# The role of NGOs and CBOs in marketing in Uganda: the potential in remote regions and in reaching the poor (NRI report no. 2699)

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# The role of NGOs and CBOs in marketing in Uganda:

## The potential in remote regions and in reaching the poor

by

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## ACRONYMS

| | |
|---|---|
| ASCRAs | Accumulating Savings and Credit Associations |
| AT | Appropriate Technology International |
| CBO | Community-Based Organisation |
| CFC | Common Funds for Commodities |
| CLBG | Companies limited by guarantee |
| CLUSA | Co-operative League of the United States of America |
| FEWS | Famine Early Warning System |
| IDEA | Initiative for the Development of Export Agriculture |
| IITA | International Institute for Tropical Agriculture |
| LRA | Lord's Resistance Army |
| MSGGA | Masindi Seed & Grain Growers Association |
| NAADS | National Agricultural Advisory Services |
| NALG | Nakisenthe Adult Literacy Group |
| NGO's | Non-Government Organisations |
| PEAP | Poverty Eradication Action Plan |
| PMA | Programme for the Modernisation of Agriculture |
| ROSCAs | Rotating Savings and Credit Associations |
| UNAV | Uganda National Vanilla Growers Association |
| USAID | United States Agency for International Development |
| WFP | World Food Programme |

## Introduction

This paper has been produced in the context of a DFID-funded research on sustainable agricultural marketing initiatives by Non-Governmental Organisations (NGOs) and Community-Based Organisations (CBOs)[1]. This research seeks to identify and disseminate best practices based on case study material from India and Uganda. Close collaboration and dialogue with NGOs and other stakeholders within both countries are essential elements of the project dissemination strategy.

The paper follows an earlier literature review on NGO/CBO roles and experiences in marketing and market development in developing countries (Kindness and Gordon, 2001). With its specific focus on Uganda, this paper aims to inform the identification of relevant country case studies while providing a country-specific context to the research. Important themes within potential case studies and the wider research activity are identified. Pointers for further research, for example in relation to non-farm activity and the development of coalitions of institutions for the purpose of market development, are also provided.[2]

The paper follows the priorities identified in the Project Memorandum (2001) with respect to geographical focus (remote areas), target clientele (resource-poor farmers and communities), and service providers (local NGOs and CBOs). The need to address the marketing problems experienced by resource-poor farmers and communities in an increasingly liberalised market environment, and the potentially important role of local NGOs and CBOs in the process, are the justifications for such focus. Hence, a basic assumption behind the current research is that there is scope to enhance market access and participation by poor farmers, even in remote areas. Addressing this challenge through improved knowledge of best practices is central to the current research.

The Project Memorandum contains four key research hypotheses:

1. It is often difficult and time-consuming to establish effective linkages between NGOs/CBOs and the commercial sector.
2. Many existing marketing interventions are based on unrealistic expectations of farmer group capacities.
3. Interventions which circumvent existing marketing channels are particularly onerous in terms of required group capacities and are likely to be less sustainable.
4. Marketing strategies that build on existing marketing channels may be less attractive to farmers and NGOs/CBOs, who might perceive greater gains from more ambitious stand-alone ventures.

While no specific attempt is made here to confirm these hypotheses, it is hoped that an assessment of the literature and a synthesis of the current understanding of NGO and CBO roles in marketing will provide useful inputs to a more direct analysis of the research hypotheses. The latter will be subject to close scrutiny throughout the case study analysis.

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[1] The research project is funded by the Crop Post-Harvest Programme.

[2] Within the paper, marketing is defined as covering agricultural and non-farm activity as well as inputs and outputs.

The paper is structured as follows. Section I describes the social, political, institutional and economic context for rural marketing activities in Uganda. Section II provides a general discussion of areas for potential market intervention and the roles of NGOs and CBOs in each of these areas. Sections III and IV cover two intervention areas which seem particularly relevant in the context of Uganda and the current research: market linkage promotion and support to farmer group formation and development for marketing. Section V contains an overview of the main issues covered throughout the paper as well as an introduction to institutional coalition analysis for market development. A list of references is included in Annex I. Finally, Annex II presents a theoretical categorisation of institutional groups that could interface with producer apex bodies.

## Section I
## The national context

### 1.1 The social and political environment

Marketing of rural production in Uganda is heavily influenced by social structures and relationships, and by the impact of political events over the past decades. Key issues affecting social relations and institutions have been the effects of liberalisation policies, the impacts of political instability, and the incidence of HIV/AIDS. These phenomena have had widespread impacts, not least on gender roles.

Liberalisation policies have raised the profile of women in agricultural marketing via their impacts on the commercialisation of food crops. Increasingly the latter are being sold for cash, and often by women. The scale of impact of these policies contrasts with those which at least in theory have been more specifically geared to mainstreaming gender issues, such as the recent National Gender Policy and The National Action Plan for Women, which have had relatively little effect to date on both empowerment and livelihoods (Kleih et al, 1999).

A further major disruption in social and gender relations have arisen through the widespread incidence of HIV/AIDS. Among other effects, the epidemics has caused an increase in the proportion of female-headed households, has influenced changes in production portfolios[3], has contributed to increased default rates in loan programmes, and has provoked an erosion of social capital and coping mechanisms (White and Robinson, 2000). Taken together, these effects have often obliged women to take over roles formerly the preserve of men, including marketing.

Political instability has been a major feature in Uganda in recent decades. Economic activity as a whole was profoundly disrupted during the Amin and Obote regimes, both by national policies and by political upheavals and social instability (Collier and Reinikka, 2001). The current government has done much to create a more stable environment, but insecurity remains an issue in parts of the country. For example, the Lord's Resistance Army (LRA) is still active in the north while the recent war in the Democratic Republic of Congo has impacted negatively on the western region and Uganda as a whole. Still, improvements in the security situation in most parts of the country have facilitated both the revival of the private and trading sectors and the development of non-farm activities.

Another factor arising from Uganda's recent history of political turmoil and inadequate policy design and implementation is the distrust expressed by many rural people for most forms of government. The stability and array of development initiatives promulgated by the current administration, including decentralisation, have not significantly changed these attitudes (Zwick, undated). This distrust is most strongly held by older people and members of the local business and trading community, and may create problems for central and local government initiatives attempting to address marketing issues.

[3] These include, for example, moves to lower labour-intensity crops such as cassava and to small stock are at least partly motivated by increasing dependency ratios within households (White and Robinson, 2000).

## 1.2 Liberalisation policies and marketing

Uganda's dramatic economic decline until the mid-1980s has since been reversed, with the economy expanding at an average annual rate of nearly 7 per cent over the last decade (Collier and Reinikka, 2001). The private sector has been a player of growing importance in the country's economic recovery. Following the economic reform programmes of the late 1980s and 1990s, the private sector has increasingly been allowed to develop in a relatively unregulated environment. Progress achieved on the internal security situation has also proven important to private sector development, reducing the costs and risks of transactions and facilitating increased integration of the domestic market (Dijkstra et al, 2001).

While providing increased scope for private sector development, liberalisation policies have at the same time highlighted areas of market failure. This is certainly the case of agricultural marketing, where the private sector has been unwilling or unable to fully fill the gaps left by the withdrawal of government services and activity. Access to agricultural inputs and markets remains a serious issue in rural Uganda.

