The Provision of Agricultural Services Through Self-Help in Sub-Saharan Africa: Uganda Case Study

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LIST OF ABBREVIATIONS

ACDI	Agricultural Co-operative Development International
ACORD	Agency for Co-operation and Development
CIAT	Centro de Investigacion de Alimentos Tropicales
CRDP	Co-operative Reform and Development Programme
DANIDA	Danish International Development Agency
DENIVA	Development Network of Indigenous Voluntary Associations
EDF	European Development Fund
FON	Fruits of the Nile
IDEA Project	Investing in Developing Export Agriculture Project (USAID funded)
LC	Local Council
MMM	Mission Moving Mountains
NGO	Non Government Organisation
RC	Resistance Council
SIDA	Swedish International Development Agency
UCA	Uganda Co-operative Alliance
UNEX	Unions Export Services
UNFA	Ugandan National Farmers Association
USAID	US Agency for International Development
Ush	Ugandan Shilling

EXCHANGE RATES (January 1996)

Ugandan Shilling 1000 = US $ 1
Ugandan Shilling 1500 = UK £ 1

Executive Summary

1. This study was undertaken in January 1996 jointly by NRI and the Plunkett Foundation and is the second in a series of country case studies involving Ghana, Uganda, Mali and Zimbabwe.

2. During field work in Uganda a range of different types of group were assessed: 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. Visits were made to farmers' organisations and co-operatives at national and local levels. Discussions took place with both officials and with ordinary members. A feature of many of the primary group organisations was the strong role of women and their determination to seek economic independence from men within the rural community, and to take advantage of new economic opportunities.

3. The research revealed that at the level of the rural producer in Uganda there is much evidence of entrepreneurial activity to take advantage of new economic opportunities that are developing as a result of liberalisation.

4. 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.

5. Traditional forms of co-operation are readily identifiable in Ugandan villages. However these must be viewed against a background of the generally hierarchical power structures based on control by the male elite, common in traditional village communities in Uganda. Examples of co-operation in traditional village life should not therefore lead observers to conclude that traditional political systems are always based on democratic principles.

6. Many of the features associated with successful group activity, identified through earlier work on this project, were corroborated in the Uganda case studies. These included the importance of member homogeneity, organisational disadvantages of large groups, and reduced participation of members in larger groups with less transparency on financial matters.

7. Formal co-operative organisations are widespread throughout the country but the research revealed that their market share is being eroded through strong competition from private traders even though international development agencies have invested (and are continuing to invest) considerable funds and technical assistance in efforts to strengthen them. Funds released from the monetization of USAID PL480 and technical assistance from a SIDA funded Co-operative Reform and Development Programme (CRDP) are being employed to strengthen primary coffee co-operatives and their unions.

8. 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.

9. The research also showed that the group concept has been somewhat devalued by external agents who have used it as a useful mechanism for distributing aid quickly to rural inhabitants. In this context the establishment of groups is the expression of a dependency culture arising from supply driven assistance programmes, undermining the self-help concept implicit in collective group action. This creates problems for those whose objectives are to create strong rural institutions capable of delivering services to members on a sustainable basis.

10. The EDF Microprojects programme had failed to create sustainable groups and an evaluation showed that many groups were transient in nature and had formed only to access microproject grants. All this is changing and more emphasis is now being placed by the programme on sustainability through the mobilisation of savings, capital formation and business training.

12. The study reinforces the fact that 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.

13. A study of the Mission Moving Mountains (MMM), which is a Christian based NGO, indicates how an ideology can guide and reinforce sustainable development principles which are not always present in official aid programmes. A similar effect was identified with a women's Muslim enterprise group who were strongly motivated by their religious convictions.

14. The research also found that once established, 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.

15. The Kojja Vanilla and Fruit Association provides an interesting example of a private company relationship with a group of farmers which embraces the provision of finance, production inputs, extension and marketing services. Loans are even available for school fees and other social purposes. This type of farmer group relationship with private traders may point the way to the future, providing the business is conducted in an ethical and equitable way. It may become necessary for governments to provide an enabling environment to foster such relationships.

16. The Co-operative Bank is changing in nature and becoming more dynamic and offering services to processors and traders higher up the marketing chain. This could reinforce the new opportunities for producer groups to work closely with private companies involved in marketing and export.

The Provision of Agricultural Services through Self-Help in Sub Saharan Africa: Uganda Case Study

Introduction

This is the second of four country case studies (Ghana, Uganda, Mali, and Zimbabwe) on the role of farmer groups and enterprises in the provision of agricultural services in liberalised economies. It was commissioned by the Policy Research Programme of the Overseas Development Administration.

Under liberalisation, as the direct role of government is reduced, new institutional arrangements are required to fill the gap created by the state's withdrawal, and the research assesses the potential for collective action by farmers to meet this challenge. It does this by identifying examples where group action appears to be successful. In a final report when the case studies have been completed, the authors will draw out the lessons provided by these examples, and identify ways in which policy makers and donors can assist the process of sustainable farmer enterprise development through self-help.

During field work in Uganda a range of different types of group were assessed: 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. In all cases the groups were assisting their members in accessing financial, marketing, processing or input supply services. Of key importance to the research were the issues of how sustainable these arrangements were, the degree to which they were replicable and the role played by any external agency. Another set of questions that the research attempted to answer was the characteristics of successful groups, both in relation to internal organisation and type of activity undertaken[1].

The work was carried out by Rachel Stringfellow from NRI and Trevor Lucey from the Plunkett Foundation. Research assistance was provided by Johnny Mbisha and William Ekere from the University of Makerere in Kampala.

Appendix One provides a list of hypotheses to be tested through fieldwork which were drawn up following desk research in 1994. These have provided a guide for subsequent fieldwork in Ghana (January 1994) and for the present study in Uganda.

Section 1. Background

1.1 Agriculture in Uganda

Agriculture is the predominant economic activity in Uganda accounting for 51% of GDP (1991) and over 90% exports. Eighty per cent of the employed household population is in agriculture. There are about 2.5 million smallholders of whom 80% have less than 2 hectares each (World Bank 1993). Food production accounts for 71% of agricultural GDP and Uganda is normally self sufficient in food. Export production is only 5%. Coffee is the most important export crop.

The agricultural sector has grown rapidly in recent years (4.9% average annual growth rate between 1986 and 1991) but this should be seen relative to the general economic decline of the 1970s and early 1980s when armed conflict and the collapse of effective state authority discouraged economic activity beyond a subsistence level. Since 1986 agricultural growth has been as a result of the expansion in cultivated area rather than as a result of increased yields. Ugandan agriculture is therefore still recovering its former position rather than achieving real gains in productivity.

There are five main production systems. In the high rainfall areas around Lake Victoria, bananas, Robusta coffee and food crops are grown in mixed farming systems. In Eastern Uganda the Teso systems are characterised by annual crops (cassava, cotton) grown in two distinct seasons. Prior to the disturbances of the mid 1980s cattle were also important though cattle rustling during the war led to a severe depletion of stock. The Northern Systems, which also include the Northwest, have only one season and rainfall declines from South to North. Major crops are cotton, maize and finger millet in the North and groundnut, sweet potato, sunflower and tobacco in the South. The mountain systems in the West and East are important banana areas and Arabica coffee and tea are the main cash crops. In the semi-arid pastoral systems of the Northeast pastoral livestock production is combined with sorghum and millet cropping.

Since 1987 the Government of Uganda has been implementing an economic programme of reform supported by a large number of donors. This has included substantial reforms in the agricultural sector: the traditional export sectors of coffee (which accounted for 95% of the value of Uganda's agricultural exports in the late 1980s), cotton and tea have been liberalised at all levels of the marketing chain and privatisation of processing facilities is ongoing. This has contributed to a revival in production in all three sectors.

Another important development has been the emergence of a much larger non traditional agricultural sector which has included low value staples (maize and beans), fish and animal products, spices, silk, vanilla, oilseeds, horticultural crops and timber and wood products. This has been possible in part because of the liberalisation of agricultural markets and prices that has taken place, first in the domestic market for food crops in 1988 and in export markets in 1990 and 1991. Combined with other measures, these changes have reduced the barriers to entry, facing small to medium scale agro-enterprises, reducing the transaction costs associated with investment and trade.

1.2 The provision of agricultural services

Despite the freer economic environment and evidence of demand for Uganda's traditional and non traditional agricultural exports, the supply response of Uganda's producers is constrained by the weak institutional environment they face. Uganda lacks private or public sector institutions which can provide effective support services to producers, traders, and processors on a self-sustaining basis. This is evidenced in the low quality and yields of much agricultural production, demonstrating farmers' limited access to seeds and extension services. Fertiliser is not widely used and is expensive and difficult to obtain. At the level of marketing, evidence of high gross marketing margins is linked to high transport costs, high spoilage rates for perishables, high overhead costs because of underutilisation of facilities and lack of competition among farmgate buyers, due to the poor condition of feeder roads (World Bank 1993). Overall access by the agricultural sector to finance is severely constrained and is likely to worsen with the privatisation of the Uganda Commercial Bank which is expected to result in the closure of many rural branches.

