group to adopt individual processing technology, even though they continued to market on a group basis. The lesson perhaps is that although processing activities may be traditionally undertaken by groups, the introduction of new equipment may make new demands on group members which prove unsustainable. The sensitivity of the promoting organisation to these issues is critical.

If the groups form at the instigation of a donor in order to receive equipment, success is even less likely. The experiences of the *Mini-Minoteries* (small-scale milling enterprises) in southern Mali, the women’s rice mills in the Office du Niger zone in the same country, and the experience of CARE (an international NGO) in promoting oil-seed presses in southern Africa demonstrate a pattern whereby donors and NGOs

introduce processing equipment as group-owned assets, seeing this as the most equitable arrangement, but subsequently find that the asset is either not used or is used at low percentage of its capacity¹. In the CARE case, this has led to a change of approach, with oil-presses being promoted among local entrepreneurs, who are found to respond more vigorously to the new business opportunity. The importance of previous experience is borne out by Nigerian research into the introduction of palm oil presses. It was revealed that over 90% of societies which were *previously* processing palm oil using traditional methods were still functioning five years after the introduction of a new palm oil processing plant. This compared to less than 35% of new palm oil processing societies which obtained assistance to set up processing plants (source: research by Prof.C.A.Osuntogun quoted by A.J.Fayese, pers. comm.).

With regard to financing services (which are often linked to input supply) the evidence of the case studies supports the idea that groups can provide benefits to members well beyond the costs involved in organising as a group. Joint and several liability and peer group pressure, screening and monitoring were mechanisms operating successfully in a number of case studies (the Bwetyaba Co-operative and the Kojja Association in Uganda; groups borrowing from the Cotton Company of Zimbabwe; the Barclays groups in Ghana and the Fiena Multi-Purpose Village Association and Fuabugu Fertiliser Group in Mali). In the Barclays case the groups had also established joint security funds. Two qualifications are important however: groups must be self-selecting or screened by an internal loans committee and the commodity for which financing is granted is likely to be a high value commodity marketed within a relatively concentrated marketing system (which facilitates the operation of a check off system). If these conditions are absent, the risks are likely to be too high for a potential lender and for the individual group member who may not trust his fellow borrowers to meet their obligations.

In conclusion, the evidence provided by the case studies and field research qualifies the original hypothesis as follows:

- (i) The majority of successful groups were involved in marketing activities but these were relatively simple arrangements involving liaison with market intermediaries higher up the marketing chain rather than more complex operations involving the operation of jointly owned fixed assets for trading purposes;
- (ii) Processing activities are often traditionally undertaken on a group basis, particularly by women, and where developed sensitively and in line with market opportunities, can provide successful opportunities for FCEs. However where the group has little experience of working together and forms around equipment supplied by a donor, the evidence would tend to support our hypothesis.
- (iii) Where projects have donated or subsidised equipment, whether for marketing or processing purposes, problems relating to the operation and management of these assets has often undermined group performance;

¹ See Coulter and Sanogo, 1993 for Mali; Coulter et al., 1996 for case of CARE in Mozambique

(iv) Group financing for input supply has been successful where groups are self selecting and producing a high value commodity traded in a relatively concentrated marketing system.

Overall the evidence does not contradict the assumption implicit in the hypothesis that activities involving greater managerial complexity are less suitable for co-operation among smallholders in rural communities.

The implications for policy makers are:

(i) Expectations about the capacity of groups of smallholders to take on new roles beyond their immediate experience as producers must be informed by a realistic assessment of their existing skills, resources and experience and the marketing opportunities available to them.

(ii) Facilitating the establishment of equitable relationships between groups and the private sector may be a more sustainable strategy than trying to establish FCEs which attempt to take on complex marketing and processing activities themselves.

(iii) Group financing arrangements offer potential in certain circumstances. Group self selection and the need to produce a high value tradable commodity will however restrict access to groups in areas which are producing high value cash crops and to the more highly motivated among the rural community.

Section Two: Internal features of group organisation associated with success

Hypothesis Two: That features usually associated with success include:

- **not dependent on political patronage**
- **member homogeneity**
- **primary organisations with between 8 and 25 members**
- **incorporates/builds upon pre-existing organisations and co-operative traditions**
- **financial and social objectives**
- **purely financial objectives**
- **a clear member-driven agenda**
- **a high degree of self-financing**
- **an absence of subsidised interest rates**
- **starting with a single activity**
- **effective structures of accountability**
- **financial transparency and record keeping**
- **strong individual leadership**
- **participatory decision making**
- **heavy external training inputs in the early stages**

As noted above, a number of the groups studied during fieldwork were primarily involved in liaison activities to improve members' access to markets and financial services, rather than in trading or joint processing activities requiring a higher degree of commitment, both in terms of time and resources. The differing levels of commitment may have implications for internal organisation. This will be explored below.

Table 3 analyses the case studies in relation to the success features set out above. It should be emphasised however that the purpose of the table is as an aid to discussion and we do not ascribe precision either to the definition of the features or to the scoring, both of which involve considerable subjectivity.

Table 3

Success Features	Mali/Burkina Faso						Zimbabwe		Ghana				Uganda					
	Falaba Village Women Group	Ouahigouya Women Shea Butter Group	Fiena Village Multi-Purpose Assoc	Fuabugu Village Fert. Buying Group	Basnere Women Mango Drying Group	Beregadougou Women Drying Group	Sorghum Groups (Wards 21 and 23 Chivi District)	ENDA seed groups	Barclays Cocoa Lending	Fufuo Coop.	Ntinako Palm Oil Mill	FSCC Upper West	Bwet yaba Coop	Bunandasa Women Coop	Kojja Vanilla Assoc	Kyeirumba Muslim Women Assoc	Nakatu ndnu Young Farmer Group	Makhai Women Group
Not dependent upon political patronage	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
Member homogeneity	*	**			**	*			**	**	*		*		**	**	**	
8 to 25 members	200	*20	200	members from 4 villages	38	45	village based groups	*25	* 8-15	*14	*25	200	400	62	350	43	* 14	* 8
Builds upon pre-existing organisations and co-operative traditions	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
Purely financial objectives			*	*			*	*	*	*	*	*	*	*	*	*	*	
Financial and social objectives	*	*			*	*							*		*		*	
Clear member driven agenda	*	*		*	*	*	*	*	**	**	*	*	*	*	*	**	**	
High degree of self-financing		*	bank finance	bank finance	buyer finance	buyer finance	*	*	bank finance	bank finance	*	*	*	*	buyer finance	*	**	**
Absence of subsidised credit	*	*	*	*	interest free	interest free	*	*	*	*	*	*	*	*	*	*	*	
Single activity at the outset	*	*		*	*	*	*	*	*	*	*	*	*	*	*	*	*	
Effective structures of accountability	*	*		*	*	*	*	*	*	*	*	*	*	*	*	*	*	
Financial transparency and record keeping	*	*		*	*	*	*	*	*	*	*	*	*	*	*	*	*	
Strong individual leadership			*				*	**	**	*	*	*	*	*	*	*	*	
Participatory decision making	*	**	*	*	**	**	*	*	*	**	**	*	*	*	*	*	**	**
Heavy external training inputs in early stages	**	**	**	*	**	**	**	**	*	*	**	**	**	**	*	*	**	

In order to facilitate discussion of these hypotheses in relation to the evidence provided by the case studies and field work, they are grouped into three sets :

- (1) **FCE structure** (covering hypotheses relating to groups' antecedents, size, composition and range of activities);
- (2) **Member control and participation** (covering hypotheses relating to groups' objectives, accountability/financial transparency and democracy);
- (3) **Relationship to external agents** (covering hypotheses relating to political links, externally provided financial and training inputs)

(1) FCE structure

Incorporates/builds upon pre-existing organisations and co-operative traditions

The evidence of the case studies appears to confirm the hypothesis that successful groups often build upon pre-existing organisations, where members already share considerable trust and familiarity. Evidence was found in labour sharing activities which had preceded the founding of the Fufuo and FSCC co-operatives in Ghana and the Nakatandu FCE in Uganda; in groups with Muslim and Christian antecedents in Uganda and Burkina Faso; in sorghum marketing groups in Zimbabwe where leadership was provided by traditional kraal heads; in borrowing groups based on cocoa primary societies in Ghana and in coffee societies in Uganda; in traditional women's savings groups in Uganda and processing groups in Burkina Faso; and in kinship groups in the soap making group in Burkina Faso.