Liberalisation is therefore an important but far from sufficient condition for a continued and sustained expansion of the trading sector. First, appropriate policies in such critical areas as infrastructure, the legislative framework, financial services and corruption also need to be in place. Second, capacity to implement policy, for example with respect to reduction of red tape and speeding up of export licenses, may lag behind policy development itself. Finally, liberalisation policies tend to operate at the macro-level, but in practice there are also micro-level impediments to private sector development. With respect to marketing, key issues are the high transaction costs that characterise rural economies, leading to widespread failure of input, output and credit markets.

In addition, some liberalisation policies may run counter to poverty reduction and regional development objectives, and therefore to economic development in rural areas, at least in the initial stages. Especially significant in the context of this paper is that strict application of economic efficiency theory to the provision of rural infrastructure in remote areas, which would leave those least able to pay with the highest cost services, would have major negative effects on the development of these regions.

In this context, there is scope for initiatives to stimulate marketing and for careful appraisal of these in relation to both poverty objectives and institutional development. This may imply some reversion towards public sector provision, and include a combination of institutional providers at local level. NGOs and CBOs may be well positioned to contribute to this process.

## 1.3 Policies for the agricultural sector

A comprehensive review of Uganda's agricultural sector policy has recently been completed in the context of PMA, the Programme for the Modernisation of Agriculture (GoU, 2000). The programme makes a fairly realistic assessment both of the problems facing agriculture and of the often-inadequate measures adopted under earlier government programmes to address them.

The PMA emphasises private sector participation at all levels. An objective that underlies the whole programme is the development of demand-driven activity at farm level, with government services playing a facilitatory role. A pluralist concept of service delivery, open to private provision and incorporating some cost-recovery elements, is adopted. Emphasis is also placed on the decentralisation of services, in part to encourage flexible and more effective provision, taking into account local needs.

The programme recognises the diverse range of constraints which impinge upon agricultural marketing. It also pays due attention to the institutional requirements to address these problems. Of particular relevance is the encouragement of CBO and NGO activity, including specific recognition of the value of CBOs in addressing market access limitations. Through the National Agricultural Advisory Services (NAADS), the programme stresses the importance of farmer groups, farmer forums and federations of forums as a framework for more effective expression of local needs and co-ordination of agricultural service provision. NAADS may have particular relevance for the uptake of project research findings.

While the PMA does not cover non-farm activities, it is important to take the latter into account in programmes aimed at developing the rural economy. In many remote regions where agricultural activity levels are typically low, it makes sense to promote as many productive options as feasible. Furthermore, a number of rural non-farm activities, especially trading and processing, play a critical role in agricultural growth and development. Finally, many non-farm activities may be especially important and more accessible to the poor and to women (Canagarajah et al, 2001; Smith et al, 2001).

**1.4 Local governance and decentralisation**

Local governance has the potential to offer resources and an improved environment for marketing activities at local level, but systems recently installed have yet to realise their potential (Cannon et al, 2002; James et al, 2001). In theory decentralisation can lead to more effective support to production and marketing, for example through better understanding of local service needs regarding "hard" infrastructure (including feeder roads) and "soft" infrastructure (notably security and access to the rule of law).

However, early experience with decentralisation has raised a variety of concerns. For example, the potential for nepotism in the award of local government contracts seems a serious issue, inhibiting competition and the development of the private sector (Zwick and Smith, 2001; Smith and Zwick, 2001). High local taxation of petty trading activities and the movement of agricultural goods is another problematic area (Ellis and Bahiigwa, 2001).

The means to resolve such difficulties revolve around generation of civic awareness and obligations. There is a need for local electorates to develop greater awareness of civic rights, such as access to central and local government services, and civic responsibilities, for example regarding the payment of taxes in return for such services (Cannon et al, 2002). Similarly, there are both obligations and freedoms placed upon local officials and local politicians to respond to the differing agenda of constituents. Such awareness needs to be stimulated through programmes of education for the public and through training for government staff (Zwick, undated). There is scope for involving a range of institutions, notably NGOs, and perhaps also CBOs, to provide credibility to the process and facilitate fruitful dialogue between communities and officials.

Additional resources are likely to be only part of the answer for improving performance of decentralised bodies. There is also a need for greater access to information, more transparency in service provision, improved skills, and increased levels of probity and effectiveness (Cannon et al, 2002). Local government staff would benefit from capacity building initiatives and reviewed service conditions and procedures. Current initiatives under the Local Government Development Programme are beginning to address these issues. With respect to marketing of local production, it is important that skill development includes awareness raising regarding private sector and NGO/CBO roles.

### 1.5 Characteristics of NGOs and CBOs

There are a wide variety of NGOs and CBOs operating in rural Uganda. This diversity is reflected in their scale, objectives, capabilities and activities. Within this diversity, as in other parts of the developing world, NGOs have been moving away from an almost exclusive focus on relief, food security and social development, and embracing a wider agenda, in which income generation activities are increasingly seen as an important means to poverty-reduction (Kindness and Gordon, 2001).

Although changes in development paradigms and donor priorities across the world have played an important role in this gradual transformation, Uganda-specific factors are also behind these trends. Improvements in the internal security situation and the reduction of HIV/AIDS incidence rates have enabled a change in NGO intervention priorities. The need to address market access problems by smallholder farmers in an increasingly liberalised environment, and to adapt to changing government policies and priorities towards the agricultural sector, have also contributed to a shift in NGO interventions.

NGOs' growing engagement in the commercial activity arena has implications regarding their technical and socio-economic capability needs, including those directly related to marketing (Morton et al, 2000; Coote and Wandschneider, 2001). Such needs are particularly evident in the case of smaller local NGOs. While generally able to develop close interaction with communities and farming households, these organisations tend to face limitations, both in terms of their capability in the marketing sphere and in terms of their resources. Consequently, an upgrading of marketing capability and skills and the development of stronger links to larger national or international NGOs are particularly important. It is not surprising that many of the marketing initiatives in Uganda and elsewhere have been at least partly implemented with international NGO participation.

A further option is to develop linkages with other organisations at community level and above, especially CBOs and the private sector. In the Ugandan context, links with government are of growing importance. The PMA and NAADS programmes, in particular, recognise the importance of local participation and local institutions. Such programmes can assist through the promotion of marketing extension service delivery by NGOs, and also through linking such services with other initiatives, most notably support for farmer organisations. Equally, there is a need for NGOs to relate to decentralised bodies, although the latter are still at a relatively incipient state of development, with uneven progress between districts.

CBOs are generally smaller in scale, more local and more resource-constrained than NGOs. Producer organisations, at least those that have been initiated as grassroots bodies, represent a particular sub-set of CBOs. As indicated above, CBOs are highlighted in the PMA as a particularly important institution (in association with finance, extension and research) with respect to potential for improving market access. Similarly to NGOs, CBOs need to network with other private and public institutions.

## Section II
## Areas of potential market intervention for NGOs and CBOs

### 2.1 Introduction

This section assesses the range of options for CBO and NGO intervention within marketing chains. A marketing chain describes the different marketing stages of a commodity as it moves from the producer to the final user or consumer, in its original or processed form. It generally starts with the supply of production inputs and includes a variety of horizontal and vertical arrangements between different economic agents. Joint marketing by farmers is an example of horizontal co-ordination whereas production under contract for agribusiness firms constitutes an example of vertical co-ordination. Marketing chains may comprise a very diverse range of actors, including input manufacturers and distributors, and small- and large-scale traders and processors.