There is therefore an urgent need to improve the provision of agricultural services to producers in Uganda to allow them to take full advantage of recently revived traditional and new market opportunities. The role of the government in this process will be limited: the Ugandan government already spends considerably less on agriculture-related services as a percentage of GDP than many other sub-Saharan countries undergoing structural adjustment, and public expenditure restraint at the sector level is likely to reduce allocations still further. Policy makers therefore need to look beyond the public sector towards enabling the private sector to take on many of the roles that in the past have been the responsibility of the state.

Section 2. Traditional and New Forms of Association in Uganda

2.1 Traditional forms of co-operation

Traditional forms of co-operation in Ugandan society include hunting in groups, group clearing and digging of land. Mutual societies for meeting large expenditures associated with social functions (initiations, weddings, funerals) also exist in many villages. Many of the women interviewed in the course of this research said they were members of tea drinking clubs which appear to be a form of rotating savings club. Other kinds of informal savings and loans clubs were also described.

The idea of co-operation is not therefore new. However it must be viewed against a background of the generally hierarchical power structures based on control by the male elite, common in traditional village communities in Uganda. Examples of co-operation in traditional village life should not therefore lead observers to conclude that traditional political systems are based on democratic principles.

This has important implications for the introduction of more formalised kinds of co-operative activity in a village to provide economic services. A belief in the superiority of a co-operative approach to economic development, emphasising shared ownership of services, democratic control and shared benefits in contrast to the individual self-interest of free market capitalism, is the underlying ideology driving many of those promoting co-operative or group activities in the rural economy. Yet, as noted above, this fundamentally democratic approach is not always rooted in the traditional political culture of rural people. Promoting organisations are therefore requiring those they work with to develop new forms of organisation different to those with which they are accustomed.

One commentator believes that the resulting directive role played by external agencies is in conflict with their stated objective of increasing local autonomy and eliminating dependence (Brett 1993). In his view it is often official policy and/or donor requirements driving the formation of groups for economic activities. Where left to themselves, he believes rural people are more likely to set up family businesses based on hierarchy rather than democratic principles.

This argument goes right to the heart of the present research: if Brett's observations about Uganda are correct, then the potential role of farmer groups in providing agricultural services to their members is likely to be very limited, except where groups are based on kinship ties. However, whilst there is some evidence that group formation in rural areas has been "supply" driven in Uganda by donors and other external agents (see Section Three below), our own field research suggests that such a harsh conclusion may be misplaced. Among those interviewed there appeared to be a strong commitment to the idea of collective action as the best means to overcome certain constraints faced by individuals. This feeling was particularly strong among members of women's groups, perhaps because women have been more marginalised by traditional village society. At the same time however those interviewed indicated an awareness of the potential problems associated with working together, based on their own experience. Organisational issues were highlighted as particularly problematic. The overall impression gained was that members understood the advantages and limitations of their organisations. Details are provided in the case studies.

2.2 The Co-operative Movement in Uganda up to liberalisation

The Co-operative Movement is well established in Uganda. According to the World Bank (World Bank 1993) there are 5,256 registered primary societies, 7 national unions and 37 district unions (although no indication is given as to how many of these are still active). The presence of these societies across Uganda has no doubt influenced the thinking of rural people on co-operative action. Though, as will be discussed below, the co-option of the movement by government deprived it of one of the essential characteristics of co-operation - member autonomy - with disastrous results, its origins lie in the independent efforts of African farmers to improve their returns to cotton production by competing with the established trading companies (Kabuga 1995).

The first co-operative association was formed in 1913. The colonial government did not respond favourably to this initiative, which was considered subversive, and it was not until the Co-operative Ordinance of 1946 that co-operatives were legalised. However the Ordinance gave the colonial authorities power to control the co-operative groups that had come into existence, and many groups refused to register under it. It was not until the Co-operative Act of 1952 was enacted, that sufficient autonomy was guaranteed by the law to make registration acceptable to most groups.

Over the next few years the role of the co-operative movement was transformed as the state sought to place the movement at the centre of its agricultural marketing strategy. In the process the movement lost its autonomy but in return acquired access to monopoly privileges and rents for the marketing of coffee and cotton. Both these changes fundamentally altered the character of the movement, distancing it from the original concept of co-operatives as voluntary societies of producers competing in an open economy. Despite this, co-operative members and officials supported the changes as they allowed the movement to penetrate an industry dominated by established and far better equipped expatriate firms. Many other arguments were used to justify the changes including the need to take advantage of scale economies, to allow cross subsidisation of less favourably priced producers, to control output and thus sustain higher prices and to prevent exploitation and hoarding by private traders. Such arguments were commonly used elsewhere in Africa at the time.

Official administrative and financial support enabled the new co-operative unions to acquire cotton and coffee processing facilities and buy quotas from expatriates. The unions purchased crops from associated primary societies which were established throughout the rural areas, each with their own stores, safe and scales. Competition between unions and societies was not allowed and members were only allowed to join one society. In the 1960s three "Apex" organisations were set up to provide services to the whole movement: the Co-operative Bank, the Co-operative Central Union and Co-operative Alliance.

The weakness of the new system, which replaced the discipline of the free market with government regulated monopolies, became apparent after 1971 when governments started abusing their powers of control for their own political ends. Corruption and embezzlement became rife as the movement was transformed into a tool of political patronage. Furthermore as it was government priorities that dictated price and taxation policies, the movement could not protect its members from predatory policies which sought to maximise revenues to government at the expense of fair prices to producers. As a result many societies collapsed as disaffected growers used alternative marketing channels or switched to the production of crops outside the official marketing system.

In the years since 1986, liberalisation of agricultural marketing has removed the movement's privileges and challenged its very survival. Today to retain any market share at all co-operative unions and societies need to be able to compete against private sector operators financed by foreign buyers, almost a return to the economic environment of earlier this century. This will be discussed in more detail below.

The other significant influence on the movement's development since 1986 has been the active role played by donors, notably SIDA and USAID, to reform the [movement] co-operative organisations (see Section 3.3 below). Underlying this support is undeniably a belief that genuine co-operatives still have a role to play in rural Uganda. Given this, and the fact that there are still thousands of registered co-operative societies in Uganda, we decided to include two co-operative societies among those selected as case studies.

2.3 Co-operatives in the liberalised economy

The decision by the Ugandan government to end the co-operative movement's monopoly on coffee marketing has forced the movement to re-assess its role in the Ugandan economy. As fierce competition has developed amongst traders, many of them pre-financed by foreign buyers, farmers are receiving a higher percentage of the final price, are being paid in cash[2] and are able to sell their crop at market outlets everywhere. These incentives have led to a sharp increase in local procurement as farmers, who had switched out of coffee, return to production.

To have any chance of competing with the private companies, co-operative societies must be able to match them on a price and cash payment basis. The key constraint has been finance, a fact implicitly recognised by the donors who have made crop finance a central part of their assistance programmes to unions and societies since the onset of the liberalisation process.

The experience of the coffee market liberalisation, which has brought considerable benefits to smallholders, inevitably questions the rationale for the continued existence of co-operative societies: what services can they offer which are not already being provided by the private companies? As noted above, co-operatives in Uganda came into existence originally as a means to improve the returns on cash crop production received by farmers.

Under the previous system producers were required to sell their coffee to their society on credit as the society in turn supplied the union processing facility on credit. Only after the sale of the coffee through the Coffee Marketing Board would producers receive payment.

If this has now been achieved through market competition, should donors continue to use scarce resources to finance the marketing activities of primary societies and unions if these are only replicating the privately funded activities of the commercial sector?

Within the scope of this research we cannot hope to offer a definitive answer to this important question. However through our case studies we will try to demonstrate what role one or two more dynamic co-operative societies are continuing to play in providing services to members and how certain characteristics relating to their constitution as collective entities provide them with some comparative advantages which are of benefit to members.

2.4 Self-help groups and indigenous NGOs

In addition to the co-operative movement, there appears to be a strong culture of participation through other forms of rural association in Uganda. In a survey of farmers to establish their main source of extension advice, a researcher at Makerere found that farmers gave "groups", covering a whole variety of different local groupings and associations, as their most important source (Ngambeki, personal communication). A consultant working for a Norwegian NGO compiling a register of local groups in the Soroti district found that there were more than 500 in the area (Anthony Ratter, personal communication). Farmers interviewed during the course of our field work described membership of a large number of different religious, social, municipal and charitable associations. The AIDS crisis, which has left many orphans across the country, appears to have contributed to a new wave of self-help groups to support the children and relatives who are looking after them.

A number of the country's voluntary associations have come together to form the Development Network of Indigenous Voluntary Associations (DENIVA) which had over 300 members in 1995. DENIVA's mission is to "contribute to the strengthening of the NGO sector capable of participating in and influencing socio-economic and political transformation for sustainable national development."