Member homogeneity/group size (8 to 25 members) The advantages to groups of shared characteristics among the membership, whether by age, sex, education, religion or other factors, are that they contribute to greater cohesiveness, a feature crucial among individuals in a mutually dependent relationship where trust is so important. Our case studies indicate that women's groups provide one set of examples: the shared experience of gender subordination and lack of access to land and other economic assets combined with a shared tradition of household processing, savings clubs and petty trading to provide the framework for FCEs in Uganda, Mali and Burkina Faso.

Closely related to member homogeneity is the issue of group size. With an increase in membership, members can derive benefits consequent upon economies of scale but at the same time the group's cohesiveness may be weakened.

Our case studies suggest that the importance of member homogeneity and limited membership increases as the group activity becomes more complex. Thus some groups involved in relatively straightforward marketing activities appeared to be functioning quite well even though membership was large and heterogeneous (though there was evidence in some of these groups that the types of problems associated with larger groups including member apathy, conflicting agendas, lack of transparency and slow decision making were starting to emerge - this is developed further in (2) below. Notably the Kojja Vanilla and Fruit Association in Uganda had performed well in spite of a membership of 350. Success may reflect the group's dependence upon a

commercial partner, with a vested interest in its success, and on the nature of its functions which involve linkage, negotiation and education but do not require a substantial asset base.

However at the other end of the scale the two most enterprising and dynamic groups identified during fieldwork, the Fufuo Co-operative in Ghana and the Nakatandu FCE in Uganda, were small and characterised by member homogeneity, involving young farmers of above average education. In Fufuo, the group had restricted entry by requiring applicants to be interviewed and accept six months probation, in addition to paying the c. 12,000 (US \$9) membership fee. Likewise, Nakatandu had levied a US\$ 50,000 entrance fee (US \$50) which had deterred newcomers. Another interesting aspect of the Fufuo co-operative is that it was being locally emulated, generating a spontaneous dissemination process. The Nakatandu FCE had likewise generated a lot of interest from prospective members.

In relation to borrowing groups, group size and homogeneity have a special significance. Where groups are jointly and severally liable, and/or have a joint security fund, any individual member of a borrowing group will be anxious to minimise the risk of other group members defaulting. Self selection and screening are both mechanisms to reduce this risk by grouping good risks and weeding out bad ones. Risk is also reduced by limiting group size. Thus Barclays requires groups to have between 8 and 15 members, and the Kojja Association splits its borrowers into nine sub groups by zone.

Starting with a single activity The evidence of the case studies appears to confirm this hypothesis. As demonstrated in Section 1, the majority of groups are involved in marketing as a single activity with the emphasis on liaison and bulking up rather than on joint asset ownership and trading. In a number of groups a reduction of activities undertaken by the group was observed: members of the Fuabugu Village Fertiliser Buying Group were drawn from four multi-purpose village associations and they felt that the group's strength lay in the fact that it set out to achieve a single and relatively simple activity with a low operating cost. In Uganda two groups originally involved in operating group dryers were moving towards individual arrangements for processing (facilitated by the divisibility of the drying technology) whilst retaining group arrangements for marketing, establishing therefore for themselves the optimum balance between individual and group activity.

(2) Member control and participation

Purely financial objectives v. financial and social objectives Once again the evidence of the case studies suggests that women's groups form a separate sub-group of FCEs. As stated above, the shared experience of gender subordination provides strong incentives for women to work together to achieve goals which include enhanced social status as well as increased income. Women in Uganda and Burkina Faso also commented on the opportunity that group activity provided them to get out of the compound and socialise with other women.

Clear member driven agenda/participatory decision making/strong individual leadership A clear member driven agenda is obviously linked to participatory decision making as it is through the group's internal democratic processes that members can influence the direction of the group's activities. Strong individual leadership is not necessarily incompatible with participatory processes.

The evidence of the case studies suggests that amongst the smaller groups regular group meetings of the entire membership were much more common whilst among the larger groups the committee appeared to provide the main decision making mechanism for the group. Whilst the need to delegate management functions to a committee, especially in a large group, is obvious, there is a danger that problems will develop if the committee is not representative and accountable to the membership. In the two co-operatives visited in Uganda the leadership appeared entrenched and rather distant from the ordinary membership who expressed their concern about possible financial impropriety at the committee level. Such lack of internal cohesion and trust was in part a reflection of the large size of the groups (a consequence of a drive to expand membership and the share capital base in order to take advantage of a donor's matching grants programme) but the different social status of the committee and ordinary members appeared also to contribute to the lack of cohesion. In both societies committee members were better educated, better off and leaders of other local organisations, giving the impression that the co-operatives were under the control of the local elite. A group of women members complained that the all-male committee had prevented efforts by women to be elected. This lack of effective member control appeared to be weakening to some extent the loyalty and commitment of members to the society, undermining its business viability.

On the other hand in the smaller groups the regularity of meetings of the entire membership provided opportunities for committee members to be called regularly to account.

Effective structures of accountability/financial transparency and record keeping The desk research highlighted the importance of a written constitution and membership rules, and record keeping to assist in clarifying roles and enhancing financial transparency. The evidence of the case studies appears to confirm these findings although it was found in several cases that internal group rules were not always written down in small groups in societies where there was still a strong verbal tradition. Conversely when they were written down, they did not always operate with the intended effect if the group was large and had little internal cohesion (as demonstrated in the examples of co-operatives in Uganda given above).

Another lesson is that organisational features strengthen groups which exhibit a clear business rationale but not vice-versa. The Fufuo Co-operative is a case in point, whose members found that a written constitution and accounts reinforced a small highly motivated group which was exploiting a profitable line in seed production. By contrast, for the co-operatives of Nadowli and Bulenga, also in Ghana, the main agenda which drove members to associate was a desire to obtain agricultural inputs for more intensive maize production, but the climate and land did not favour

intensification. It is unlikely that these co-operatives' written constitutions, rules and accurate record keeping will ensure their long-term survival.

Elements of traditional village governance were found to play a role in conflict resolution in the Francophone countries.

(3) Relationship to external agents

Not dependent on political patronage None of the case study groups appeared to owe their existence or continued operation to political patrons, confirming the hypothesis that political independence is crucial for successful group activity. Anecdotal evidence from Ghana, Uganda and Zimbabwe suggests however that groups can become the subject of political manipulation with disastrous consequences: in Ghana the appointment of party-affiliated NGOs as local animators for IFAD's Smallholder Rehabilitation and Development Programme appears to have contributed to the poor performance of many groups; in Uganda an experienced development worker described the use made of groups by politicians to disburse grants to rural communities as a major factor in undermining self-reliance and in Zimbabwe the highly politicised manner in which co-operatives were established after Independence appears to have tainted the whole concept of properly organised and motivated co-operative businesses among smallholders.

A high degree of self-financing/an absence of subsidised interest rates. The assumption behind this hypothesis is that where groups have committed their own resources to the development of a viable business opportunity (i.e. one that can be developed without subsidies), success is much more likely. The point may be obvious but the desk research illustrated that it is frequently overlooked in the haste to set up FCEs: if substantial loans or free/subsidised resources are made available to groups at the outset, they will tend to attract people seeking hand-outs, and the membership agenda will not involve realistic business objectives. If farmers are to form groups, they need to know that they fundamentally derive their benefits by co-operating with their neighbours, not from the group's access to concessional resources. In this regard, certain NGOs consulted during fieldwork complained how more "charitable" projects have impacted negatively on their own initiatives. The same issue was raised by the members of the Fufuo co-operative in Ghana, who stated that the people expelled had entered the co-operative in the expectation of gaining access to production loans, but were "not committed to the co-operative ideal".

The hypothesis is to some extent confirmed by the evidence of the case studies. A number of the more successful groups (the Nakatundu Young Farmers Group, the Makhai Women's Group, the Ouahigouya Women's Shea Butter Group) had not received significant material or financial support from outside. But an important subgroup of relatively successful groups was in receipt of loans either from banks or private companies to meet working capital requirements. As noted already, access to loans is an important aspect of group organisation. The hypothesis therefore requires some modification: a high degree of self-financing is required by groups wishing successfully to undertake joint capital investments. In relation to borrowing groups, a degree of self-financing may be important in building up a security fund to provide

the lender with greater security for working capital loans (as in the case of Barclays borrowing groups). However in neither situation should subsidised interest rates be admitted: sustainable FCEs require members to be engaged in activities which have viable business objectives for which subsidies are not required.