NGOs can develop direct or indirect marketing interventions (Coote and Wandschneider, 2001). In the former case, they take on an active role within the marketing chain, being directly involved in input supply, trading, storage and/or processing activities. When intervening indirectly, NGOs merely play a facilitatory and advisory role, which can include training delivery, provision of information, and promotion of market linkages between different sub-sector players.

While an indirect role may prove particularly appropriate in areas where markets are relatively more developed, the scope for such type of interventions in very remote areas may be constrained by poor trading activity and interest. Direct interventions are often tempting because of their potential to generate quicker and more tangible benefits to farmers, but they generally require greater resources and can be problematic from a sustainability viewpoint. As the NGO phases out its support, farmers may be left in a situation similar to the one they faced before the intervention.

### 2.2 Production, handling and processing for the market

#### 2.2.1 The context for production, handling and processing for the market

Marketing of rural production in Uganda is constrained by a number of factors. The highly diversified nature of household economic activity (Deininger and Okidi, 2001) creates a structure in which production is largely geared towards family consumption needs and not so responsive to market requirements. Moreover, by generating small and scattered surpluses, such production patterns contribute significantly to high transaction costs and risks, especially in a context of poorly developed road and telecommunication infrastructure. Significant taxation of agricultural products in transit (Ellis and Bahiigwa, 2001) further exacerbates marketing costs and risks. In addition, insecurity and weaknesses in policing and the rule of law remain a pervasive difficulty for trading activity (Cannon et al, 2002). All these constraints are compounded by the limited scale of urban markets, since Uganda has one of the lowest proportions of population living in urban areas in Africa.

Domestic marketing of staples is largely determined by regional variations in food production within Uganda and the predominance of Kampala and surroundings as a destination market. Opportunities for exports of food crops are being exploited through rather unstable volumes of emergency relief and more stable informal trade with neighbouring countries (Coote et al, 2000).

Constrained production is reflected in (and also partly caused by) very limited use of inputs. According to recent data, very few farmers use fertiliser (3 per cent), manure (6 per cent), high-yielding varieties (5 percent) and pesticides (7 per cent) (Deininger and Okidi, 2001). Constrained use of inputs is partly a function of inadequacies in input supply markets. Poorly developed credit systems and inappropriate and untimely supply of input packages contribute to weak uptake (Gordon, 2000).

The development of storage and processing may be a means of overcoming some market constraints. These alternatives have the potential to extend marketing options, add value to production, and/or reduce transportation costs. Yet, the Ugandan rural sector lacks much of the infrastructure that may be essential to processing, especially power and water.

Overall the rural sector remains relatively "unfriendly" towards the private sector in general, and the trading sub-sector in particular. The latter confronts high taxation and significant risks arising from limited information, poor roads, inadequate legal framework and systems, poor access to policing, and lack of complementary services such as transport. These features are likely to be magnified in remote regions, and in areas subject to ongoing instability.

### 2.2.2 NGO and CBO roles in production, handling and processing

Functions which NGOs, and perhaps more significantly CBOs, can perform in marketing relate to organisation of bulk purchase and subsequent disbursement of inputs, assembly and quality control of outputs, and provision of linkages with sources of finance. NGOs and CBOs have the advantage of local knowledge, thereby being favourably positioned to develop flexible interventions that meet (changing) local needs.

The most appropriate initial focus is likely to be upon existing market chains rather than attempting to develop completely new market channels, since these will very often entail considerable risk and significant knowledge and resource requirements, normally beyond the means of most NGOs and CBOs (Kindness and Gordon, 2001). It will also be important to engage the private sector early on in marketing to extend the limited resources available, inject commercial skills into this activity, and enhance sustainability prospects.

An important issue is whether NGOs and CBOs should work through individuals or through producer groups (Kindness and Gordon, 2001). The latter option presents significant challenges but also considerable opportunities. In theory, by reducing transaction costs and increasing scale economies, farmer groups can contribute to enhancing market access and improving the incomes of members. In practice, however, group success depends on a number of factors. The quality and accountability of group leadership and the extent of cohesion among members are critical determinants of success. The quality of support provided by external agencies is also very important, especially in areas such as market linkage development and marketing extension.

The identification of remunerative market opportunities is another important issue faced by NGOs and CBOs. The Ugandan domestic market may provide relatively limited opportunities (Deininger and Okidi, 2001), but such weaknesses may be somewhat compensated by regional (East African) demand needs. Emergency relief supplies entail erratic and large volume purchases at short notice, with major impacts on price and the storage and operational capacities of trading companies. However, there are also more stable market channels in the region for food crops, especially in Kenya, Rwanda and the Congo (Coote et al, 2000). Given the largely informal nature of regional export trading networks, NGOs and CBOs are likely to be better positioned than governments to exploit these opportunities.

Export of relatively high value items such as vanilla provides good opportunities for NGO intervention. Traditional exports such as coffee may be more problematic because of very low international prices in the context of chronic over-supply (Burnett et al, 2002). Marketing chains in the sector are already relatively efficient and there may be little scope for interventions in a context of low and declining producer margins.

NGOs and CBOs may consider support to small-scale processing for local or export markets, an area that has not received sufficient attention in Uganda. A key issue may be whether technologies on offer are in fact appropriate. While there is a need to ensure proper organisational and management systems, notably in the context of group activities, it is equally important to develop and disseminate appropriate technologies from a technical and financial viability perspective. The degree of difficulty arising from inappropriate technology has probably not been recognised sufficiently when assessing institutional performance. Viability in any event is likely to be critically influenced by market access and availability/affordability of inputs.

Issues confronting many NGOs are their relative lack of technical expertise in technology development and transfer, and their limited commercial expertise and experience. In such context, participation of commercial firms and other sources of technical capability, including international NGOs and local or international research and development agencies, may prove particularly relevant. Equally, there is a need to build in exit strategies at an early stage in order for NGOs to avoid becoming locked in to long-term (and possibly subsidised) activity.

It is important to acknowledge the investment and time required for achieving impact in technology development and transfer initiatives. For example, it took over ten years for Appropriate Technology International (AT) to successfully develop and disseminate a small-scale ram press for vegetable oil extraction. As such, only the larger NGOs or donors are likely to be able to afford such investment. An alternative approach is for NGOs to play a facilitatory role, for example by supporting the development of private sector retail outlets through training, identification of market needs, and promotion of links to manufacturers and wholesalers (Coote and Wandschneider, 2001). Again, this is an option that may only be feasible for larger (international) NGOs, which can afford the resources and skills for proper implementation and monitoring of such programmes.

In short, there is a range of options for NGO and CBO interventions in the production, handling and processing spheres. These will vary according to the social, economic and institutional context. There is no blueprint approach. It is also clear that private sector involvement is of particular importance, as is the need for commercial capability amongst NGOs and CBOs. Companies limited by guarantee may also represent a more "hard-nosed" option, and scope for collaboration with NGOs and CBOs exists, so long as the former are properly constituted.