2.5 Resistance councils, local councils and the national government

The co-operative movement has been one mouthpiece for collective and democratic organisation in rural Uganda since the early part of this century. In more recent years, since the guerrilla years of Museveni and his subsequent take-over of government in 1986, the promotion of the Resistance Councils, which became the Local Councils following the approval of Uganda's new constitution last year, have introduced direct democracy in local government at the country's grassroots. It is beyond the terms of reference of this study to evaluate the success of this innovative programme of local democracy but it should be noted that official promotion of community action and local accountability in matters of local governance is likely to positively influence rural people's attitude to collective action. Similarly, the government's commitment to the promotion of women's interests and rights will influence the culture in which group activities are undertaken.

2.6 The Ugandan National Farmers' Association

This is a new organisation set up in 1992. It anticipates taking on a number of roles to meet the needs of smallholder farmers who are its target group. These include representation, service provision (extension, market information, marketing services and financial services) and training.

The fact that the UNFA has adopted such a broad mandate may demonstrate its lack of confidence in the ability of the Ministry of Agriculture and the Co-operative Movement to provide the agricultural services required by smallholders. The UNFA's decision to become directly involved in marketing (it was recently involved in procuring soybean for a contractor in South Africa) indicates that it also has little confidence in the private marketing system. Whether it will be able to provide better services to its members remains to be seen.

The UNFA has received substantial donor support. DANIDA has pledged funding for 10 years, meeting 90% of UNFA's costs in the first year, and 10% less in each of the subsequent years. UNFA will offset this decline by introducing an increasing scale of charges for its services in order to recover costs.

UNFA is seeking additional funding from the European Union for a rural financing scheme. This would recruit intermediaries (traders, input dealers) to on lend funds channelled through the banks to farmers. The intermediaries would be liable for the loans although the donor would provide the banks with a guarantee. At the time of our visit, no agreement on this proposal had been reached with the EU. It should be noted that loan guarantee arrangements for agricultural and rural credit are falling out of favour with donors and may well be inconsistent with sustainable development.

The UNFA anticipates becoming a mass membership organisation, and it is organised along similar lines to the Local Councils. District level branches are headed by a district executive committee under which there are sub-county executive committees and parish committees. Elections will be held every 3 years. Direct voting will be used at the parish level but above that level voting will be confined to the elected committees. District branches are free to fix their own membership fee in addition to requiring members to pay to join the national organisation.

Our impression is that the UNFA represents a new and dynamic organisation with an ambitious agenda. Donor funding will give it the ability to play an active role in agricultural service provision in the coming years, though whether it will be able to sustain this role when funds are exhausted will depend on its success in promoting the principle of cost recovery among members. Its decentralised structure and fostering of grassroots democracy through directly elected parish committees is likely to reinforce the national government's programme of community activism through the LC system.

Section 3. The Role of Donors Agencies in Promoting Group Activities, Co-operatives and Farmer Associations for the Provision of Agricultural Services

The previous section demonstrates that there is a strong tradition of association and co-operative action in rural areas of Uganda which has been reinforced since 1986 by the new political system. This is an important factor when considering the potential for farmer co-operation in the provision of agricultural services.

However indigenous initiative must be balanced against the impact of external agents, particularly donors and international NGOS, which are widely acknowledged to have contributed to the proliferation of groups in rural areas. By making development assistance conditional on group formation, these organisations have provided strong incentives for rural people to form groups. For example, the EDF Microprojects required all applications to be backed by a group. For Programme III of the Microprojects, 3000 applications were received from different groups from which some 300 were selected. Faced with this volume of applicants, it is not surprising that consultants evaluating the project found that those involved in screening found it difficult to assess the genuine character of the group. In a number of cases where income-generating projects were involved, the benefits had all been appropriated by one individual.

A number of people with extensive experience of rural development programmes interviewed during the course of this research expressed concern about the number of "empty NGOS" in rural areas, organisations set up by a few individuals simply to access resources from donors. This practice has become more prevalent as aid is increasingly channelled through the non government sector. One community worker suggested that rural peoples' thinking on group formation had been so influenced by this practise that efforts by the Ministry of Agriculture to disseminate its extension messages through groups had been undermined by the frustrated expectations of producers who had thought that by forming a group they would receive free inputs and other material assistance (Harriet Sylvia Nafuna, personal communication). 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.

How has this happened? We suggest that the objectives underlying donor projects which use a group strategy are not always concerned with sustainability. Achieving a target level of disbursement or providing rapid assistance to disadvantaged groups may encourage donors to target groups as an efficient means to distribute resources quickly. Alternatively, a donor's ideological commitment to the co-operative principal may encourage it to support programmes of assistance even when there is little evidence to suggest that effective co-operation is being achieved.

In the sections that follow a number of donor financed projects in Uganda which have used a groups' strategy are briefly described and assessed. In some cases sustainability does appear to have been low on the list of priorities, although the projects may have achieved other objectives which were felt to be of a higher importance. In other examples a process of evaluation and modification in programme design, or even complete change in strategy, has allowed donors to attach greater importance to the sustainability objective.

3.1 The EDF Microprojects

The European Development Fund Microprojects Programme is a capacity and community building programme directed at grassroots organisations in rural areas. It targets funding at social infrastructure and income generating projects and has, until recently, required applicants to have the backing of a group for the project. Applicants are also required to demonstrate that the project will provide a service needed by the community and that they can contribute one third of the project cost.

In a 1993 evaluation of programme activities, the consultants commented that though the selection procedure had successfully maximised the number of projects screened with the limited resources available in as limited a time as possible, 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 contribution; not all were providing a service actually required in their community and not all groups were genuine ones.

The impression gained is that the programme, for which considerable resources were available, was supply driven. Disbursement targets required the rapid identification of projects before sufficient time and resources could be invested in a more careful selection. This impression is reinforced by specific comments on the income generating projects evaluated by the consultants. Steps necessary to assess the financial viability of projects (costings, marketing study, working capital needs) were commonly overlooked and the information collected on projects was found to include little information on the dynamism of the groups involved and other external elements:

The collection of this kind of information is time consuming. More fundamentally, in rural areas where educational standards are generally low, it is likely to reveal that many project participants do not have the necessary skills to conduct successful businesses. A programme of rural enterprise development must therefore include training and capacity building - both in financial skills and group dynamics if the orientation of the programme is to be towards groups - if it is to bring lasting benefits. In the case of the Microprojects Programme, the consultants commented that this aspect had been given insufficient attention. Even where training had been provided by specialised agencies they felt that the quality had not always been good and was not adapted to the level of participants. This became apparent when project holders interviewed during the course of the evaluation did not appear to have full control of the running of their businesses. The outlook for project sustainability was not therefore good.

As a result of evaluations, the Microprojects Programme has been able to refine its operations and address the weaknesses highlighted by consultants. The programme now works with individuals or groups and the viability of projects is given more emphasis. Groups are required to have existed for two years before receiving support to ensure a minimal level of internal cohesion and capacity. A proposed new pilot project will link women's existing informal savings and credit groups with the formal banking sector through the Co-operative Bank. By linking groups with an external institution, which is independent of the project, and by working with existing capacity, the Programme hopes to ensure greater sustainability.

3.2 International NGOs

A recent study by the ODI[3] on the impact of NGO poverty alleviation projects in 4 countries, including Uganda, found that most NGOs studied, placed a high premium on the formation of new groups, or the strengthening of existing ones. In many cases the main function of the group was to facilitate the distribution and collection of credit, or to provide a mechanism to channel inputs to the beneficiaries. The relative lack of importance attached to group formation and training, which was especially noted in the Ugandan case study, suggested that creating sustainable institutions among the rural poor was not the prime objective of the programmes evaluated and a higher priority was attached to directly benefiting project members. If the NGOs as a result appeared to be playing a "gap-filling" role rather than a developmental one, the authors commented that this was a reflection of the fact that government efforts to alleviate poverty in many parts of Uganda were virtually absent.

Another aspect of sustainability is the relationship of the group to the wider economy and society. The authors found that in the majority of cases the NGOs underestimated the importance of the wider context in designing projects. Where income generating projects were involved this proved most problematic as projects failed to take account of patterns of market demand and competition. In one example in Uganda an NGO trained local unemployed youths in tile-making and purchased most of the tiles they produced for its own house-building programme, effectively insulating project participants from local market forces. There was no certainty that when the NGO withdrew, the product would be competitive on the local market.

The difficulties for NGOs of trying to develop sustainable rural organisations whilst simultaneously trying to bring rapid benefits to project members are well illustrated by the work of COOPIBO, a Belgian NGO visited during the course of field work in Uganda. COOPIBO works through local NGOs to improve farmer access to agricultural extension, input supply, participatory research, finance and marketing services. The criteria used for selecting NGO partners are: (a) that they have existing links with groups; (b) they provide relevant services; and they have origins in local initiative.