Heavy external training inputs in the early stages. Most of the groups had received considerable training inputs from NGOs (the majority), extension officers (the sorghum and seed groups in Zimbabwe; the Kojja Vanilla Association in Uganda) and marketing organisations/parastatals (Fruits of the Nile in Uganda; the Cercle des Secheurs in Burkina Faso; the Office du Niger in Mali). Training inputs were provided in a number of distinct areas: community mobilisation, group dynamics and leadership training; technical issues; and business and enterprise development. An important feature of the more successful inputs in all three areas was the importance attached to the integration of groups into the wider economy through the development of links between financial and market intermediaries.

In conclusion, the evidence provided by the case studies and field work can be used to modify and summarise the hypotheses relating to internal features of success as follows:

(i) Many of the internal features associated with successful group activity are inter-related. A clear member driven agenda appears crucial and whilst this is linked to participatory processes within the group it is also likely to be linked to the size and internal cohesion of the group. Small, homogeneous groups have been shown to be able to operate these processes more effectively than large, heterogeneous groups. Equally, procedures to ensure accountability and financial transparency can be more effectively implemented by small groups.

These findings are particularly relevant where group activity requires a commitment of financial resources to a shared enterprise. Where the group's primary function is to liaise on behalf of its members with a buyer or supplier, either in an autonomous capacity or through a contractual obligation, larger and more heterogeneous groups may be able to operate more successfully.

(ii) Previous experience of group or co-operative activity can make an important contribution to the development of cohesive groups. Women particularly have an established tradition of co-operative interaction underpinned by both social and economic factors.

(iii) The pursuit of a single activity in the early stages of group development and the optimum balance between individual activity and group activity both appear to contribute to group success.

(iv) Internal organisational features are no substitute for a viable business opportunity. The group must have a strong business rationale if it is to develop successfully. Conversely, if a group forms simply to access material resources (whether at the encouragement of political patrons or of a disbursement-driven donor programme), its members will have no incentive to continue co-operating once these have been

disbursed. An important exception is those groups which form to access working capital loans from financial intermediaries.

(v) External training inputs have played an important role in ensuring the success of many groups and an important feature of these programmes over and above the actual skills imparted to group members has been the setting of training within a broader economic framework.

The implications for policy makers are:

(i) The importance of (and difficulty in achieving) group cohesion should not be underestimated in projects which anticipate group activity, especially if these involve the operation of joint assets. Size is a key factor in this and inevitably this introduces a tension between the scale economies associated with large groups and the greater cohesion associated with smaller ones. The evidence suggests that there is an inverse relationship between the complexity of the group activity and the size of the group.

(ii) Existing groups can provide a starting point for developing new activities. However given all the difficulties observed in achieving successful joint commercial activities, outsiders must not attempt to rush this process and overload groups with too many or too complex functions or introduce elements that undermine rather than develop self reliance (e.g. cheap credit or grants). Projects must therefore be free of both donor pressures to achieve rapid disbursement and political pressures to woo constituents.

(iii) Where outsiders can play an important role is in providing new ideas and training to assist rural people to take advantage of new opportunities. Programmes to achieve this must always be set within the framework of a market economy and the viability of any proposed enterprise or group activity must always be emphasised. They must also be participative and client-led, providing the space for communities to analyse opportunities and constraints for themselves and devise and implement their own projects.

(iv) The evidence suggests once more that there is much potential for linkages between groups of farmers and the private sector. More research is required on the mechanisms for achieving this in a manner that will safeguard equity.

Section Three: Promotional Issues

Hypothesis Three: That donor largesse and lack of co-ordination are significantly undermining African initiative in creating sustainable and dynamic FCEs

The research provided much evidence to support this hypothesis. In Section One examples were given of donor-driven processing projects in a number of countries which had failed to achieve their objectives. In Uganda an evaluation of the EDF Microprojects commented that though the selection procedure for groups financed had successfully maximised the number of projects screened with the limited resources and time available, it was at the expense of the quality of the screening. As a result groups selected had not always been able to meet their required contributions and were not providing the services actually required in their community. The pressure to disburse funds, which lay behind the hurried screening process, had meant that material assistance was not properly targeted.

A similar situation developed in Ghana in the early stages of IFAD's Smallholder Development and Rehabilitation Programme. An evaluation of group performance painted a bleak picture of groups which failed to "exhibit cohesiveness and a singleness of purpose" and which were often personalised by their founders, displaying little formal structure and operational coherence.

It is this form of untargeted disbursement that has probably created the phenomenon of the "empty NGOs" in rural areas, - organisations set up by a few individuals simply to access resources from donors - a practice which has become more prevalent as aid is increasingly channelled through the non-government sector. In Uganda, one community worker suggested that rural peoples' thinking on group formation had been so influenced by this practice that efforts by the Ministry of Agriculture to disseminate its extension messages through groups had been undermined by the frustrated expectations of producers. They had thought that by forming groups, they would receive free inputs and other material assistance. In this situation the establishment of groups is an expression of a dependency culture rather than an effort by rural people to create sustainable institutions to meet their needs.

However on the positive side, research revealed that in some cases donors are learning from their mistakes, and some projects are moving away from disbursement-led approaches in favour of actively promoting the development among smallholders of business relationships with traders and banks. The advantage of this approach is that it is more likely to lead to sustainable forms of development as smallholders respond to market signals in making production decisions. As indicated in the two previous sections, FCEs can play a part in this process.

From the evidence of our field research, USAID appears to be the donor most consistently supporting this approach through its funding of the OHVN/CLUSA project² in Mali, the Investing in Developing Export Agriculture (IDEA) project in

² OHVN = Office de la Haute Vallée du Niger; CLUSA = Co-operative League of the United States

Uganda and in its new strategy for improving marketing services to smallholders in Zimbabwe and Zambia.

With regard to other donors, in Mali, the World Bank is funding a marketing development project (Kafo) in Sikasso Region which is promoting the improved access of smallholders to markets for commodities which have not traditionally been marketed within the parastatal system. In Ghana, changes to the IFAD project in Bolgatanga have led to the integration of existing business relationships and marketing links - especially among rural women - within the project with the result that its performance has improved substantially. In Uganda, the EDF is changing direction: a proposed new pilot project will link existing informal savings and credit groups among women with the formal banking sector through the Co-operative Bank. In Zimbabwe a programme supported by the World Bank, IFAD and the EU is promoting links between existing savings groups and the bank, in this case the Agricultural Finance Corporation.

Francophone countries have developed their own philosophical rationale for moving away from dependency, summed up in the term “Responsabilisation”, i.e. putting the onus for solving their own problems back on rural communities. In cotton-producing areas, major strides have been made in achieving this objective. Training, including functional literacy training, is central to this approach.

With regard to the role of FCEs in this process, it is possible to see two types of relationship developing between the FCE and the market - “linkage-independent” and “linkage-dependent” - to which we referred previously in the desk study. In the former case the FCE can stand alone in the market, and provides smallholders with sufficient market presence to seek out independent relationships with other market intermediaries. The fertiliser buying group in Mali is an example, or the coffee marketing groups in Uganda, as they negotiate on behalf of their members to get the most competitive deal, and are quite independent of any one buyer or supplier. On the other hand a “linkage-dependent” group is dependent on its relationship with a particular outside agency, which in effect supervises its activity. The Kojja Vanilla and Fruit Association in Uganda is an example.

The advantages of the first type of FCE are independence and autonomy. Their success depends primarily on the motivations and commitment of their members. “Linkage-dependent” FCEs are not independent as their success depends on maintaining the support not just of members, but of the company or bank which is supporting them. Their advantage probably lies in sustainability: the commercial partner has a strong vested interest in their survival and may provide assistance and support to the group for this end. On the other hand in situations where smallholder technical and business skills are not as well developed as those of a contracted buyer or processor, the distribution of benefits is likely to favour the latter.

The research suggests that the first approach has been much more widely promoted by donors, but that the second is prevalent in Francophone countries through the work of the cotton parastatals. Though donors and NGOs have for some time been involved with bank linkages, the promotion of links between smallholder groups and the

private traders or processors, under contract farming or outgrower schemes, is less evident. However, USAID is starting to move in this direction. There may be a role for donors to assist farmers in making effective and mutually beneficial relationships with private companies.