## 2.3 Credit, savings and new financing systems

### 2.3.1 The Context for credit and saving

The situation regarding credit access in Uganda has been summarised in a recent World Bank paper (Deininger and Okidi, 2001). Informal sources are by far the most important, accounting for an estimated 55 per cent of total credit volumes. Co-operatives and government programmes follow in importance, with 21 per cent of total credit. NGOs account for an estimated 16 per cent of total credit, whereas the formal banking system and other businesses control a mere 8 per cent. Non-farm activity (45 per cent) and education and health (24 per cent), rather than inputs (15 per cent) and agriculture (9 per cent), stand out as the main uses given to loans. Credit for (household) consumption is marginal (3 per cent). Even assuming that all input credit is for agricultural purposes, use for non-farm activity remains much more important.

Reasons for limited availability of formal credit, both in Uganda and elsewhere, are widely recognised (see for example Goodland, 1999). These factors include lack of knowledge on the part of lenders, issues of collateral and/or credit worthiness of potential clients, the small scale and high cost of servicing loans, and bureaucratic and inflexible credit delivery systems. Whilst informal credit is more available and flexible than formal credit, it is likely to be inadequate with respect to seasonal peak demands and to larger and longer-term needs. There may be a case for examining the scope to improve formal sector credit allocation to agriculture[4], but the wider context within which credit is used also needs to be well understood.

In Uganda and many other African countries, availability of credit is often seen as the major constraint for production and marketing (Goodland 1999, Gordon, 2000). Given the range of additional constraints in operation, this view is certainly overstated or at best represents an over-simplification. In the case of agriculture, weaknesses in input delivery systems are an integral part of the equation. Lack of access to market information, weak transport systems, poor infrastructure and under-developed output marketing systems are other critical constraints (Goodland 1999, Gordon, 2000). Increasing credit supply in a context in which these structural problems are paramount may in most cases amount to a short-lived solution.

There is growing evidence that promotion of savings and institutional innovations in this field represents a much-needed development, especially for the poor and for disadvantaged regions (Gordon, 2000). There have also been some initial attempts to develop novel financing instruments through inventory credit and put options (Coulter

[4] For example, Burnett et al (2002) quote success in this area associated with maize and cassava in Mwanza region, Tanzania.

et al, 1997; CFC, 2000). The latter are likely to be applicable only for wealthier producers and regions producing significant surpluses, often for sale on regional or international markets. However, there may be a case for re-examining other insurance and quasi-insurance options more suited to small-scale producer needs.

### 2.3.2 NGO and CBO roles in credit and savings

NGOs currently represent a modest source of credit in Uganda, and experience to date has been variable (Goodland, 1999). Vision Terudo has operated quite extensive credit programmes based upon group lending, but repayment rates have deteriorated considerably and stood at an extremely low ten per cent in 1997. Poor overall viability of this programme resulted from low interest charges and poor repayment, support for inappropriate investments, weak accountability, and poor training of NGO staff. In contrast, while small in scale, Koka has developed interventions that stress capacity building of groups and awareness raising among their members, thereby creating conditions that favour effective pooling of funds and appropriate investments.

Credit provision through NGOs and CBOs is often developed through Rotating Savings and Credit Associations (ROSCAs) and through Accumulating Savings and Credit Associations (ASCRAs). ASCRAs in particular offer the potential for appropriate finance through flexible credit programmes, both in terms of loan size and timing of disbursements, that can overcome problems of seasonal peak demands. As with the better NGO schemes, CBO credit organisation often benefits from extensive and intimate knowledge of the local clientele, which is conducive to flexible approaches, adapted to local needs and more easily accessible to the poor (Goodland, 1999).

Warehouse inventory credit has been the object of recent experimentation (Shepherd and Coulter, 1997; Coulter, 1997). The system typically engages banks, traders and warehouse operators. Storable commodities such as grains are used as collateral for loans. Traders gain access to loan finance for additional purchases and on sell later in the season to take advantage of higher prices. The scope for NGO participation includes the provision of credit within the system and the promotion of farmer groups, where the latter effectively take over trader/trading functions (Kindness and Gordon, 2001).

The development of inventory credit for maize in Uganda is recommended in Burnett (2002), echoing earlier proposals from an EU mission. However, inventory credit systems need to be approached with care given the requirements for their proper functioning. These requirements include storable commodities, relatively predictable and sufficiently large seasonal price spreads, robust warehousing infrastructure, and appropriate legal systems. In Uganda the latter are particularly weak. Moreover, it must be noted that inventory credit systems are most likely to involve producers and regions supplying significant surpluses, thereby excluding the poor and the most remote areas. Nonetheless, in the long term, the involvement of producer organisations could create the conditions for engaging poorer farming households and less favoured regions.

Novel trade finance is the subject of an Eastern Africa Common Fund project (CFC, 2000), which proposes the use of put-options, linked to forward hedging, for coffee and cotton. As in the case of inventory credit, operational and institutional requirements for novel trading instruments are quite demanding, even for relatively sophisticated producer and trading organisations (including apex co-operatives and international NGOs). There is also a need to ensure that the interests of small-scale producers are covered adequately, and questions over the extent to which farmers will be prepared to finance the relatively more expensive put-option, which effectively guarantees a floor price, remain. Other than as a long term possibility, perhaps linked to well established producer organisations, it is difficult to envisage novel financial instruments being of use to the poor, especially in more remote regions of Uganda.

The formal banking sector may be able to play a role despite the problems mentioned earlier. Gordon (2000) notes the example of a new initiative through the Centenary Bank, which has developed lending practices which emphasise ability to repay rather than loan security (although some collateral and default elements are retained in the approach). The system involves bank field officers analysing farmer's cash flows as a method for determining both the scale and repayment regime for loans. The method appears quite costly in terms of the skills (and time) required by field officers to develop appropriate loan profiles. As a result, the scheme would not be viable for individual poorer farmers (or producers) in remote regions, but might be an option for assisting producer organisations. NGOs and CBOs could act as facilitators in this process.

Overall, both NGOs and CBOs can play a significant part in credit systems. However, there is a need to look beyond credit alone and to include appropriate and complementary input and output services. Care must be taken to develop linkages with the private (trading) sector as early as possible. In remote regions, where the private sector may be very weak and ill resourced, there may be a need to attract new participants. More sophisticated systems such as warehouse inventory credit and other innovative financing mechanisms are beyond the scope of small NGOs and CBOs, but might become an increasingly attractive option in the long term if producer organisations develop and grow. Much more important is the need to stimulate savings as much (if not more than) credit as part of strategies which encourage self-starting components in local institutions. Savings initiatives might be linked to more explicit insurance components for producers.

## 2.3 Transport

### 2.3.1 Context for transport

Infrastructure is generally seen as an area for ongoing public sector provision and as an essential component of the enabling environment for production and marketing. The main road infrastructure in Uganda is reasonably well developed, but there are evident weaknesses at local level, especially with respect to rural and feeder roads. These difficulties are especially acute in remote areas, and indeed in part serves to define such areas. Although these problems have been recognised to a degree by government policy (GoU, 2000)[5], more may be needed to integrate road spending into the PMA via the Ministry of Works, Housing and Communication (Kleih, 1999).

[5] For example, feeder road development is a priority within the Poverty Eradication Action Plan (PEAP).

While the main road network is relatively good, the shear distances involved may in some instances limit access to domestic (urban) markets, particularly for the northernmost areas of Uganda. Equally, in areas closer to markets, limitations to the feeder road network effectively render many areas "remote" in terms of market access. Inadequate access to the actual means of transportation may mean that communities or groups lack access to the road network, and hence to markets.