One group - Babiri Bandu Farmers Association - has successfully provided its members with access to a revolving fund, an extension programme through demonstration plots and to maize storage facilities. It is highly participatory and members are organised into small groups of 5-6 people. Savings are actively promoted. However much of the Association's success is linked directly to COOPIBO's support: 90% of the group's budget is externally funded, including the costs of employing the Association's three paid employees. COOPIBO admits that the level of activity would fall away rapidly if external funding was removed.

Mission Moving Mountains (MMM), a Christian[4] NGO operating in the Mbale district, originally with US support but now entirely under Ugandan management, takes a very

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The Impact of NO Poverty Alleviation Projects: Results of the Case Study Evaluations, Riddell and Robinson, ODI Working Paper 68, 1992

Sharing the Christian message is an important part of the work of MMM and training includes moral teaching based on participatory reading of passages from the Bible. The impression gained in different view of financial assistance to rural communities. Self reliance is central to its approach and from the outset it stresses to the communities with which it works that it will provide training to assist them in finding their **own** solutions to the constraints they face. It does not offer material assistance. MMM prioritises educational training in health, especially preventative health, agriculture and income generation schemes. This training is carried out by development workers selected by the village and trained by MMM.

Income generating activities are an important part of MMM programmes but it is not prescriptive about whether these are attempted on a group or individual basis, stressing rather that communities decide themselves how they want to operate and what activities they undertake. Relevant training, including participatory sessions on assessing the economic feasibility of an idea and learning new concepts like budgeting and costing, is provided but there is a policy not to provide loans, especially early on, as these are felt to create "expectation after expectation". Saving is strongly encouraged.

MMM is aware that effective group action is difficult and that often groups are formed in the expectation of receiving benefits from outside. It has worked in areas where other NGOs do give out grants or loans to communities at an early stage. Sometimes this has led trained development workers to leave the MMM programme, at least until the other NGO withdraws from the area. But on other occasions the presence of MMM has been crucial to the success of the new NGO programme. For example a Water Aid project provided tube wells to one of the communities in which MMM works and then withdrew without providing any training or guidance on their use. Had it not been for the health education work that it was doing in the community, MMM believes the people would not have used the tube wells.

MMM believes that it has an important role to play in providing communities with the capacity to take advantage of the opportunities available to them beyond the village and in the wider community, whether through another NGO or through government officials (MMM encourages communities to work closely with district medical staff and Ministry agricultural extension workers) or through other institutions.

Given the apparent effectiveness of MMM's approach in promoting sustainable organisations, it was decided to include one of the groups that it has been working with as a case study.

3.3 Donor support to the Co-operative Movement

3.3.1 Support to the primary societies

A number of donor funded programmes have provided loans through the Co-operative Bank for primary societies. USAID, through the Uganda PL480 Monetization Project, has supported the Co-operative Credit Scheme. In 1995 about USh 2 billion was given out in loans to 167 rural primary societies as crop production credit on a one year term. Each society had an average of 60 borrowers who received between USh 20,000 and USh

interviews was that MMM's approach to Christianity was similar to its development philosophy: inclusive, participatory and non directive. Muslims and Animists voluntarily attended Bible sessions with Christians.

300,000 each. Loans are unsecured but members of the society are jointly liable for them and the society must be a registered co-operative to participate in the programme. Each society is required to undergo training with the bank.

In the past this programme has been very expensive as a result of high overheads and very low repayment rates (an average of 67% between 1989 and 1994). Under its restructuring programme (see below), the Bank decided to admit no new groups to the programme and to retain only those which had repaid.

From 1993 a SIDA funded Co-operative Reform and Development Programme (CRDP), has been implemented by the Uganda Co-operative Alliance to develop the most promising primary societies into self-sustaining businesses. The rationale was that in the changed economic environment - particularly with the liberalisation in coffee marketing - primary societies needed assistance to take advantage of new opportunities and to maximise their comparative advantage of an established distribution and collection network. The programme was deliberately targeted at societies which showed the most commercial potential. Appropriate training was a high priority of the programme.

Selected groups were eligible for matching grants to provide working capital for procurement. Although some societies were in receipt of crop purchasing loans from the Unions, the additional finance was intended to provide them with resources to compete more effectively with private buyers. As well as financing, societies received training carried out by specially appointed co-operative development co-ordinators in each district. Training included "vision workshops" at which members were encouraged to suggest ideas for the future development of their society, assess their available resources and prioritise new activities.

Another aspect of the CRDP is the priority given to promoting women. It is directly supporting four women's societies in each district and all other participating societies are required to elect at least one female committee member in the first year of the programme and more in subsequent years.

By June 1995, 107 primary societies in six districts were receiving assistance as well as 29 women's groups, with a combined turnover of USh 7.1 bn. Forty one thousand members had been involved in the membership training programme and 59 secretary/managers had received more intensive training in financial management.

The significance of the CRDP 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 Movement would have disappeared in the face of private sector competition. Our case studies include two societies which are considered to have successfully participated in the programme. An evaluation will attempt to show what benefits members are receiving and what the prospects are for the sustained operation of the society once donor support has been removed.

3.3.2 Support to the unions for coffee exports

Seven co-operative unions, serving over 100,000 small cultivators from affiliated primary societies, have used credit from the Co-operative Bank, the services of UCA's export arm (UNEX) and technical assistance to build a system for growing, processing and exporting coffee in the liberalised market. In the 1993/94 season the Co-operative Bank gave out US$ 24 million to the unions for coffee exports, much of it from PL480 Monetization proceeds.

UNEX itself, which was established within UCA in 1990 following a decision by government to allow a limited opening of the export market for coffee, received assistance from ACDI (funded by USAID) and SIDA. UNEX's role was to assist coops in getting finance for export and to provide the necessary training. It did not purchase on its own account but received a commission from the Unions on coffee exported.

As the competition for exports has become more fierce, the co-operative unions' share in the export market is declining. At the beginning of 1996 UNEX decided to enter the trade itself. It believes that it will be able to use its established presence in the trade to access foreign finance which is more competitive than domestic loans. In this way it hopes it will be able to assist the Unions to maintain their market share.

Liberalisation is weakening the links between the Unions and co-operative societies. As the latter are free to sell to any buyer, and to the extent that they are not dependent on the Unions for working capital, they will sell to the buyer offering the best price. Given that the Union faces higher borrowing costs, this may not be the Union. Primary societies interviewed during the course of field work did acknowledge that they had sold on occasion to private buyers.

3.3.3 Support to the Uganda Co-operative Alliance (UCA)

Founded in 1961, the role of the Uganda Co-operative Alliance was to promote co-operative education to members and employees of co-operative societies. The troubles of the 1970s and 1980s nearly destroyed the Alliance but in 1986 support from the Swedish Co-operative Centre provided it with the resources to restructure and rebuild its institutional capacity to lead the co-operative movement. In 1988 USAID signed a 5 year support programme. Donor support included accounting and computerisation programmes, management support and training of trainers. Support was also given to the process of co-operative law reform which led to the Co-operative Statute in 1991.

As a result of donor assistance UCA has been able to maintain a high profile over the last decade. To maintain this in the long term when donor support has been withdrawn will depend on its ability to provide its members with services they are prepared to pay for. UCA Business Services Ltd and UCA Statutory Services Ltd (which carries out audits) have already been established for this purpose. Their success in turn requires an expanding and successful co-operative sector creating a strong demand for these services.

3.3.4 Support to the Co-operative Bank

USAID's support to the co-operative sector has included a programme to re-capitalise the Co-operative Bank in order to create a financing institution able to serve both the co-operative sector and the private business community. Priority has been given to converting the bank into a commercially sound operation before making higher-risk loans. Restructuring has included a retrenchment of 30% of the bank's staff to cut operational costs; a savings mobilisation programme which doubled savings deposits; computerisation; and training for management and staff. Unprofitable activities like the Co-operative Credit Scheme were restructured.

The bank now has assets of US$ 50 million and lending has increased by 28%. Its loan portfolio in 1995 stood at about USh 25 billion of which USh 10 billion was lent out to the co-operative unions for financing coffee exports; USh 13 billion to small businesses outside the co-operative sector and the remaining two billion in loans to primary societies.

The success of the USAID programme is evidenced by the fact that the Co-operative Bank is now competing successfully for private sector customers. To maintain this position and to ensure a profitable and self-sustaining future the bank will have to continue to tighten its procedures for loan approval and strengthen collateral requirements to minimise delinquency among new borrowers. It will need to keep down transaction costs and target high return sectors of the economy.

This inevitably raises the question whether the bank will be able to continue to provide services to the co-operative movement, particularly to the smallholders in the co-operative societies. Access to loans, especially when targeted donor programmes like the CRDP finish, will be a key determinant of the long term survival of the co-operative societies. In the past the bank played an important role in providing training and monitoring services to such groups, which were essential given the clients' lack of business experience and limited collateral. But in the present climate the expatriate Marketing Manager at the bank believes that this high cost function should not be internalised by the bank, especially when the extra costs are not justified by the need to find borrowers - the bank already faces a greater demand for credit than it can meet. A more appropriate service provider would be UCA's advisory services for which clients would pay directly. Alternatively NGOs could provide the training and support required to make groups of farmers bankable. Only where a donor is prepared to pick up these costs directly - as in the CRDP programme or under a proposed World Bank credit to the cotton sector which will provide technical/capacity building support to primary cotton societies - and provide the funds, is the bank prepared to become involved.