Thus though the field research provides much evidence to support the original hypothesis, there is also evidence of a change of approach among a number of donors. Key features of this approach are the emphasis attached to forming sustainable links between farmers (and groups or associations of farmers) and the private sector (commercial banks, private companies); the provision of technical rather than material assistance, including technical and business training; the importance attached to developing existing forms of rural organisation and the promotion of self-reliance and a savings culture. It has been NGOs rather than government departments which have been implementing these programmes (with the exception of AGRITEX in Zimbabwe). These findings reinforce many of those already discussed in relation to the other hypotheses.

The implications of this for policy makers are:

- (i) To avoid the negative and counter-productive impact of disbursement-driven programmes there may be a need for some radical reform within the donor community with regard to programme formulation, design and monitoring. Programmes must no longer be conceived in terms of disbursing funds to rural communities but in creating sustainable patterns of economic development. It is likely that a re-definition of objectives in this way will have implications for procedures at all stages in the project cycle including budgetary arrangements, management structures, operational procedures, monitoring and evaluation systems and the recruitment of personnel. The selection of appropriate indicators to measure the impact of such programmes will be an important part of their design.
- (ii) Programmes to promote rural enterprise should focus on training, capacity building and the development of linkages between producers and market intermediaries. NGOs rather than government departments are a better vehicle for implementing such programmes, given their greater flexibility and increasing commitment to participatory approaches, although this should not preclude co-operation with government departments.
- (iii) Grants and/or subsidised loans to groups should not be included in programme design as these have been clearly shown to undermine the co-operative ethic rather than encourage it.
- (iv) Groups however can play an important role in facilitating links. These may be either “linkage-independent” or “linkage-dependent”. The promotion of linkage-independent groups is likely to require a higher investment in training and capacity building. On the other hand, linkage-dependent groups will still require sufficient technical and business training to allow them to enter into mutually beneficial relationships with buyers.

(v) The sustainability of these programmes in the long term will require attention to be focused on cost recovery mechanisms from the design stage onwards.

Hypothesis Four That NGOs specialised in small business and/or co-operative development are generally more effective in promoting FCEs than are unspecialised NGOs

The importance that a strong business rationale plays in determining the success of an FCE has already been highlighted. Some of the successful cases were associated with NGOs specialised in business promotion (e.g. CLUSA and TechnoServe), though other organisations, e.g. Mission Moving Mountains (MMM) in Uganda, and ITDG in Zimbabwe, had broader social objectives. A common feature of various relatively successful organisations, including MMM, ITDG, CLUSA and the training section within the parastatal CMDT in Mali was their use of a highly participative approach, involving farmers in analysing their situation and implementing their preferred options.

Based on these observations, we conclude that NGOs which combine a business approach with a commitment to participatory development and training have the best chance of developing sustainable FCEs.

Other observations about promoting organisations

Evidence presented earlier in this report indicates that outside promoters commonly expect too much of FCEs, and that attempts to fit them to pre-established organisational models often run into problems of insufficient capacity and experience among members. By contrast the research provides evidence that more gradual and participatory approaches will lead to more sustainable groups. As already discussed in Section Two, FCEs which build on existing patterns of social or economic co-operation tend to be more successful.

Based on the better practices of some of the organisations quoted above, the following participatory approach is recommended. Farmers should be encouraged to analyse their arrangements with regard to market access, to consider alternative ways of improving them, and to implement their preferred options, while investing their own resources in the enterprise. Outside support should be provided according to members' wishes, and involve the provision of training, knowledge and contacts (with marketers, input suppliers and banks), to help the community identify and implement its preferred option.

An approach of this kind has a much higher likelihood of producing FCEs with member driven agendas, and the types of activity proposed will be more consistent with what villagers feel they can achieve. The alternative situation where a project was imposed on farmers is provided by the Mashonaland East project in Zimbabwe. It was suggested by a consultant that lack of participation in the project design meant that farmers felt no sense of ownership or responsibility for the assistance they were given.

With regard to training, NGOs were found to be involved in both training in leadership and organisational skills and technical training to improve the quality - both from the pre- and post-harvest perspective - of marketed production. ITDG has provided the former to the leaders selected by its groups; MMM similarly asks the communities it works with to identify individuals for leadership training. In Francophone countries, CLUSA has implemented a methodology involving training in functional literacy and the preparation of simple business plans. Technical training has been a feature of the Kafo project in Mali and Afrique Verte's work with the Bourse.

The implications of this for policy makers who are increasingly using, or being encouraged to use, the services of NGOs in rural enterprise development programmes are that they need to set clear criteria for the selection of suitable NGOs. These should include:

- (i) a strong business orientation and commitment to private sector development which precludes subsidised lending rates and grants;
- (ii) a participatory approach to enterprise development in communities which is not prescriptive about forms of organisation or operation;
- (iii) an emphasis on training in both group dynamics and leadership skills and in basic technical and business skills.

Hypothesis Five That financial sector reform and the establishment of a dynamic commercial banking sector are key steps in establishing effective primary level group enterprises

Presently the commercial banking sector is providing quite limited financial services in most rural areas of the countries visited. Mali is a notable exception, since commercial banks are heavily involved in group lending throughout the cotton-producing southern zone and in the Office du Niger area which produces large quantities of irrigated rice, though in this case the Government-owned National Agricultural Development Bank (BNDA) is the main lender.

Where stronger banks get established, they can have a decisive role in establishing viable FCEs. The group mechanism itself, through joint and several liability, can enhance the opportunities for smallholders to borrow by reducing the banks' transaction costs and introducing peer group pressure to substitute for collateral. Where this is combined with a relatively concentrated marketing system, facilitating repayment of loans, and with a savings commitment by the group, banks have been prepared to lend.

In Mali, FCEs in the CMDT and OHVN zones are regularly financed by the banks for the purchase of fertiliser, insecticide and agricultural equipment, and repayment rates of close to 100% have been reported³. In Ghana, Barclays Bank and Agricultural

³ In the OHVN zone, lending to groups has been encouraged by donor guarantees on a sliding scale - starting at 45% of the risk in the first year (Coulter and Sanogo, 1993).

Development Bank have had a similar experience, but on a much smaller scale, in lending to cocoa farmers. Barclays were planning to expand the scheme to cotton farmers in northern Ghana.

In Uganda, the Co-operative Bank's strategy of promoting its savings rather than lending services seems to hold promise. The bank considers increased savings mobilisation to be a "win-win" strategy; it benefits the bank by increasing its deposit base whilst providing a vital - and often overlooked - service to the rural producer.

Banks are likely to make faster progress in providing rural financial services if their transaction costs can be reduced. Savings mobilisation within the context of a group borrowing scheme represents (as in the Ghanaian example) one strategy. Triangular relationships between smallholders, banks and the private sector to reduce the risk of non-payment may represent another.

Section Four: Overall conclusions from the research findings and areas for further research

From the evidence of the field work we conclude that FCEs do have a role to play in the provision of marketing and related services to smallholders in sub-Saharan Africa. However their **success in any given place depends upon the motivations of group members, and cannot be prescribed for or programmed by any outside party. They also need to be as simple as possible, and structured in a way which takes account of members' existing skills and experience, and the business opportunities facing them.**

In this regard groups which bulk up produce and/or negotiate on their members' behalf with private sector players will often prove more sustainable than more complex groups which undertake a series of functions (e.g. bulking up, storage, transport, milling, wholesaling) with a view to by-passing these other players. Under these circumstances strong incentives to co-operate are not overwhelmed by the demands of organising the group itself. Additionally, group financing arrangements to improve access to financial services can work effectively in certain circumstances.