Finally, poor and inefficiently managed transport infrastructure and services within the East African region, essentially through Kenya and the port of Mombassa, mean that Ugandan exports face significantly higher transport costs than those arising from location alone (Milner et al, 2000). These constraints are particularly significant in view of the opportunities provided by export markets.

### 2.3.2 NGO and CBO roles in transport

Although the state remains the key actor in transport infrastructure development and maintenance, there may be scope for local involvement in this sphere, including activity by NGOs and CBOs (Kleih, 1999). This may include higher-cost or more technically complex components (for example, bridges and culverts) as well as feeder road development. Small initiatives involving CBOs and NGOs may be the only feasible short to medium-term options for remote areas where specific resource allocation from central or local government is absent.

Scope for NGO and CBO interventions is particularly evident at a local level. There is a need to focus upon rudimentary but effective options through very basic feeder roads that nonetheless provide a substantial step change in access. Hine (1993)[6] notes that conversion of a footpath into a vehicle track has a beneficial effect to the farmer over hundred times more than improving the same length of poor earth track into a good quality gravel road. Even if the latter calculation is wildly optimistic, it nonetheless emphasises the importance of basic improvements, and hence the potential value of NGO and CBO activities.

A further component in the development of local transport systems can be the use of intermediate means of transport, such as animal traction (oxen, donkeys), farm carts and bicycles. Requirements for access to local transport may often arise from the need to collect water and fuel wood as much as inputs or outputs for production, thereby potentially playing an important role for women (Kleih, 1999). Still, the most prevalent form of such transport – the bicycle – is in most places unacceptable to women on social grounds. It must also be noted that intermediate means of transport such as animal traction may be beyond the financial means of most households. Intermediate means of transport are noted as an important area for development in the PMA, but there is little in the way of proposals for their development within the PMA strategy.

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[6] Quoted in Kleih (1999).

## Section III
## Market linkage: Roles of NGOs and CBOs

### 3.1 Context for market linkage development

Much of the context for market linkage has been described under previous sections. Of particular importance are the weaknesses experienced by the private sector and the resource constraints often faced by NGOs and CBOs. Also importantly, most areas of Uganda face difficult access to markets because of a combination of factors such as distance, poor road and telecommunication infrastructure, and inadequate access to transport.

All these factors emphasise the importance of market linkage as a key intervention area in the context of emerging marketing systems. Market linkage development has the potential of generating significant benefits to farmers with relatively limited financial input from the intervening agency. By reducing buyers' procurement costs and enabling producers to better meet their product requirements, it can lead to improved market access and/or prices.

Market linkage development may be especially effective in the case of producer groups given the potential for exploiting economies of scale. Groups can potentially mobilise larger volumes of relatively standardised products and are better positioned than individuals to deliver supplies to buyers due to scale economies in transport. The volumes that individual producers are able to supply are generally too small to justify linkage promotion. Unsurprisingly, the promotion of market linkages by NGOs or CBOs frequently includes development of producer organisations as part of the strategy.

### 3.2 NGO and CBO roles in market linkage development

Development of market linkages encompasses a wide range of activities (Coote and Wandschneider, 2001). At the most basic level, it entails the provision of information on prices, buyers and suppliers, and supply and demand. It may also imply a more active role, whereby the promoting agency serves as an intermediary or "honest broker" between market participants. In such contexts, the external agency facilitates communication and fair negotiation between suppliers and buyers or service providers, and may even provide training to ensure that the needs and interests of both parties are effectively met. The development of capacities of producers and associated institutions to assess for themselves the scope of marketing opportunities may also form part of a market linkage development strategy.

Market linkage promotion by NGOs and CBOs often entails the development of contacts between producers and traders, processors or credit providers. Such interventions can also target players in the marketing chain other than producers, such as input suppliers and exporters, in which case farmers are supposed to benefit indirectly, through better access to inputs or improved market opportunities and prices.

When assessing the role of NGOs and CBOs in the development of marketing links, it is important to take several issues into account. One is sustainability: in the past many initiatives supported by NGOs and others included implicit or explicit subsidies, which could not be sustained over the longer term. Another fundamental issue is the need and challenge to get differing players – government, NGOs, CBOs, the private sector and others – working effectively together (Kindness and Gordon, 2001; Kleih, 1999). Finally, systems need to be demand rather than supply driven. In this context, it appears desirable to build upon existing marketing channels (Kindness and Gordon, 2001).

The scope and need for interventions will depend upon the market options available. In export markets, self-interested exporting/international companies may cover information needs. For national and perhaps even more so regional markets, information and market linkage is much less developed. Regional trade is largely supplied through aid relief programmes or informal trade. It could be argued that regional (informal) trade is especially important for some regions in Uganda which are remote in national terms, but which are in close proximity to international borders. For example, the West Nile region and the area north of Mount Kenya have important trade links to the Democratic Republic of Congo and Kenya respectively (Coote et al, 2000). Given its informal nature, NGOs and CBOs are more likely to be able to access and provide information services than government or other bodies.

Although much attention is focussed upon NGO-private sector interaction, there has been less emphasis on the wider institutional context. In Uganda the PMA and NAADS initiatives might provide scope for more public sector engagement, especially in remote areas, so long as the haste with which these initiatives are being pursued does not dilute or render ineffective their local institution building components. Whilst NGOs and CBOs may be able to benefit from such public sector initiatives, it is equally true that their engagement in the initiatives themselves may be important in order to provide a better chance for success.

Even with networking between local government and private sector participants, limitations to resources in remote areas are likely to constrain the scope for market linkage development. The issue then becomes how to engage not just local, but also national (and perhaps international) agencies and institutions for specific remote area initiatives. Who should be the key facilitators? What sorts of resourcing are needed, including for institution building and attracting the private sector? There is likely to be substantial variation between locations in terms of needs and hence a highly flexible approach appears essential. Given the paucity of options, resources and surpluses produced in remote areas, programmes need to draw upon agricultural as well as non-farm activities, and cover both production and marketing.

Whilst NGOs and CBOs may have important institutional roles to play in developing market linkages, other players could play an equally (if not more) important role. The most obvious example is companies limited by guarantee (which represent a hybrid between NGO and private sector roles), which may be in a position to play the part of "honest brokers" while being more attuned to commercial issues. These companies may also serve as a source of technical information and training, which could be provided within a commercial or marketing context. One issue however, is the extent to which fees required for such services would render them inaccessible to the majority of farmers, especially in more remote regions. Hence, an option could be for initial NGO support to producers to cover fees for inputs from companies limited by guarantee, which could (and should) be subsequently withdrawn as producers accumulate resources (for example, through savings) to cover such costs.

Information systems represent a component within market linkage development that has received some attention in Uganda. Some notable examples include the USAID-funded Initiative for the Development of Export Agriculture (IDEA) and Famine Early Warning System (FEWS), the FOODNET market information system developed and managed by the International Institute for Tropical Agriculture (IITA), and activities by the Export Promotion Board and the Micro and Small Enterprise Policy Unit (Kleih, 1999).

The weaknesses in many systems to date revolve around their inability to provide sufficiently specific local and/or temporal information. Even where the latter problem has been addressed, cost-recovery remains a fundamental problem in view of the public good characteristics of information and the poor capacity to pay of producers and other actors in the marketing chain (Kindness and Gordon, 2001). Recent initiatives such as FOODNET do emphasise local information needs and the inclusion of the private sector both as a source of information and as a recipient, but further efforts must be made to include a multiplicity of players and institutions as sources and users of information (Kindness and Gordon, 2001). NGOs and CBOs, government extension and research organisations, and the private sector can play different but equally important roles in this context.