Despite its lack of enthusiasm for direct lending to farmer groups, the bank is pursuing other strategies to improve service provision to rural clients. One is to target lending at borrowers at a higher level in the marketing chain, for example processors or traders, who on-lend to the smallholders supplying them. As efforts are made to revitalise the cotton industry this approach is being considered for ginnery operators.

Savings mobilisation through an expansion of the banking network is the bank's other key strategy. 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. USAID is funding the establishment of banks in 7 rural areas. Based on projected savings mobilisation it is anticipated that these banks will become viable within two years.

A more radical plan is to create a network of 100 village banks. These would be modelled on the existing savings and credit societies common in the villages but they would be linked to the formal sector through the Co-operative Bank. Targeted at Uganda's class one trading centres, which typically have about 3000 residents, some 20 shops but no banking outlet, the banks would have set up costs of about USh 0.5 million. Five hundred residents would be mobilised to capitalise the bank by purchasing a share for USh 10,000 each. The Co-operative Bank would then provide training to an administrator to act as the bank's bookkeeper. Initially the village banks would only handle savings but once training was completed, and the administrator and executive board had established a good track record, limited loans would be extended.

The proposal has yet to be implemented. The approach however is consistent with the evolution of other programmes already described which have focused on mobilising existing resources, capital and experience as a more sustainable and less expensive alternative to the injection of externally generated resources.

3.4 Market linkages

As discussed above, one key determinant of the sustainability of any group activity is the strength of its relationship with the wider economy. Two initiatives are described below for which the existence of that link is of central importance.

3.4.1 The USAID Investing in Developing Export Agriculture (IDEA)Project

This new project was set up with the objective of increasing the incomes of rural producers from selected non traditional low-value and high value agricultural exports. Through the Agribusiness Development Centre IDEA provides technical assistance to clients seeking to produce, process or trade in such crops. An important part of its work is to promote links between traders and farmers.

The relevance of this project to the present research lies in the fact that the linkage component of IDEA's work may be facilitated through a group approach. Groups provide new investors with a more efficient way of reaching large numbers of producers, whether to provide extension services, inputs or to bulk up purchases. From the farmers' point of view, investors provide groups with new income generating opportunities through access to new markets and other services.

IDEA provided us with two examples of successful group involvement in the promotion of new agricultural products in Uganda. The first, in the production of vanilla, represents a link between a farmers' association and an exporter of a high value commodity. The second, bean seed multiplication, is an example of collaboration between CIAT (Centro de Investigacion de Alimentos Tropicales) and a women's group, supported by Mission Moving Mountains. Both examples were included as case studies in our research.

3.4.2 Fruits of the Nile

Fruits of the Nile is a private company which exports dried fruit (pineapple, bananas and mango) to a buyer in the UK. Many of its suppliers are groups of farmers. Though it is not assisted directly by any donor programme, the technology used in the fruit drying was developed by the Kawanda Agricultural Research Institute in Uganda with assistance from NRI. A number of its suppliers have received assistance from NGOs.

Once again the relevance of this example to the present research lies in the fact that groups have emerged as an important element in the company's supply system. Two supplier groups were identified for case study work.

Section 4. The Case Studies

4.1 Co-operative societies

4.1.1 Bwetyaba Co-operative Society

The society was established in 1957 with 20 members to provide marketing services for coffee, maize and beans. Membership now stands at 400, 125 of whom are women, although the active membership (i.e. those that sell through the society) is about 235. Membership is subdivided into seven geographical zones. In each zone there is a purchasing store operated by a storekeeper who is paid on a commission basis. A secretary/manager is responsible for the day to day operations of the society and he is assisted by a bookkeeper and the nine members of the executive committee. The committee is elected every two years and includes a representative from each of the seven zones. It meets every month and members receive an attendance allowance. A general meeting of the whole society is held once a year. The secretary/manager is appointed by the committee and is paid a salary determined by them. The society is affiliated to the East Mengo Co-operative Union to which it sells produce purchased from members. It hires the services of an auditor from the UCA to prepare the profit and loss account and balance sheet each year and to provide financial appraisals for new projects.

The main activity undertaken by the society is the marketing of coffee. Since liberalisation the finance for this has been provided by the East Mengo Union on an interest free basis and from the Co-operative Bank. The society is a member of the Co-operative Bank's CCS programme through which 230 members receive input loans of between USh 100,000 and USh 250,000. These are used for the rehabilitation of coffee bushes, the purchase of fertilisers and agro-chemicals and the hiring of labour. Repayments are deducted at source and the leaders in each zone play an important role in screening and monitoring borrowers. Other activities of the society include a rural savings scheme; an income generating water project in which marketing profits have recently been re-invested; and there are plans to set up a processing factory for coffee with a loan from the Co-operative Bank. Women members have formed their own group and taken a loan from the society to establish their own brick making project.

The society has received assistance under the Co-operative Reform and Development Programme which provided a matching grant to meet working capital needs following the society's own efforts to expand its capital base by increasing the value of each share by 500%. The CRDP has also provided the committee with management training.

The society's success in maintaining a loyal membership in the face of private sector competition and in extending its share capital base indicate that it has a critical mass of committed members who are prepared to support its activities. Effective leadership provided by the committee and secretary/manager has played an important role in this. Another strength is the society's diversification strategy, a direct response to the need to find alternative sources of income to finance marketing activities. This strategy has been financed in part by the CRDP but also through the decision by members to reinvest their profits in new enterprises.

Despite these efforts the society's dependence on coffee marketing as its main activity leaves it vulnerable to fluctuations in the coffee price and its limited capital base requires it to continue to rely on the Union and banks for working capital loans. Another potential weakness was highlighted by a group of women members: the present all-male leadership has been in place for many years and has prevented efforts by women members to be elected onto the committee. The resulting frustration among women members is compounded by a feeling that the committee does not share information with the membership, especially information on financial transactions.

Discussion of the society's plans to install a coffee processing factory highlighted another weakness: the evident enthusiasm for the project expressed by all members was not backed by any indication that either the committee or the secretary/manager had undertaken the necessary financial analysis to establish the feasibility of the project.

The Bwetyaba Co-operative Society was selected for inclusion in the CRDP because it was considered to have a better chance than many other co-operatives of surviving in the new economic environment. Success will depend on its ability to maintain its membership by offering them real and sustainable benefits.

Interviews with members indicated that they did feel they were benefiting from membership. Access to loans was the benefit most frequently mentioned, an indication of the high unmet demand for credit in rural areas. Although this is granted mainly to meet working capital needs and other seasonal requirements, loans to make emergency payments are also available to members, effectively providing them with a form of insurance. The high value attached to these services is evidenced by the memberships' low default rate.

Access to the society's savings scheme was identified as another benefit and some of the women members interviewed indicated that this constituted their main reason for joining.

The addition of 25 new members to the society in 1995 is another indication of success. That this is linked to the society's new activities is suggested by member's comments that former members who had dropped out of the society a few years before are now showing interest in re-joining.

The society's longer term sustainability will depend on its ability to establish viable new enterprises. By agreeing to reinvest profits and put up new capital, the membership has demonstrated an enthusiasm for new investments, but success will depend on the business skills of the society's leadership. It was therefore rather worrying to observe that neither the committee nor the secretary/manager appeared to have an awareness of even the basic concepts of financial appraisal.

What lessons does the Bwetyaba Co-operative Society example provide of relevance to the role of farmer groups in agricultural service provision? First of all, despite its primary function as a marketing society, the most highly valued services provided to its membership were loans and savings, suggesting that the comparative advantage of farmer groups may lie less in marketing than in financial services, at least in situations where the marketing system is highly developed. Secondly, the example demonstrates the interest of rural people in investing in new enterprises and illustrates how the co-operative model can provide a means of pooling individual resources to achieve this. However the success of any new venture is largely dependent on the business skills of the group's leaders. If these are weak, and an external agent is not able to provide effective guidance and training, then the likelihood of failure is high. Finally, the example illustrates the problems that women can face in mixed groups in cultures where men are dominant. Women in Bwetyaba have partially resolved the problem by setting up their own group within the society. The next case study, and the Mbarara example, show how a desire to be independent of male control has been one of the key factors in encouraging women to form self-help groups.

4.1.2 Bunandasa Women's Co-operative Group

The group was formed in 1990 as a "tea group", an initiative by a group of women to meet regularly to take tea and establish a rotating savings club. There were 18 members originally. Activities were later extended to the cultivation of vegetables on a communal plot. In 1994 the group came into contact with the Co-operative Reform and Development Programme (CRDP) and was encouraged to expand its membership in order to accumulate as much share capital as possible and qualify for a matching grant. As a women's group under the CRDP programme members were entitled to a grant equal to double their share capital.