There is less evidence of success where group enterprise involves the joint ownership of assets requiring relatively complex management functions. Many FCEs of this kind have been promoted by donors. Lack of success can be attributed to the gap between the expectations of promoting organisations on the one hand and the reality of group organisation amongst smallholders, with limited educational and entrepreneurial experience, on the other. Success is only likely where there is a high level of group cohesion (which is more likely to be found in smaller groups) and some previous experience of co-operative working. Unfortunately, many of the initiatives undertaken by external agents have started from the opposite direction and provided material resources first before identifying strong cohesive groups. The results have often been both disappointing and counter-productive, discouraging general future co-operation among farmers. The message is that **considerable caution should be taken in including components to promote the joint ownership of assets in programmes of rural enterprise development.**

As mentioned in Section Three, this raises issues about the design and implementation of donor programmes. Disbursement targets for loans or machinery provide a very useful indicator for project "success" which can easily be measured. But they provide no measure of impact in terms of the development of sustainable livelihoods and may themselves undermine development by encouraging dependency and distorting the rationale for self-help initiatives. **Thus despite their undoubted attractiveness to project managers, disbursement-driven projects need to be replaced by programmes which promote local capacity-building and the development of linkages between smallholders and the wider economy.**

The research highlighted **the importance of adopting an approach which is both participatory and market oriented** and where this has successfully been developed, the promoting organisation has provided training in organisational (leadership, group

dynamics, record keeping) and more technical (including business) skills. A variety of different types of organisation have contributed to this process including parastatals (in the Francophone countries), extension departments within the Ministry of Agriculture (Zimbabwe) and NGOs (in all the countries visited). The greater flexibility of NGOs as well as their increasing adherence to participatory approaches to development might recommend them to programme designers over government departments which tend to operate in a more hierarchical fashion. Programme designers also need to bear in mind that within traditional NGOs (many of which have a welfare orientation) and government departments (which are bureaucracies not businesses) entrepreneurial skills may be very limited. Although during the course of the research examples were found of very competent business-oriented NGOs, in some situations it might prove necessary to bring in expertise from the private sector to undertake training.

The Naam Federation in Burkina Faso is an example of a local NGO which has successfully established itself as a training and advisory service for rural businesses. However it continues to rely on donors for all its funding. This raises an important issue about the design of programmes which offer advice and training: to what extent should users of its services pay? If the objective of a programme is to develop sustainable long term training and advisory capacity in rural areas, then to what degree should it continue to rely on outside support? A policy of charging may also ensure greater commitment from the assisted organisation.

The importance of promoting links between farmer groups and the private sector has emerged as a central theme in this research. Benefits for the smallholder are potentially improved access to finance, inputs and to new markets. Groups can play a role in this process either as autonomous groups or within the framework of an outgrower or contract system. However from the point of view of the policy maker or programme designer, the endorsement of private-sector-led development over the publicly-managed agricultural projects which characterised the pre-liberalisation period raises a fundamental question about the role of government (and by extension, donors, who are disbursing public money). To what extent should government use its resources to support and promote these links if the beneficiaries are not just smallholders but large companies as well? If a company believes that it is in its interests to work with smallholders, is it not reasonable to expect that it will get on with developing the links itself?

In fact in the case of cotton in Zimbabwe, Zambia and Ghana this is what is happening. Heinz Industries and Chibuku Breweries in Zimbabwe have similarly gone ahead and developed links with smallholders where they have perceived it to be in their interests to do so. However in the cases of Chibuku and of Hortico, also in Zimbabwe, UVAN Ltd. in Uganda and in a number of cases in Zambia, private companies are making use of publicly funded extension staff to facilitate their interaction with smallholders. This is a complex issue which on the one hand may be seen as a misuse of public resources but on the other, can be viewed as a case where public assistance has a critical effect in extending the benefits of cash crop production to small producers who would not otherwise be involved.

Another issue relates to equity. Much of the writing on outgrower schemes and contract farming indicates that interlinkage of markets through the contract creates the potential for exploiting smallholders. A key issue is the distribution of risk given that under an outgrower system the production risk is carried entirely by the smallholder. On the other hand, recent research on outgrower schemes in sub-Saharan Africa shows that given the difficulty of enforcing contracts, where the company has prefinanced the crop, the risk in reality lies with the company (Stringfellow, 1996).

The implication of this is that **successful arrangements between smallholders and companies are more likely to be based on co-operation than coercion**. To achieve this both parties must feel that the arrangements are fair, that risk is evenly distributed and the rewards are adequate. This will require negotiation. At present the ability of smallholders' to negotiate effectively is likely to be less than that of the private entrepreneur, given a lower level of technical and business skills. This suggests a role for public assistance to develop such capacity within farmer groups and associations.

In summary, the evidence of the research points to **an approach to rural enterprise development which facilitates linkages between FCEs at the grassroots and individuals/enterprises/banks higher up the marketing chain by providing demand-led business advisory and training services to smallholders**. It has also highlighted a number of questions relevant to the design of such support programmes which require further investigation. These can be summarised as follows:

- (i) *Sustainability*: to what degree should a programme aim to become sustainable (i.e. self-financing) over time? How can it achieve this?
- (ii) *Developing institutional linkages between smallholders and the private sector*: to what extent and in what way can government and donors be involved in this process?
- (iii) *Measuring impact*: Given the problems associated with using disbursement targets as measurements of project success, what alternative ways of measuring a programme's effectiveness in developing local enterprise and access to services should programme managers use?

Research under a second phase of this study will attempt to address some of these issues.

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Appendix 1

A Summary of the Ghana Case Study

Background to the Case Study

The Natural Resources Institute and the Plunkett Foundation in the United Kingdom were funded in 1994 by the British Overseas Development Administration to undertake a study into the role of farmer self-help in the provision of agricultural services in sub-Saharan Africa. The purpose of the research is to improve the understanding of governments, donors and non-government organisations (NGOs) of the role that farmer-controlled enterprises (FCEs) can play in the provision of agricultural services (covering marketing, processing, input supply and financing services) to smallholders at the village (or primary) level. Research is focused on liberalising economies where the direct role of the state in service provision has been substantially reduced.

Following a desk review, which included a consultation exercise to solicit the views of a large number of development professionals with experience of FCEs in Africa, field work was carried out in Ghana, Uganda and Zimbabwe. Complementary experience was also collected on a visit to Francophone West Africa which included Mali and Burkina Faso and from other work undertaken previously by the authors in Mozambique and Zambia.

The desk review produced a set of hypotheses about the development of successful FCEs which were subsequently tested during fieldwork. In summary form, these were that:

- Successful FCEs tend to be involved in the relatively less complex activities of input supply, marketing and financing rather than processing and export activities;
- Successful FCEs are likely to be small, cohesive groups with existing experience of co-operation, a clear focus and effective operational procedures and systems of accountability;
- Efforts by donors to promote FCEs have often been unsuccessful and even counter-productive.

Ghana was selected as the first country for field work because the desk review identified a range of apparently successful FCEs promoted by both the NGO and commercial sectors. Ghana has also been implementing a programme of economic reform and market liberalisation since the mid 1980s.

Fieldwork lasted for three weeks and involved collecting further information on the initiatives identified during the desk review and selecting a small number of the most promising ones for follow up visits to individual groups.

Findings

In the pre-Independence period co-operatives played an important role in Ghana, particularly the cocoa co-operatives which formed the backbone of the movement. However in the early 1960s, co-operative apex organisations were dissolved by government and their assets and functions transferred to the parastatals. Over the next

two decades co-operatives were used by government as channels for its own development programmes and services. However following the adoption of the privatisation programme, the government has changed its attitude and recognises the role that independent co-operatives and other rural organisations can play in the provision of agricultural services. One indication of this change is the government's interest and support for the activities of TechnoServe, a US-based NGO, which promotes the establishment of genuinely member-controlled co-operative enterprises.

Two programmes supported by TechnoServe were looked at during fieldwork and interviews were conducted with individual groups involved in both. One was promoting co-operatives for the processing of oil palm in the Ashanti Region. The other involved the establishment of Farmer Service Centre Co-operatives in the Upper West Region. The other initiatives selected for detailed fieldwork were groups of cocoa farmers supported by Barclays Bank and a co-operative of farmers marketing seed maize supported by the NGO Global 2000.

In relation to the activities carried out by the FCEs studied, the Barclays Bank experience, where small groups of self selecting farmers were achieving very high levels of repayment for working capital loans, indicated the potential for FCEs to operate as effective channels for financing smallholders in the production of high value cash crops. Groups of this kind can be considered "linkage dependent" as they are designed to work permanently with supervision by an outside body which has a vested interest in their survival. The scope of their activities is limited by this relationship and is likely to involve less complex tasks associated with marketing and input supply, including financing.

The other three cases were examples of businesses set up to operate independently, what we might term "linkage-independent" FCEs involved in relatively more complex activities including storage and processing, both requiring a higher managerial input and the operation of jointly-held assets. Their success depends primarily upon the motivations and intrinsic qualities of the group members and though NGOs and other promoting organisations may provide initial training and support, ultimately they must be able to sustain themselves independently over time. Both the oil palm processing and seed maize marketing co-operatives visited appeared to be developing this kind of independence although this was after several years of donor support and training. In the case of the seed marketing co-operative, the group's success had led to the simultaneous establishment of a number of similar enterprises in the locality.