Identification of appropriate media for information systems has also been the subject of considerable attention. The broad consensus is that radio, especially local radio, offers one of the best options for both small-scale producers and local traders. District Information Officers can play a pivotal focus coupled with an engagement of local institutions working primarily through radio. NGOs could play a supportive role in such structures. Workshops, seminars and printed media may also prove appropriate options (Kleih, 1999). NGOs and CBOs clearly have potential roles to play in such services.

A complement to information systems is the provision of discrete pieces of assistance, either as a one-off, or as a series of events such as farmer "open days" (Matsaert, 2002). These events generally have a specific focus around which particular interest groups and participants are identified. NGOs and CBOs can play roles in both respects. A notable area, which could be supported by such activity, is the rural non-farm sector, if only because of its fragmented nature and the lack of recognition of its value on the part of most institutions. As a result, this sector is currently ill served in most respects, including market linkage.

More fundamental issues with respect to information systems concern their content. Information on prices and other issues play an important role in the development of efficient and effective marketing systems. However, this must be coupled with the development of "analytical" skills so that recipients understand (and can begin to assess for themselves) the way in which markets operate, the relative importance of differing market players, the scope for identifying new market options, the scope and means for promoting enterprise development, and so on. The PMA and NAADS have taken some steps towards recognising this (GoU, 2000).

Training and other assistance involving a wide range of players (farmers, processors, retailers, local government, farmers unions, CBOs and NGOs) and incorporating a significant self-starting component are most likely to be able to build such capacities. However, key questions remain. Who can help to set up such systems? What may need to be brought in from outside? How can contacts be initiated and sustained? What resources are available to ensure long-term sustainability? What are the most desirable entry and exit strategies for possible participants?

The overall conclusion regarding linkage development is that it will be an especially difficult task in remote areas, which reinforces the need to cover all production and marketing options and to engage coalitions of institutions and individuals. NGOs may be able to play an important facilitatory role, and CBOs may be very significant in developing self-starting components. In some cases, however, there may be a need for some kind of initial resourcing and support from government, donors or international NGOs. The scope for such support is noted (at least in theory) within the PMA. Care must be taken to ensure that initiatives are carefully tailored to complement self-starting components rather than the reverse. Flexibility and a focus upon developing local analytical capacity will be fundamental. As in earlier sections, a further conclusion is that there is no blueprint approach.

## Section IV
## Producer organisations

### 4.1 Context for producer organisations

Market liberalisation philosophy and the widespread mishandling of co-operatives, often as a result of government interventions, have given producer groups of all kinds a bad reputation in many parts of Africa. In Uganda, co-operative enterprise in the agricultural sector has a long history, but as in many other parts of the world, not a very successful one. This was largely a result of excessive government interventions in the co-operative sector, corrupt practices, government-induced distortions in input and output markets, and the opening up of cotton and coffee marketing systems to private sector competition. Given this history, Ugandan farmers remain suspicious of co-operative enterprise or similar producer-based organisations.

However, the fundamental logic behind such organisations (see for example Jaffee and Morton, 1995) and the advantages which they can bring, are re-asserting themselves. The potential value of group enterprise include cost and risk sharing, economies of scale, collective negotiation and internalisation of some externalities (Goodland and Kleih, 1999).

The robustness of their advantages and functions mean that producer bodies represent a key area for re-examination in the development of smallholder agriculture and marketing systems in general. Using examples of companies working with farmer groups for the production of high-value export crops, Stringfellow (1997) showed the advantages of co-operative models to both farmers and agribusiness. The case of the Uganda National Vanilla Growers Association (UNAV) in Uganda is quite illustrative. In this example farmer associations were established to assist participating farmers in accessing credit, bulking up production, and ensuring proper quality assessment of their crop. The system provided a number of benefits, including immediate payments to farmers, more timely collection and marketing, and collective price negotiation.

More recent work by Coulter (1999) covers similar ideas with a focus upon contract farming as a vehicle for group development. Group lending is proposed as a means to overcome lack of collateral and problems of loan repayment. Benefits to the approach are similar to those identified by Stringfellow. It is argued that so-called "linkage dependent" groups, that are those with a long-term link to a private sector service provider and/or buyer, are most likely to succeed in the longer term given the latter's vested interest in the success of the group. Whilst contract farming can provide opportunities, in most cases it is undertaken in the context of high-value export crops, where high returns can cover the substantial costs associated with extension and input delivery, transport, expertise and monitoring.

Burnett et al (2002) assess the option of group development in the context of export crops such as coffee, taking into account group functions, including bulking-up and quality assurance and grading. The paper notes the (much quoted) example of Kyibinge, where a successful producer group has been established. However, there may be some doubts over replicability since this particular group includes a single large estate that may be the nucleus for activity, which in effect may be largely responsible for the dynamism of the group and the success so far achieved. Group development in the coffee sector is in any event likely to be constrained at present by the very low international prices and producer margins.

Aside from export commodities, major production and marketing options are likely to centre upon food crops. Burnett et al (2002) present examples of recent developments for maize. In one case a local literacy group, the Nakisenthe Adult Literacy Group (NALG), has developed into a marketing body with functions ranging from input supply to crop assembly, quality assessment and negotiation of sales. Questions over sustainability of NALG centre on current support received from the IDEA programme, and from the fact that it sells mainly to the World Food Programme (WFP), which may represent neither a stable nor a long-term market outlet. A second example is provided by the Masindi Seed & Grain Growers Association (MSGGA), a group handling maize and beans. Functions are similar to NALG but the group also possesses storage capability that includes issue of (tradable) warehouse receipts. Although information on external support was not available, MSGGA seems to represent a more sustainable example.

Most if not all of the above mentioned case studies relate to areas with relatively good market access, which already produce significant surpluses, and where relatively high-value crops are often the focus of activity. For more remote regions and poorer producers a number of the principles already identified in earlier sections appear appropriate. Bodies need to include a significant self-starting element, including for example the development of savings rather than credit as a longer term strategy. Moreover, there may well be a need to engage a wider network of institutional partners and to develop working relationships with the private sector under relatively unpromising circumstances.

### 4.2 Potential NGO and CBO roles in producer organisation development

There are many practical difficulties in establishing and developing groups. Often, groups have been imposed from the outside rather than formed on the basis of common interest. Unwise use of subsidies, over ambitious strategies and free-rider problems has been common in group development initiatives. Such initiatives have often neglected the importance for most groups of focusing on a relatively reduced number of activities in their initial stages of development. Further, the fact that smaller groups have greater chances of succeeding has not always been taken sufficiently into account. In many cases links with the private sector have also been lacking. Finally, skill development activities targeting the group and its members have frequently lacked the required intensity and focus.

Given their flexibility and ability to work closely with rural communities and households, NGOs have an important role to play in the development of group vision and favourable group dynamics, based on democratic principles and wide member participation (Coote and Wandschneider, 2001). They are also well positioned to develop a facilitatory role once group operations are established. They can provide longer-term institution-building components, deliver production and marketing extension, and act as honest brokers in the development of linkages with other service providers and the private sector. Skill development in areas such as bargaining capability, organisation of savings capacity, and production and business expertise will be essential (Coulter, 1999). Generation of savings capacity (implying a strong role for other CBOs) appears to be at least as important as credit, but a question arises over the scope for savings from the outset, or whether some element of credit may be needed initially.