The group was able to increase its membership to 62 and in order to receive the CRDP grant, it formally registered as a co-operative group. All members had to buy at least one share at USh 10,000 and pay a membership fee of USh 1500. Total share capital raised was USh 1.3 million which was matched with a USh 2.6 million grant. Under the conditions of the CRDP this had to be used as trading capital and the group decided to use the money to become involved in the marketing of coffee and beans and the supply of paraffin to members.

The women explained that by marketing coffee themselves they have been able to retain their earnings rather than hand them over to their husbands. Formerly as women were often excluded from membership of the established marketing co-operatives, they had to rely on their husbands to market their coffee which gave them little control over the cash received.

At an earlier stage members were involved in cultivating beans communally as well as trading them. However joint production created conflicts with individuals' own production commitments, which led the group to decide to limit its activities to marketing. Members' beans are purchased at harvest when the price is low. They are stored until the planting season when the price rises and then resold to members (who can buy on credit) and to non-members.

The group has a committee of 7 members with an additional two co-ordinators for produce buying and paraffin sales. These co-ordinators mobilise members directly to assist in paraffin sales and produce purchasing. All members are encouraged to ensure that coffee sales are made to the co-operative in the face of stiff competition from private buyers and members are lent funds for purchasing. The co-ordinators work on a voluntary basis but there are plans to appoint an employee. The committee meets monthly and there is an annual meeting of the general membership.

In addition to the matching grant, the group has received training though the CRDP. The secretary and treasurer have received training in finance and book keeping and all members have attended seminars on co-operatives (co-operative awareness, co-operative principles and legal issues in co-operative development); marketing and quality control; agriculture; and gender.

Members have received benefits from the society in the form of access to marketing services and the greater control over income that this has brought; the opportunity to purchase beans on credit; and access to paraffin even in remoter areas where private retailers do not operate. In addition members have received one dividend payment to date, paid out on the basis of patronage and the number of shares held.

The leadership of the group appeared committed and articulate. Several of the committee members were primary school teachers although the majority of the general membership were farmers.

There have been some problems with the repayment of loans for beans by some members. Poor attendance at general meetings was another problem raised by committee members.

The group is not looking to extend its membership. One reason given was that the existing membership did not want to share the benefits of the capital it has already invested with new entrants. Another was that the size of the group already made administration and an equitable sharing of responsibilities difficult. Most of the work is already left by the ordinary membership in the hands of the committee.

The group does not feel obliged to sell to the Co-operative Union - they sell to whoever will give the best price on the basis that "the market dictates".

The group attributes its success to the matching grant programme which substantially increased its operational capacity. The hard work of the committee members has been another important factor as well as a commitment by the entire membership to the principle of co-operative working. The group's geographical homogeneity was also mentioned.

There are no male members in the group although in theory men are allowed to join as ordinary members. In fact the CRDP discouraged male membership as it was felt that men would try and take over.

The group's future plans include a number of new economic activities including tree planting, a maize mill, establishing a savings and credit scheme and building a group store. The group intends to raise more share capital (which will allow it to qualify for more assistance from the matching grant programme) and to register as a co-operative society in order to gain access to other co-operative support programmes.

One of the group's strengths is that it is driven by a core of highly committed women who established their own self-help group without any outside support. Their motivation appears to have been self-improvement, the desire to have greater economic independence from their husbands and to take advantage of the new economic opportunities that the liberalisation of coffee marketing presented. The leadership's success in mobilising new members to take advantage of external support through the CRDP has also been crucial to the group's development.

On the other hand access to the matching grant through the expansion of membership appears to have involved a trade off in terms of group cohesion. The impression gained was that the committee was somewhat distant from the general membership, evidenced by the difficulty encountered in getting members to attend general meetings and even in rumours among the membership about the committee's use of funds.

In relation to the internal characteristics associated with successful group activity, this trade off is a clear illustration of the advantages in terms of group organisation of smaller groups versus the scale economies inherent in larger groups. Other "success" characteristics are the group's homogeneity (at least in geographical terms - the occupational differences between committee members and ordinary members may contribute negatively to the group's cohesion); strong leadership; the maintenance of books and records; and the provision of external training inputs. The group has its roots in local institutions (the women's tea circle) and has been able to eliminate less successful enterprises from its activities (communal production of beans).

On the other hand it is a multipurpose rather than a single activity group (desk study research suggested that a single purpose in the early stages is associated with success) and has plans to diversify further, which may place unsustainable demands on its leadership. In a way reminiscent of the Bwetyaba society, neither the committee nor the membership provided any indication that plans for new enterprises had been analysed from the perspective of their financial feasibility. This apparent lack of business planning has implications for the sustainability of the group's operations and may reflect the emphasis placed on co-operative education rather than business skills' development in the CRDP training programme.

4.2 Producer/processor groups

The next set of groups were identified through their link to a trader or processor.

4.2.1 Kojja Vanilla and Fruit Association

Kojja Vanilla and Fruit Association is one of several farmer groups supplying vanilla to UVAN Ltd., a company which buys, processes and exports vanilla.

Vanilla is one of Uganda's new export crops. Although it was originally introduced in the pre-Amin period, production was limited to meeting a very small domestic demand. It was grown by smallholders in the area around Lake Victoria, commonly intercropped with bananas and coffee. In the early 1990s UVAN Ltd began mobilising farmers in the Mukono District to grow vanilla for the export market. In the first year the company exported 5 MT to McCormick in the US. In the December/January 1996 season the company exported 60 MT from over 1000 farmers in the Mkono and surrounding districts.

Until 1994 two USAID funded programmes provided considerable indirect support to the company through a vanilla extension programme in the Mukono district. Four government extension workers, eight village agents and twenty one women's co-ordinators were funded through the programmes, as well as a vanilla advisor and project co-ordinators. The total cost of the programmes during the 3 years has been estimated in the region of US$ 300,000 -US$ 450,000.

UVAN works with groups of farmers organised into local associations. This facilitates the company's operations as the associations play a role in selecting suitable farmers for participation in the company's lending programme, recovering loans and bulking up and assessing the quality of vanilla for purchase. Groups are also used to mobilise farmers to attend training programmes. Another important function of the group is to negotiate with the company on the price paid to members each season.

The associations are registered under the register of companies. Each association agrees on common objectives and rules and UVAN Ltd provides some secretarial support and legal assistance. Each association has a voluntary executive committee and members are required to pay subscriptions.

There is no written agreement between the company and farmers on sales. At harvest the company's senior co-ordinator and zone leaders take cash to buy directly from the farmers. The senior co-ordinator has a vehicle and the zone leaders have bicycles.

The Kojja Vanilla and Fruit Association was formed in 1990 by farmers growing vanilla. By forming an association, farmers hoped to be able to deal directly with one buyer and negotiate a better price than that received through individual sales. They also hoped to negotiate for extension support. At about the same time UVAN Ltd was establishing its operations in the area and when it heard about the group it offered to work with them.

There are 350 members of the Association who pay a membership fee of USh 1000. A general meeting is held once a year but it is the nine member committee which meets every other month which carries out the major task of the association. Their main responsibilities are negotiating annually with the company on prices and providing training to members in vanilla production. This is done on a voluntary basis.

In principle the committee should be elected each year although the present committee has been in post for four years. Committee members are required to be prominent vanilla producers, owning at least 1000 plants (the average locally is 300) and to be of good standing in the local community. They must also be able to read and write although most farmers in the area are literate. One of the committee members is the company's production co-ordinator who is resident in the area and a vanilla producer himself.

Since the withdrawal of USAID support, extension has become a major problem for the Association. To assist them, UVAN Ltd. has provided committee members with bicycles. The company's zone leaders are also involved in the extension effort in the twelve different zones where the Association's more than 600 farmers live. They are paid on a commission basis.

At marketing time the Association mobilises its members to bring their vanilla to the collecting centres in each zone for sale to the company. A representative of the Association checks the quality of the product of each member and records this and the weight in a receipt book. This is presented to the company which checks the book, hands over cash to the co-ordinator and gives this to the zone leaders for distribution to the farmers.

The company provides farmers with loans through the Association. Applicants are screened by the zone leaders and the committee. Loans are paid in cash or kind, depending on the use for which they are intended (cash is paid for school fees, inputs are supplied in kind). The maximum level of each loan is set at half the value of the applicant's expected output and repayment is made after harvest through a check off system. The repayment record has been very good which is attributed by the company to the thorough vetting and supervision provided by the committee and zone leaders and to the high incentives for farmers to repay and so remain eligible for further loans. Locally membership of the Association and a good credit record with it is considered security for loans from other sources. In addition to the loans programme the Association has a small savings and credit scheme.

Benefits to members through membership of the Association are improved access to extension services; timely marketing of produce and immediate cash payments; a collectively negotiated price for vanilla and access to financial services.