These findings indicate that success may be less associated with the type of service than the quality of the assistance provided, in addition to the motivations and intrinsic qualities of the membership. However this does not rule out the possibility that less complex group activities (input supply, primary marketing and financing individual working capital needs) might yield higher returns for promoting organisations, relative to the investment made.

The case studies confirmed the importance of the market for the commodity supplied by the FCE members. In the case of established cash crops with relatively

concentrated marketing systems, the group mechanism was shown to facilitate access to financing services.

Our findings generally support our hypotheses about the features associated with success. The cases highlighted the importance of "a clear member-driven agenda" as the fundamental prerequisite of success. With regard to FCEs' objectives we found that "purely financial objectives" were those associated with successful cases rather than "broad social objectives". The existence of pre-existing organisations or co-operative traditions seemed to be associated with group success. With regard to the size of membership, the seed maize marketing co-operative (16 members) was clearly the most motivated and internally cohesive.

Success also seems to be associated with a high degree of self-financing in the form of member equity, except in the Barclays case which was explicitly a lending scheme, and where repayment was guaranteed by small-group liability. All groups had effective structures of accountability and means of assuring financial transparency. Strong individual leadership was noted, and we found no evidence of conflict with participatory decision-making.

With regard to the role of donors, field research did provide evidence of a number of projects where emphasis on the disbursement of funds to groups rather than on the development of sustainable forms of rural enterprise had led to very poor group performance. In these circumstances the principle of farmer co-operation appeared to have been undermined by the short term objectives of group members to gain access to grants or subsidised resources. In contrast the TechnoServe approach, which emphasises the viability of the proposed business enterprise and the need for the group to demonstrate its commitment to the project in terms of member equity, had led to the establishment of a number of relatively viable group businesses.

Recommendations for policy makers

In preparing programmes of rural enterprise development which anticipate a group approach, policy makers are recommended to consider the following:

- Success depends primarily upon the motivations and intrinsic qualities of the group members and though NGOs and other promoting organisations may provide initial training and support, this is no substitute for group cohesion and commitment;
- Approaches which emphasise self reliance and commitment of member equity are more likely to lead to successful groups; grants and subsidised resources may undermine group co-operation;
- Though scale economies are associated with larger groups, the success of smaller groups given their greater cohesion, may be a more important consideration ;
- The promotion of "linkage dependent" groups which bring FCEs into contact and even under the supervision of market intermediaries, whether commercial banks or private companies, may offer advantages in terms of limiting the extent of group

activities whilst providing members with important services. Though examples were found of successful linkage-independent groups, success had been achieved at a high cost in terms of external support and training.

- Group enterprise will only work where a real business opportunity exists. The use of the group mechanism to finance production in high risk agricultural environments is likely to prove commercially unsustainable and the resulting disillusionment among members risks undermining the principle of farmer co-operation.

Appendix 2

A Summary of the Uganda Case Study

Background to the Case Study

The Natural Resources Institute and the Plunkett Foundation in the United Kingdom were funded in 1994 by the British Overseas Development Administration to undertake a study into the role of farmer self-help in the provision of agricultural services in sub-Saharan Africa. The purpose of the research is to improve the understanding of governments, donors and non government organisations (NGOs) of the role that farmer controlled enterprises (FCEs) can play in the provision of agricultural services (covering marketing, processing, input supply and financing services) to smallholders at the village (or primary) level. Research is focused on liberalising economies where the direct role of the state in service provision has been substantially reduced.

Following a desk review, which included a consultation exercise to solicit the views of a large number of development professionals with experience of FCEs in Africa, field work was carried out in Ghana, Uganda and Zimbabwe. Complementary experience was provided with a visit to Francophone West Africa which included Mali and Burkina Faso, and from other work undertaken by the authors in Mozambique and Zambia.

The desk review produced a set of hypotheses about the development of successful FCEs which were subsequently tested during fieldwork. In summary form, these were that:

- Successful FCEs tend to be involved in the relatively less complex activities of input supply, marketing and financing rather than processing and export activities;
- Successful FCEs are likely to be small, cohesive groups with existing experience of co-operation, a clear focus and effective operational procedures and systems of accountability;
- Efforts by donors to promote FCEs have often been unsuccessful and even counter-productive.

The Uganda case study was undertaken in January 1996. The decision to include Uganda was taken because:

- Since 1987 the Government of Uganda has been implementing an economic reform programme which has led to the liberalisation of marketing systems within the agricultural sector. However despite the freer economic environment created and evidence of demand for agricultural production, the supply response has been constrained by the institutional environment. There was concern that neither public nor private sector institutions are providing sufficient support services to producers. In these circumstances, FCEs might have an important role to play.
- Prior to the violence of the 1970s and 1980s, Uganda had a strong co-operative tradition. Since the end of civil unrest in 1986, much international effort has focused on trying to rebuild the co-operative movement. The success or otherwise of these efforts might provide important lessons about the effective promotion of FCEs.

During field work in Uganda contacts were made with a large number of organisations working with producers and producer groups including the Uganda Co-operative Alliance, NGOs, several of the major donors and a number of private companies. From these initial contacts a number of apparently successful FCEs were visited to collect more detailed information. These included co-operatives, both those in existence before liberalisation and others which were established afterwards; new producer/processing groups supplying private buyers; and community groups which have emerged as a result of programmes run by NGOs in community development.

No effort has been made to attach any statistical significance to our findings. However they do appear to provide further confirmation for the hypotheses developed following the desk research and the conclusions we have drawn are generally consistent with those from the other case studies.

Findings

At the level of the rural producer in Uganda there is much evidence of entrepreneurial activity to take advantage of new economic opportunities which are developing as a result of liberalisation. There is also evidence that producers are aware of the advantages that collective action can sometimes bring in pursuing these opportunities and are either using links they have with existing groups, or forming new groups, to work together. Among the FCEs visited during fieldwork, marketing groups were the most common, involving bulking up and liaison with buyers, but avoiding the more complex activities involving the joint operation of fixed assets (with the exception of the older co-operatives). A number of groups had moved away from joint processing activities, preferring to concentrate on joint marketing operations requiring less managerial input.

Formal co-operative organisations are widespread throughout the country. In the important coffee subsector, their market share is being eroded through strong competition from private traders despite the support of international development agencies. The significance of this support is that it represents an effort by donors to keep alive the co-operative organisational model at a time of rapid economic change. Without the loans for crop financing provided to the societies (and to the unions through the Co-operative Bank) it is likely that much of the co-operative structure would have disappeared in the face of private sector competition.

In contrast to these efforts to support farmer co-operation, evidence was found of ill-conceived donor programmes undermining the concept of self-help and discouraging future co-operation among farmers. In these cases the group mechanism had been used to distribute aid quickly to rural inhabitants and the establishment of groups appeared to be the expression of a dependency culture. This was creating problems for those whose objectives are to create strong rural institutions capable of delivering services to members on a sustainable basis.

An evaluation of the EDF Microprojects Programme found that many groups it was supporting were not self-sustaining and had formed only to access grants. A policy change now means that more emphasis is being placed by the programme on

sustainability through the mobilisation of savings, capital formation and business training.

Group formation is a slow process and success is most likely when the mobilisation of internal resources and capacity is emphasised. This has important implications for the timing of the injection of any external financial resources. It is significant that in the more successful programmes reviewed, amounts lent were linked to the groups' own capitalisation which appeared to engender a more responsible use of funds based on the groups' own capacity for self-help.

Another finding of the research was that longer term group success is often linked to the group's ability, or the ability of the promoting organisation, to integrate the group effectively into the wider economy by seeking out relationships with other organisations, institutions or market intermediaries.

The Kojja Vanilla and Fruit Association provided an interesting example of a relationship between a private company and a group of farmers which included the provision of finance, production inputs, extension and marketing services. Loans were even available for school fees and other social purposes. In the case of groups supplying dried fruit to the Fruits of the Nile, a private trading company, the relationship provided members with a new marketing opportunity. By entering into trading relationships of this kind, groups are able to restrict their functions to bulking up and liaison activities rather than taking on a variety of marketing or processing activities requiring a much greater commitment of time, managerial skill and investment.

USAID's Investment in Developing Export Agriculture project is promoting these types of linkages. Through the Agribusiness Development Centre the project is providing technical assistance to clients seeking to produce, trade or process agricultural exports.