A more interventionist role may not be possible in view of resource constraints, unless funds are made available by government, donors or international NGOs. Even then, interventions will have to be carefully tailored to complement self-starting components rather than the reverse. The importance for small scale NGOs of working in collaboration with larger organisations such as international NGOs arises not only from resource constraints but also the need to gain access to relevant technical expertise and organisational experience.

Activity under the PMA and NAADS programmes should complement farmer organisation development, so long as these programmes are sufficiently well resourced, and provided the emphasis on rapid implementation does not dilute effectiveness. Given the past experience in Uganda, it is also critical that any new initiatives are developed from grass roots level upwards rather than from top-down measures which are likely to generate resistance and mistrust. In the short term, it is likely that external resources will not be available on a significant scale, and/or that any such availability will be patchy over remote regions as a whole.

The relative absence of models for poor areas with remote access must be acknowledged. The work of CARE, the Co-operative League of the United States of America (CLUSA) and OLIPA (a local partner) in Mozambique may provide an interesting example (Coulter, 1999; Kindness and Gordon, 2001; Coote and Wandschneider, 2001). The approach developed focuses on the formation and strengthening of marketing groups, with great emphasis placed upon links with the commercial and public sectors. An important component provided through both local and international NGO support is the development of confidence within the producer bodies to bargain with both the public and private sectors for access to information, services and resources.

The strategy includes the development of apex organisations (forums) of farmer associations. A sequential approach is followed, with an initial focus on the development of primary groups, and a subsequent emphasis on support to the formation and strengthening of forums congregating the most successful farmer groups. These apex organisations are seen as providing more effective negotiating power in respect of both input purchase and produce sale, with surpluses ploughed back into the next cycle of input purchases, extension advice, local infrastructure and services. Whilst initial finance has been provided through private sector loans, subsequent funding has been developed through savings in association with the banking sector.

The potential success of this approach appears to hinge upon a number of factors that may or may not be present in remote regions in Uganda. First, in the Mozambique case study agricultural production amongst groups focuses upon existing cropping patterns, but these include cash crops produced under contract, such as cotton and tobacco, which may explain private sector interest and its willingness to provide credit early in the development of supported groups. Second, the resource commitment by (international) NGOs is quite substantial and evident in the placement of a staff member for periods of one to two years servicing the needs of up to five communities. Third, success of this model and its replicability elsewhere also rests upon the overall market opportunities that exist in the areas of Mozambique where the programme has been successful, in comparison to those in remote regions in Uganda. Finally, the model relates only to the agricultural sector, and there is a need to assess its scope when including rural non-farm activities.

Whatever options are selected there will also be changing roles for NGOs and CBOs over time, and similarly for other institutions. For example, NGOs and CBOs may act as early facilitators, with this function being transferred later to the private sector or rendered unnecessary by producer organisation development. This point highlights the need for very clear exit strategies from the outset, especially for NGOs and CBOs, since some other participants, especially the private sector, will be enduring components in marketing.

Overall, the institutions participating in producer organisation development could be said to form a loose coalition with changing individual responsibilities and changing inter-institutional relations. To be successful, coalitions or interaction between institutions may need to be facilitated, but the question as to who might take on the role of promoting and assisting coalitions, and how to best achieve this, requires careful thought based on local circumstances. Government is one option. The PMA may provide some scope for inputs, but there is a need to identify the most appropriate institutional mechanism and level of facilitation. An alternative or complementary source might be international NGOs. In the example of CLUSA above, the NGO has performed at least part of such functions, although with a relatively narrow range of institutional participants, and for agricultural activity only. There is also some emerging experience with coalition development with a wider range of participating institutions based upon applied research and technical innovations (Hall et al, 2000), but less so in respect to actual development interventions (Biggs and Smith, 1998). Nonetheless, some practical tools are being developed which may assist in coalition development (Biggs and Matsaert, 1999), as discussed in the final section below.

## Section V
## Conclusions

### 5.1 NGO and CBO roles in marketing

This review has covered a range of areas where NGOs and CBOs might be involved in order to promote marketing of agricultural and non-agricultural products. Transport, notably the road system, provides part of the enabling environment within which marketing takes place. NGO and CBO roles here are confined to local initiatives, but it may be that these yield particularly high returns. More generally, the infrastructural and legal environment is largely within the domain of public and (to a lesser extent) private activity. For many non-farm activities, infrastructure components such as power and the legal environment may be even more important than for agriculture.

Credit is often asserted to be the key constraint in both production and marketing systems, but this represents an overstatement and a major over-simplification. In practice, credit forms part of a matrix of factors that are important within marketing systems. For example, farmer problems with credit are often as much to do with inappropriate (or poorly timed) packages of inputs funded through credit, as they are with weaknesses in credit systems themselves. Savings may in any event represent a more flexible alternative to credit, especially for the poor.

CBO participation in the supply of credit and savings includes ROSCAs and ASCRAs, and the latter in particular may form important (self-sustaining) components which support market development. Incorporation of private sector participation as early as possible is likely to be a key aspect of credit and savings initiatives. For example, in the CLUSA/CARE example it was credit from the private sector that helped initiating a self-sustaining cycle of savings amongst farmer organisations. It is also worth noting that whilst informal credit, and credit via NGOs, are often a focus of attention, the formal (banking) sector may also be an option (as in the CLUSA/CARE case and the Centenary Bank example quoted earlier).

CBO and NGO roles in core areas of the marketing system are generally more pronounced. There are several examples of successful NGO and CBO intervention in input supply, marketing and processing. Direct interventions have generally been undertaken by (or included substantial support from) international NGOs. A key factor is the resources that are likely to be needed, particularly when attempting to engage the poor and/or operate in more remote regions. Less direct action, for example to support the development of farmer groups and promote market linkages between different actors in the commodity chain, may be more feasible given their lower resource-intensity, but may imply a longer time frame to generate significant benefits. Even here, wider institutional inputs may be needed, including participation by international NGOs.

As in many other areas, involvement of the private sector is likely to be important for success since it can provide commercial expertise that may often be lacking, especially in smaller NGOs and CBOs. Given the very limited development of the private sector in many remote regions, part of the solution is likely to be the attraction of new private sector participants.

The scope for activities also depends upon the marketing options that are available. In Uganda domestic market options may be relatively limited, especially for remote areas, but some of these may enjoy opportunities through regional trade. In the latter case, NGOs and CBOs could play an important role, since most regional trade is informal in nature and therefore much less accessible to government interventions. Successful NGO initiatives have often been linked to international trade, but these options are likely to be much less relevant to more remote regions, especially where well-resourced international NGOs are not engaged.

The generation of market linkages in essence helps facilitate marketing activity whilst producer organisations represent a core component of the institutional framework required for the poor and remote regions to be more effectively integrated into the market economy. The promotion of appropriate market linkage entails the development of capacity amongst individual producers and also associated institutions in respect of their ability to analyse and understand the operation of markets and to be able to identify market opportunities. Market information as such may be a relatively important component in the early stages of market development. More focussed information based upon an individual event or a series of events, and covering specific topics of relevance to local producers, may be equally important, and well within the capabilities of NGOs and CBOs.