The Association's main strength lies in the commitment of its leadership to work in a spirit of mutual co-operation with UVAN Ltd. In fact the Association's Chairman went as far as to offer the opinion that "the company and the farmers are one". However despite the benefits that this arrangement appears to have brought, it is easy to see this as a major weakness in terms of the Association's autonomy and independence.

In summary it can be said that this case study provides an example of a farmers' association which has traded its independence for access to certain benefits. This arrangement appeared to be acceptable to the committee members. Limited time meant that it was not possible to establish the views of the wider membership on this issue.

The lesson of this case study for the present research is that one strategy open to groups to improve their access to agricultural services is to align themselves with a trader or private company which, by virtue of its size, has a comparative advantage in accessing services. In this way the group can use its own comparative advantages (ability to mobilise members, knowledge of membership history) to channel services to its members via the intermediary. The drawback with this arrangement is that it assumes that both parties are drawing equal benefits from the arrangement and therefore will continue to co-operate.

4.2.2 Kyeirumba Muslim Women's Association

The Kyeirumba Women's Association is one of the groups supplying the private trading company, the Fruits of the Nile (FON). The Company has promoted the use of sun drying technology for the processing of fresh pineapple, mango and banana which is exported to Tropical Wholefoods, a buyer in the UK.

The Association was established originally as a study group for Muslim teachings at the encouragement of a prominent Alhadji, a local Muslim leader. There were originally 72 members. Regular contact led the women to discuss their needs as well as religion. They agreed to work together to build a clinic and received some assistance from the Islamic Relief Agency as well as a piece of land from the Alhadji.

The Association came to the attention of the British NGO ACORD which has a programme in the area. It proposed that the women become involved in an income generating activity and put them in contact with the Fruits of the Nile. When the women showed interest in the processing ACORD provided an interest free loan to build a solar drier. Some of the women went to Kampala for training in operating the drier as well as basic training in record keeping. The drier began operation in 1991.

The drier is managed by a member of the group who is employed full time to operate the drier and is paid on a commission basis. She is assisted by groups of four other members who rotate on a monthly basis. They are also paid commission on the quantity of fruit processed. The manager is responsible for the procurement.

This system of operation was not used originally. Though the group has had a manager from the outset in 1991, she was formerly assisted by 10 members who worked on a voluntary basis. This led to a lot of inefficiency as there was little incentive for the women to work hard and the limited capacity of the drier did not provide sufficient work for ten women at a time. The new arrangements have worked much better.

A number of the women in the group have also decided to purchase their own smaller driers which they operate independently, although they market their product as a group. Many use their own fruit. They were encouraged to do this by Fruits of the Nile which had a good market for the bananas at the time. Some sold livestock or other assets to finance this investment and 19 women in the group now have individual driers. FON assisted the women by providing polythene for the driers and assistance with construction.

The dried bananas are weighed, packed and recorded at the group's store (packing materials are provided free by FON) and taken for sale in Kampala by the manager's husband. The Company pays him in cash or by cheque if the amount is very large or if it has a cash flow problem. The group does not have its own bank account so payments are made to the Alhadji's account in Mbarara. This arrangement appeared acceptable to the women who regard the Alhadji in high esteem as a devout Muslim. The money is divided among those who contributed produce from their individual driers and profits from the group drier are put aside for repayment of the ACORD loan.

The group now numbers 43, having dropped from 72 mainly due to less committed members dropping out although a few members died. Membership has been stable for the last three years. There is a reluctance to admit new members given the limited capacity of the drier and the problems encountered in the past in trying to operate with a larger group. There are 3 men in the group, including the Alhadji, but the women have restricted the entry of any more men into the group through fear that they might try and take over and exploit them.

The group meets once a month to discuss its activities. Before the meeting the committee sits to prepare the agenda for the meeting. Members of the committee are the chairperson, the vice-chair, the secretary, the treasurer, the manager of the drier and four ordinary members. Elections for the committee are held each year by show of hands. To date the chairperson and the treasurer have been re-elected each year. The group is not registered as a co-operative although this is under consideration.

There are no active co-operative societies in the area and only one member is a member of another income generating group. Some members do belong to mutual assistance societies (for example, burial societies).

The women described several benefits of membership. Great importance was attached to the opportunity to learn new skills and interact with other local women and with people from outside the village in a way that had not been possible for members as individuals. An improved standard of living through the income generated by the fruit drying project was also very important. This had allowed members to pay school fees for their children, improve their houses and buy clothes.

The main problem the group is facing is the suspension of purchases of dried bananas by Fruits of the Nile since November 1995 as it had met the target for dried bananas set by the company's buyer in the UK. As a result, repayments on the ACORD loan have been suspended. The group has neither diversified into the drying of other commodities (pineapples or tomatoes) nor has it sought other markets for the bananas. The reasons given for this are that it is not profitable to dry other commodities given prevailing prices; and the group has an agreement with FON not to seek other markets for the product.

The case study provides an example of a group which has been able to successfully adopt a processing activity as a group enterprise by adjusting its mode of operation to overcome inefficiencies encountered. It has done this by creating a balance between group and individual activity. Individual incentives have been introduced to create a more efficient system for operating the group drier and individual processing has been adopted as well. In marketing, where the advantages of group activity outweigh any inefficiencies, the group deals collectively with the buyer.

The homogeneity of the group is a key aspect of its strength. The women share both a religious faith, and corresponding set of ethics, and a belief that through group action they can improve their opportunities as women. The importance attached by members to this aspect of the group's activities suggests that their objectives are not restricted to financial ones, though these are important.

The group did encounter problems because of its size in the earlier stages of its activities, given that the capacity of the drier limited its efficient utilisation of labour to 5 women at a time. This problem appears to have been overcome by the natural shedding of members (the "lazy" ones as the remaining members described them), the reorganisation of labour for the drier and the decision of some women to purchase their own driers.

The group's history indicates that it has both been driven from within by the ideas and aspirations of its members, mobilising their own resources to undertake activities as a group, and from outside through its links with the Islamic Relief Agency and ACORD. ACORD provided all the funding for the group drier on very favourable terms. Ironically this approach may have created more problems for the group, both in terms of management and loan repayment, than the alternative approach of purchasing much smaller driers with their own resources which the women themselves later adopted with the support of Fruits of the Nile. The latter arrangement was one which corresponded more closely to the existing capacities of group members. It has also proved less risky: as the women did not become indebted to acquire the driers, the suspension of purchases by the Fruits of the Nile has not created the same problems for the owners of the individual driers as for the group as a whole.

The leadership and support provided by the Alhadji to the group suggests that despite being a women's group, it is dependent to quite a considerable degree on a man. The payment of group funds into his bank account does not assist financial transparency. On the other hand the Alhadji is a member of the group and his motivation in supporting the group is well rooted in the culture of the local society and likely to be far more appropriate and sustainable (for example his donation of land to the group was made under customary law and is considered irreversible) than any support provided by an outside agency. Without his support, the group might have found it impossible to have any access to the banking system at all.

The group has developed clear membership rules, has regular meetings and elections of officers to the committee, which also meets regularly.

The group's most serious challenge appears to be the marketing problem it has encountered in recent months, which is made more critical by the group's indebtedness to ACORD. Members didn't appear to have any positive ideas for diversifying either their production or marketing links. Possibly ACORD's generous position on loan rescheduling had reduced the incentives of group members to find a solution to the problem.

Overall the group can be considered a qualified success. It is well rooted in its local community and members feel that it has brought them benefits, both of which factors are likely to contribute to its sustainability over time. Until recent months the group's links to an export market provided the financial benefits essential to its success. However dependency on one marketing channel has now created problems, exacerbated by the group's indebtedness for the drier. The managerial complexities of operating a group asset have also led the group to restrict new membership.

The case study provides an interesting example of the relative success of different approaches to group enterprise development. ACORD's approach involved group ownership and operation of an expensive technology, funded through a loan. Later the approach promoted by Fruits of the Nile used a balance of individual and group incentives and individual self-financing of a much cheaper technology. The latter approach appears to have been more successful over time.

4.2.3 Nakatundu Young Farmers' Group

The Nakatundu Young Farmers' Group is another group supplying the Fruits of the Nile. It was established in 1992 with 14 members. Members had already worked together in traditional labour sharing arrangements although they were not linked through kinship or village. The group acquired access to some land and each member was assigned one acre for pineapple production. All fruit was jointly marketed.

In 1994 the Group purchased four small dryers with funds saved from pineapple sales. Profits from their operation were reinvested in the purchase of more dryers which were allocated to individual members according to the extent of their contribution to the Group's overall pineapple production. By early 1996 only one member was still to receive a drier.

Members operating individual driers process their own fruit. The Group's purchasing manager procures fruit for the Group driers or these are hired out to individual members.

All production is marketed together. It is assessed for quality and weighed publicly to ensure transparency. During the processing season a vehicle is hired every 2 weeks and the chairman of the Group and two others travel to Kampala with the dried fruit. Each member is paid for his own production and the proceeds from the Group dryer production are put in a joint group account held at the Co-operative Bank in Kayunga. Some individual members also have their own individual accounts there.