Conclusions

The emergence of marketing groups primarily involved in bulking up and liaison activities with intermediaries higher up the marketing chain appears to confirm our hypothesis that successful FCEs tend to be involved in the relatively less complex activities of input supply, marketing and financing rather than processing and export activities. This is further confirmed by the experience of the coffee co-operatives, which, as they face greater competition from an increasingly sophisticated private sector, are finding it difficult to maintain their market share, despite considerable support from the donor community.

Many of the features associated with successful group activity were corroborated in the Uganda case studies. These include the importance of member homogeneity, the organisational disadvantages of large groups, and reduced participation of members in larger groups with less transparency on financial matters (although these may be to some degree offset by the scale economies of marketing in larger groups). The shared experience of gender subordination appeared to be an important factor in creating

group cohesion in women's groups and in some cases this was further reinforced by a shared religious identity.

In relation to the role of donors, evidence was found of the counter-productive impact of disbursement-led programmes. On the other hand, USAID is supporting a new initiative which aims to develop new and sustainable marketing opportunities for smallholders.

Recommendations

- The sustainability of rural enterprise programmes must be central to programme design. Disbursement-driven programmes must be avoided in favour of participatory programmes which build on existing skills and capacity.
- Considerable caution should be taken in including components to promote the joint ownership of assets, given the much greater commitment of time, managerial skills and investment required.
- Emphasis should be given to marketing in all agricultural programmes. An important strategy for improving the access of smallholders to new markets may lie in facilitating mutually beneficial relationships between private companies and groups of farmers.

Appendix 3

A Summary of the Zimbabwe Case Study

Background to the Case Study

The Natural Resources Institute and the Plunkett Foundation in the United Kingdom were funded in 1994 by the British Overseas Development Administration to undertake a study into the role of farmer self-help in the provision of agricultural services in sub-Saharan Africa. The purpose of the research is to improve the understanding of governments, donors and non government organisations (NGOs) of the role that farmer controlled enterprises (FCEs) can play in the provision of agricultural services (covering marketing, processing, input supply and financing services) to smallholders at the village (or primary) level. Research is focused on liberalising economies where the direct role of the state in service provision has been substantially reduced.

Following a desk review, which included a consultation exercise to solicit the views of a large number of development professionals with experience of FCEs in Africa, field work was carried out in Ghana, Uganda and Zimbabwe. Complementary experience was also collected on a visit to Francophone West Africa which included Mali and Burkina Faso and from other work undertaken previously by the authors in Mozambique and Zambia.

The desk review produced a set of hypotheses about the development of successful FCEs which were subsequently tested during fieldwork. In summary form, these were that:

- Successful FCEs tend to be involved in the relatively less complex activities of input supply, marketing and financing rather than processing and export activities;
- Successful FCEs are likely to be small, cohesive groups with existing experience of co-operation, a clear focus and effective operational procedures and systems of accountability;
- Efforts by donors to promote FCEs have often been unsuccessful and even counter-productive.

The Zimbabwe study was undertaken in April 1996. The decision to include Zimbabwe as one of the case studies was taken because:

- As a result of the Economic Structural Adjustment Programme smallholders are facing new problems in accessing agricultural services;
- Although commercial agriculture is central to the agricultural economy, it is dominated by the large-scale farmers and there is a need to find new ways of integrating more smallholders into the commercial sector.
- It was anticipated that FCEs might play a role in responding to these challenges

During field work government staff and representatives from the official aid programmes, the NGOs and the private sector were interviewed as well as members of groups identified for case study work. Contacts were made with the Zimbabwean Farmers Union and the Co-operative Movement at both the national and provincial level.

Findings

Since 1990 the Economic Structural Adjustment Programme has led to a number of significant policy changes in the agricultural sector. The buying monopolies of the marketing boards have been removed and consumer price controls on food commodities were lifted in 1993. Budgetary cuts have reduced the distributive capacity of government services and financial reform has led to a significant reduction in lending to smallholders. However the government's continuing operation of a Food Security Reserve and the provision of direct assistance to smallholders in many areas in response to a series of droughts may have slowed the pace of reform and the development of private sector alternatives to government service provision. Fewer than 60 private dealers are supplying agricultural inputs to the country's 1.2 million smallholders.

The role of farmer co-operatives in providing commercial services to smallholders appears to be in decline. High overheads, increasing competition with the private sector and a reduction in support from both government and the donor community are the major reasons behind this decline. There are a number of very successful co-operatives in the country but these tend to be the co-operatives registered under the Companies Act which are run by commercial farmers.

Despite these findings, there was evidence of continuing farmer co-operation at the village level as farmers are forming marketing groups to improve their access to private sector markets. Support for this approach has come from within government (and in the field, AGRITEX staff provide practical support to groups of farmers working with private buyers), from the Zimbabwean Farmers Union, from a number of donors and NGOs and from the private sector itself.

The potential for the development of these relationships is related to the dualistic nature of Zimbabwean agriculture which creates possibilities for commercial farms to operate as procurement centres for outlying smallholders. In addition Zimbabwe has a relatively well developed agro-industrial sector which has relied in the past on either the state marketing system or commercial farmers for raw material supply. It is now interested in including small-scale farmers amongst its suppliers, especially for lower value commodities which are becoming less attractive to commercial farmers.

During fieldwork, examples of linkage arrangements were found between groups of farmers and private companies that were entirely the initiative of the private company itself, and others where an NGO had acted as an intermediary between the farmers' group and the company.

Services provided through these arrangements varied. Some companies restricted their operations to procurement whilst others were involved in prefinancing producers and even providing training. The motivation behind these initiatives ranged from the strictly commercial (smallholders produce more cheaply or at higher quality) to the developmental (the need to create a more inclusive commercial agricultural sector).

The role of groups also varied. Where input distribution or the bulking up of a commodity for procurement was required by the company, groups played an

important role. Additionally, group guarantees were used for prefinancing by the Cotton Company of Zimbabwe. In other examples, groups were not important and in one case the commercial company did not encourage them at all. The role of groups in representing their members' joint interests to the buyers, or even in negotiating prices, was less evident.

NGOs have to date been far more proactive in establishing linkage arrangements than the official donors. Participatory methodologies used by these NGOs have increased farmers' influence in the design of many NGO projects with access to markets being identified by smallholders as a priority need. In addition, among many NGOs a more commercial orientation has resulted from a growing interest in rural enterprise as an alternative income source for agricultural producers in marginal areas.

Another feature of NGO initiatives has been the emphasis attached to community mobilisation, training and self reliance. This is in contrast to some of the official donor initiatives which have tended to impose organisational structures on groups of farmers who do not have the capacity or experience to operate them effectively.

With regard to financing services, despite the poor performance of agricultural credit programmes in the 1980s, many of which used groups to channel resources to smallholders, there is evidence of a strong group savings culture in Zimbabwe and this is starting to have a positive impact on the development of new agricultural finance programmes. A recent evaluation of the Agricultural Finance Corporation's (AFC) Linkage Scheme, which involves NGOs as intermediaries between groups of farmers and the AFC, stressed the importance of a savings-led approach to agricultural finance.

Overall, in relation to our original hypotheses, the emergence of marketing groups primarily involved in bulking up and liaison activities with intermediaries higher up the marketing chain suggests that we should refine our original hypothesis slightly to emphasise that successful FCEs tend to be involved in the relatively more simple activities associated with marketing. This is further confirmed by the experience of the co-operatives, which, as they face greater competition from the private sector and less support from the donor community, are finding it increasingly difficult to continue to provide a wide range of services to members. Marketing groups which focus on bulking up activities are not necessarily small or cohesive but they do have a clear purpose. Their limited functions reduce the need for more complex systems of accountability although effective leadership skills were found to be important. In financing groups, small and cohesive groups were important.

With regard to donors and the promotion of groups, examples were found of **disbursement-driven programmes which provided material resources to FCEs with no track record of co-operative working.** Problems relating to the operation and management of these resources had undermined group performance and the commitment to group working.