NGO and CBO assistance in market linkage (and farmer group) development could and should take advantage of opportunities arising under the PMA and NAADS. Similarly, the private sector can provide essential commercial components, and companies limited by guarantee may be particularly well placed to provide training and other inputs. NGOs and CBOs can assist producers to cover fees charged by such companies at the initial stages of the process, coupled with development of savings programmes to enable producers to cover such costs in the longer term from their own resources.

Development of producer organisations may entail significant costs in terms of resources and time, which many local NGOs and CBOs may not be able to afford. In part the scope for assistance from local bodies may depend on the strategy adopted, since there are possibilities for "growing" farmer organisations, initially based upon a limited range of activities. The rationale behind a focussed approach is that producer organisations can nonetheless cover a number of functions, including crop assembly and group or peer pressure mechanisms to raise or assure quality and recoup loans.

Part of these strategies is to engage the private sector as early as possible in order to access both resources and commercial expertise. The process requires a suitable "carrot" to attract private sector attention, and the value attached to functions performed by producer organisations with respect to crop assembly and co-ordination of input supplies may play that role. Beyond this stage it may then be possible to build up more substantial (and diverse) activities. It is also likely that producer organisation development will need to include market linkage components in order to diminish the risk of failure arising from external market shocks, including the risk of collapse of relief-associated regional markets for food crops.

There may be an apparent conflict between the factors that are most likely to lead to successful establishment of producer groups and the possible perceptions of potential members. In other words, the latter may wish to engage in more novel (and inherently risky) activity, rather than focusing upon existing areas of production and marketing. Supporting institutions (for example local NGOs) may share these misplaced aspirations. A further and more important conflict arises from the likelihood that in remote regions the paucity of production options means that any individual area is likely to involve a very limited surplus of production, adding to the difficulties in engaging the (vital) interest of the private sector. Under these circumstances, it makes sense to combine local production options as widely as possible in order to encourage and justify private sector interest, for example in transporting both inputs and produce.

Whilst it may be sensible to focus upon the simpler option of developing single purpose producer organisations in the short term, a strategy for the medium and longer term might include attempts to build an "apex" producer organisation, bringing together a range of activities (hence inputs and outputs), which may be much more likely to attract private sector interest. Such bodies should also be able to provide or facilitate market linkage functions. Whilst diversity of production represents a complicating factor, the marketing principles that apex organisations would need to operate are effectively relatively uniform, as could be certain physical service functions, such as transport for groups of produce with similar characteristics. The development of apex bodies is consonant with PMA policies, which include the development of farmer's forums and even federations of forums.

### 5.2 Roles for apex institutions and coalitions in marketing

Apex organisations may have greater incentive (self-interest) than other bodies to interact effectively with a wide range of institutions engaged in marketing. As such, apex bodies could act as the key agent (or "glue") in developing coalitions of institutions and subsequently managing the changing patterns of institutional relationships – bringing different institutions, and hence capabilities and functions, to bear on marketing as appropriate. Since the range of partner institutions is very diverse, it may be helpful to try to identify the more important partners both to make coalitions more effective and as simple as possible.

There are a variety of means that can be used to promote coalitions development (Matsaert, 2002), including categorisation of stakeholder institutions, influence and conflict matrices, and the actor linkage matrices. The actor linkage matrix (Biggs, 1999) may be particularly useful since it identifies the links and information flows between key stakeholders and/or institutions. It can be used to identify areas of opportunity for further institutional linkage and those where there is a need for strengthening. All these methodological approaches may imply a need for training support to institutions that are attempting to generate and sustain coalitions engaged in marketing.

Given the diversity of institutions that may play a role in marketing development, it may be useful to attempt to identify sub-groups of institutions which have a degree of common interest and function, and within these the most likely key bodies (at any given time). Actor linkage matrices could be used to initially construct such groups. A notional example is provided in Annex 2 below.

For the purpose of market development, the aim should be to always keep groupings as simple as possible, only engaging those institutions within a "coalition" that are really necessary at any given point in time. This has important implications for the development of both entry and exit strategies, especially for institutions that are likely to be transitory (those playing facilitatory roles in particular) such as NGOs and companies limited by guarantee.

Apex bodies may require assistance, at least initially, in pulling together appropriate coalition partners, and in co-ordinating functions and activities. Such support might be available through international NGOs, or even international research or development agencies. In Uganda, the NAADS and NAAS programmes may also be able to provide support.

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## Annex 2: Coalition development for marketing

Figure 1 illustrates a theoretical categorisation of institutional groups that could interface with producer apex bodies – assuming that the latter will form the core of coalitions. (Real examples would need to be developed in consultation with institutions on the ground, and could be developed using stakeholder analysis and actor linkage matrices). The aim in the example is to identify groups with a degree of common interest and those which may have to be present within a coalition in order to provide effective support for market development. Within each group a possible key or lead institution is identified.

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**Figure 1 Institutions, groupings and the development of coalitions**

The number of institutions engaged in marketing is substantial. In the lists below bodies are (fairly crudely) grouped together on the basis of shared interest and scale of interaction and contact. (Clearly there is also interaction between these groups – classification is based on a rough assessment of degree of contact). It is then useful to try to identify lead institutions within each group – that is, those that effectively provide maximum leverage to serve a particular purpose, such as the development of market linkages. This is not to deny that other institutions may not play equally key roles (if not more so) in terms of practical inputs, but without the key institution(s) the whole group may be much less likely to participate effectively. Overall, the assumption is that lead institutions from each group would interface with producer apex bodies.

Group 1 (Public good roles)

Government
Local Government
Aid Donors
Other international and bilateral agencies (research and development)
National research and development bodies
Extension services
Legal services and law enforcement
Formal credit and savings institutions

Possible key institution (short term):

Government – i.e. provides legitimacy, potential resources, and capacity to "lean" on other domestic and international institutions to support aims (with the exception of multilateral donors and some bilaterals?)

Group2 (Commercial roles)

International private sector
National private sector
Chambers of commerce etc (do they exist??)
Local private sector

Companies limited by guarantee (CLBG)

Possible key institution (short term):

Company limited by guarantee or national private sector: i.e. both are likely to be sufficiently resourced and commercially minded to provide key input/output services, yet sympathetic (companies limited by guarantee) or self-interested (national private sector) enough to support producer organisations.

Group3 (Community roles)

International NGOs
National NGOs (or National associations)
Local NGOs
CBOs
Producer organisations
Informal credit organisations

Possible key Institution (short term):

International NGO, i.e. expertise to a degree, plus resources to cover "soft" components of producer organisation development (empowerment, group dynamics, democratisation, etc) plus some access to international expertise and funding.

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There may also be institutions that play particularly important networking or interface between the 3 groups identified in Figure 1. For example, companies limited by guarantee can interface particularly effectively between groups 2 and 3; local government interfaces between groups 1 and 3, etc. Therefore, such bodies may also be particularly important within coalitions in addition to the "possible key institutions".

Over time institutional roles and significance will change. Taking the examples in Figure 1, in Uganda it is possible to hypothesise that in group 1 local government may become the key institution in time. Similarly, from group 2, the national and local private sector may be expected to take over roles initiated by companies limited by guarantee. In group 3 participation by NGOs should be expected to diminish over time as functions are increasingly taken over by producer organisations (or apex bodies) and/or the private sector.

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