Recommendations for policy makers

- The sustainability of rural enterprise programmes must be central to programme design. Disbursement-driven programmes must be avoided in favour of participatory programmes which build on existing skills and capacity and which promote sustainable linkages with the wider economy.
- Government and donors should give proper emphasis to marketing issues, including developing linkage arrangements, in all their agricultural programmes, especially those involving the training of front-line extension staff. AGRITEX is already playing an important role in fostering links in some situations but there is a need to formalise this approach and provide appropriate training to staff.
- Mutual benefits are crucial for the successful development of farmer group/private company relationships. At present it is likely that private companies will have the negotiating advantage given their greater business experience. There may be an intermediary role for NGOs in providing business training to groups of farmers wishing to establish links with the private sector.
- Financing issues are likely to play a major role in determining the success of some linkage arrangements, especially those involving higher value products which require significant purchased inputs. There is a need for research on developing new institutional arrangements to support sustainable financing systems involving producers, a lending organisation and a buyer. Savings groups are likely to play an important role in these arrangements.
- Direct support to commercial interests committed to working with smallholders should be considered through the establishment of a venture capital fund.
- Indirect support to commercial interests could be facilitated by improving rural infrastructure, especially the transport network, which acts as a major disincentive to many buyers.

Appendix 4

A Summary of the Francophone Case Study

Background to the Case Study

The Natural Resources Institute and the Plunkett Foundation in the United Kingdom were funded in 1994 by the British Overseas Development Administration to undertake a study into the role of farmer self-help in the provision of agricultural services in sub-Saharan Africa. The purpose of the research is to improve the understanding of governments, donors and non government organisations (NGOs) of the role that farmer controlled enterprises (FCEs) can play in the provision of agricultural services (covering marketing, processing, input supply and financing services) to smallholders at the village (or primary) level. Research is focused on liberalising economies where the direct role of the state in service provision has been substantially reduced.

Following a desk review, which included a consultation exercise to solicit the views of a large number of development professionals with experience of FCEs in Africa, field work was carried out in Ghana, Uganda and Zimbabwe. It was decided to collect complementary experience in Francophone West Africa because earlier work by one of the researchers had highlighted the existence of a number of innovative initiatives involving FCEs in the region. Field work drew experience from specific initiatives within a geographical zone of the Sahel which included eastern Mali and western Burkina Faso. Recent work undertaken by the authors in Mozambique and Zambia provided further complementary material.

The desk review produced a set of hypotheses about the development of successful FCEs which were subsequently tested during fieldwork. In summary form, these were that:

- Successful FCEs tend to be involved in the relatively less complex activities of input supply, marketing and financing rather than processing and export activities;
- Successful FCEs are likely to be small, cohesive groups with existing experience of co-operation, a clear focus and effective operational procedures and systems of accountability;
- Efforts by donors to promote FCEs have often been unsuccessful and even counter-productive.

Prior to and during the visit to Mali and Burkina Faso, the research team consulted with a range of national and international individuals and organisations involved in the agricultural sector in the chosen region. From this consultation, a range of initiatives involving FCEs were identified for further study. A systematic approach was adopted to field visits at the primary level during which discussions were held with group members. Follow up interviews were held with organisations and individuals with whom the groups were interacting.

Findings

Both Mali and Burkina Faso have undergone significant political and economic changes within the last five years, which have had a marked effect on group activity and development. For the main cereal and export crops, government services which previously managed input supply and marketing activities are now implementing a transition process commonly referred to as "responsabilisation". This entails gradual transfer of responsibility for such activities into the hands of banks, private traders and groups of rural producers who require services at the local level. For crops such as fruits, tree crops and vegetables, which have been subject to minimal government intervention, new initiatives in domestic and export marketing are in evidence. The 1994 devaluation of the FCFA franc is considered to have given a significant boost to producer incentives and marketing opportunities, some of which are being carried out on a collaborative basis.

The village provides the focus of rural activity in this region of the Sahel and multi-purpose village associations (AVs) were encouraged during the 1980s. While a proportion of these associations is providing cost-effective services to farmer members, many are not living up to the expectations of those who had so actively promoted them. Some of the more progressive AVs are restructuring themselves, and smaller specialised service groups, including Groupements d'Intérêt Economique, are emerging.

The research identified a number of local and externally-supported initiatives which are supporting this process. Within the Compagnie Malienne des Textiles (CMDT), the cotton parastatal, there are decentralised training programmes. The new democratic structure of the Chambers of Agriculture is playing a facilitating role in linking producer associations with market opportunities and access to credit in conjunction with a World Bank assisted programme. An eight year programme managed by the Co-operative League of the United States of America (CLUSA), which is funded by USAID, provides important lessons on building up local service provision. The Naam Federation integrates features of traditional group organisation into group enterprise, advice and training programmes.

The importance of these initiatives is that at a time of decreasing direct state support for agricultural service provision, they are assisting smallholders to develop alternative systems within the framework of a free market system. There was much evidence of positive results, due to the clarity of purpose, quality of training and the participatory approach adopted by the organisations involved.

With regard to the activities undertaken by the FCEs, the evidence of the case studies demonstrated the success and benefits of farmer co-operation for input supply and joint marketing at the primary level. In the former case the benefits were a lower price, improved contact with suppliers and increased exchange of technical information through the group. The benefits of joint marketing were more reliable and cheaper transportation of goods, communal storage facilities, the potential for influence on sale prices, lower costs, improved market access and greater market power. Specialised groups were also found to be assisting members with access to

financial services, making them less dependent on the larger bodies (the AVs or village co-operatives) which formerly controlled access.

In contrast to the findings of field work in the Anglophone countries, more evidence was found of successful joint processing activities. The FCEs involved were women's groups with strong social ties and/or undertaking a traditional activity allowing the group to build on existing skills and experience. This suggests that a number of socio-economic factors which distinguish women's experience and roles from those of men may assist women to become involved in a wider range of joint economic activities than their male counterparts. Strong economic incentives for success were provided by the opportunity to earn extra income to cover household and social expenses for which women are finding themselves with increased responsibility.

With regard to the structure and operation of the groups themselves, the women's groups especially demonstrated that social links (and social as well as economic benefits) play an important part in assuring group cohesion and sustainability. Specialisation and appropriate size are important, evidenced by the move in village organisations towards smaller, single activity groups with a clear business purpose and a user-elected management structure. Written documentation and membership rules appear to be less important, at least in the early stages of group activity, and there is some evidence that the opportunity to operate without externally-imposed rules was a positive attraction. The main motivation for formal constitution appeared to be the need to enter into contracts, particularly for access to credit.

With regard to the interaction between FCEs and external agents, the importance of training was highlighted given the need for FCEs to develop new technical, organisational, management and enterprise skills. As noted above, in the programmes studied, the emphasis was on developing sustainable links between FCEs and the broader economy. Self reliance, rather than dependency on donor grants or subsidised lending, was therefore encouraged.

Conclusions

Evidence from the Francophone case study provides broad confirmation of the original hypotheses. The trend in FCE development is a move away from multi-purpose groups to single activity ones involving liaison and bulking up activities as well as efforts to develop links with higher levels of the marketing system. On the other hand, evidence was found of successful processing and storage activities, especially among women's groups, which runs counter to our original hypothesis, which anticipated that the higher degree of managerial complexity and the need to operate joint fixed assets might make unsustainable demands on groups. In practise it appears that a very high level of group cohesion provided a countervailing force. This would appear to confirm the importance of group cohesion as a main factor in group success.

With regard to donor activity, the evidence of the research was broadly positive. The existence of strong local organisations and the lead these have taken in facilitating the transition from a controlled to a free market economy have provided guidance for

donors coming from the outside. Though some NGOs continue to provide grants and cheap credit to village groups, there are a number of others, sometimes supported by the training sections within the parastatals, who are taking a longer term view based on transferring skills and building up capacity and on linking groups with market intermediaries. The provision of literacy training and of other training in local languages was also emphasised.

In conclusion, the work in Mali and Burkina Faso yielded the complementary inputs which had been anticipated at the outset of the research. The much greater degree to which parastatal organisations controlled agricultural services previously has meant that systems of farmer organisation were in place before the political and economic changes of the last few years. Despite their withdrawal from direct service provision, these organisations have facilitated the process of transition through a programme of training and capacity building. This contrasts with experience in the Anglophone countries where the state has withdrawn without providing any transitional support.

Outside the parastatal sector, the efforts of the state have been complemented by those of a number of NGOs which have adopted a similar approach. With their emphasis on facilitation, participation and training they have much in common with similar NGO initiatives in the other countries visited. The emphasis given to effective market linkages rather than promoting purely productive activities, has also been a feature of successful programmes in all the countries visited.

Recommendations

In considering initiatives to promote effective FCEs, policy makers should favour approaches which:

- facilitate activities and organisational forms within a participatory rather than prescriptive methodology;
- emphasise effective market linkages rather than promoting purely productive activities;
- provide literacy training and other training in local languages.