The Group has a committee comprising a chairman, treasurer, secretary, general manager and purchasing manager. This is elected every 2 years. The Group is not a registered co-operative although members are considering registration to allow them to apply for a loan from the Co-operative Bank. The group meets at the end of every month.

The success of the Group has encouraged others to seek membership but members have levied a USh 50,000 entrance fee which has effectively deterred all newcomers. The justification provided is that the original membership has invested considerable resources in their business and any new entrant should be prepared to do the same.

Members are of a similar age, between 27 and 30. Two are actively involved in the local councils. They are all literate, having completed primary education and four secondary as well.

The group has never received any outside financial assistance. It was introduced to the idea of fruit drying by a local politician but the resources required to go into the business were internally generated. They do receive visits from the Agricultural Officer in the district and they are expecting a visit from the Minister of Agriculture in the near future who has become aware of their business through the district office. The group plans to stress to him the importance of government support for income generating activities through the provision of basic infrastructure. Electricity is not available in the village.

The group plans to diversify its activities and is considering setting up a fish pond and planting mulberry trees for silk. Coffee trading was considered but price fluctuations made it very difficult to enter the market. It did not appear from the conversations held that the group had assessed the financial feasibility of any of the new projects it was considering.

One of the motivations for diversification is the declining profitability of fruit drying. The price paid for the dried pineapple has not risen since 1993 and for 5 or 6 months of the year, when the price of the fresh fruit is high, processing yields lower returns than fresh fruit sales. Delayed payments by FON has also affected profitability.

On the question of size, members felt that a small group was better for making quick decisions and for remaining accountable to all members, as well as for monitoring the quality of the product. At the same time, members felt that the benefits of using the driers should be spread as widely as possible. Thus though they acknowledged that for managerial reasons a small group was better, they fully supported the establishment of new groups.

One of the Group's strengths has been the balance between individual and joint activities. Where the benefits of working together clearly outweigh the costs (for example for marketing), the group works together but it avoids the more organisationally demanding activity of joint production. The operation of common assets is delegated to one individual. As in the case of the Mbarara women, the divisible nature of the drying technology and corresponding lack of scale economies has facilitated this process.

Another strength is the group's self-reliance. It has not borrowed but built itself up gradually. Although it is seeking loans now to diversify its activities, the experience it has should assist it to use these wisely. At the same time, a large injection of funds could be disastrous if the feasibility of a new project has not been established. The group's greatest need is perhaps for sound business advice.

The group has many of the internal characteristics associated with success. Members are of a similar age and educational level; the group is small enough to allow effective organisation and participation through regular meetings; there is financial transparency and regular election of officers. The group has been self-financing until now and is driven by its membership and not by any external agent. It began with a single activity (pineapple production) which has extended to processing with the introduction of the dryers.

It's success is evidenced by the interest it attracts locally, both from prospective members and the District Agricultural Officer.

4.3 Community groups

The Makhai Women's Group in the Mbale District is one of the groups supported by Mission Moving Mountains (see 3.2 above).

4.3.1 Makhai Women's Group

The eight women in the group came together originally in 1993 to take tea together and discuss ways in which they could improve their lives. Their first initiative was to grow vegetables on a small shared piece of land. The group then received training on group dynamics and leadership from MMM and during 1994 established a piggery and a small area of sugar cane production.

In December 1994 through its links with MMM the group was contacted by a CIAT researcher, Soniia David, who was looking for groups to involve in a pilot bean seed production programme[5]. CIAT provided one week's intensive training in bean production (including training on plant diseases, the importance of rotation etc.) and group management and the group then planted a communal plot of ½ acre with 2 different new bean varieties. Both were successful and as a result the group hopes to hire more land for the next crop. Beans are sold to members of the community and to neighbouring villages. As output increases the group intends to advertise the beans more widely.

The group has a set of membership rules. The group meets weekly. Every Friday members are required to work together on the bean project and a fine is imposed on those who fail to come. Other rules cover time keeping, drunkenness and attendance at meetings. Members pay an annual membership fee of Ush 1000. Written records are kept of meetings and business transactions. Officers (chair, secretary and treasurer) are rotated every year.

Responsibilities for bean cultivation are shared within the group: one member is in charge of mobilising members for land clearance, another for planting and another for harvesting. However at weeding time when the women face conflicting pressures to undertake individual farm work the group acknowledged that mobilising adequate labour can be a

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CIAT has the world mandate for research on beans. From the late 1970s it has been working with groups and individual seed producers in Latin America as an alternative to working through the traditional formal multiplication system. Results have been positive and the approach is now being attempted in Africa.

The involvement of small-scale farmers in seed production has several potential advantages: lower production costs and hence lower prices; more timely seed delivery and greater varietal selection by farmers themselves in accordance with local preferences; the development of alternative means of selling seed (e.g. in-kind exchange, labour exchange); and spin-off effects on income generation and small enterprise development. As beans are often a women's crop, women may benefit particularly from these initiatives.

Initial efforts to involve groups highlighted the organisational problems associated with group enterprise and the need for business skills training. This has led researchers to try and select groups which already have some entrepreneurial experience and/or are receiving significant NGO support and training in group dynamics and business skills. The USAID IDEA project is providing support given that the research is consistent with its own "linkage" approach.

problem. Thus in future they plan to hire labour at this time and increase the price of the beans accordingly.

The group has a rotating savings scheme to which each member contributes Ush 1000 every two weeks. Members receive the combined savings in turn, minus USh 2000 which is saved by the group. Money in the savings fund is lent out at 10% interest rate per week. Members do not want to admit new members as they feel that a larger group would create too many organisational and personal problems. But the group is prepared to advise other members of their community who want to set up their own groups.

They have recently received a small loan from MMM but no other financial assistance before this. From a prospective MP in the area they received iron sheets, 5 bags of cement and Ush 6000. The group has links with the government through the District Medical Officer and the Ministry of Agriculture which has a policy of working through existing groups. The MOA has recently been distributing cotton seed (free) and sprays (on loan) to promote cotton production in the area and the group has received some of these.

The group has brought economic benefits to its members and social benefits in terms of enhanced status and confidence in the community. Members displayed a high degree of commitment to the group and to the idea of collective action to improve their lives. Many of the features of the group are ones associated with success: member homogeneity, a small group, a set of membership rules, a member-driven agenda, a high degree of self-financing and participatory decision making. It has also benefited from training inputs provided by MMM (especially in group dynamics and business planning) and by CIAT.

The CIAT/MMM link provides an example of the important role NGOs can provide in fostering links between producer groups and the wider economy. In the longer term such links are likely to be more sustainable than subsidised programmes for which the beneficiary is entirely dependent upon the NGO itself. In the short term the input from the NGO is crucial in creating a strong group which has the training and institutional capacity to take advantage of new economic opportunities.

Section 5. Conclusions

5.1 For what types of activity are FCEs most suitable ?

The case studies provide contrasting examples of how group activity has assisted farmers in gaining access to agricultural services. In the face of fierce private sector competition for marketing services, the comparative advantage of the Bwetyaba Co-operative Society appears to lie more in the provision of financial services to members than in marketing coffee. On the other hand, the Bunandasa Women's Co-operative Group does provide its members with significant benefits through the marketing of coffee. The Kojja Vanilla and Fruit Association has built up a close relationship with an exporter on the basis of the mutual benefits that this offers, which, in the case of its members, are access to financial services, extension support and a market for vanilla. The fruit processing groups provide members with the benefits of joint marketing. The Makhai Women's Group is involved in joint production and marketing. The group also provides its members with financial services.

In the sense that all the cases reviewed are providing benefits to their members, they can be considered a success. But in the longer term success requires activities to be sustainable. The more groups are dependent on outside support, the less likely this seems. Only two of the groups (the Nakatundu Young Farmers' Group and the Makhai Women's Group) had established themselves without any external financial support. In contrast both co-operative groups had received substantial grants through donor programmes and the Kyeirumba Muslim Women's Group was indebted to ACORD.

The risk of dependency through donor generosity can be offset by effective training, providing the group with the skills necessary to generate its own income once donor assistance has dried up. In all the cases reviewed the groups had received training, although the efficacy of this was difficult to measure in the short time spent with each.

Marketing appears to be the group activity most popular but the case studies indicate that financial services are highly rated by groups, particularly women. The group processing collectively (fruit drying) has not been a success and this supports one of our original hypotheses (see Appendix 1). In the coffee subsector, free competition in processing services is breaking down the links between primary coffee societies and the unions. The current evidence is that some primary co-operatives are marketing through private traders and bypassing the marketing and processing services offered by the co-operative unions, effectively squeezing their share of the market. This may be a developing trend as market competition establishes itself in the liberalised economy.

5.2 What factors determine success?

Many of the features associated with successful group activity, identified through earlier work on this project, were corroborated in the case studies.

Member homogeneity was a key factor in the success of the Nakatundu group, the Makhai women's group and the Muslim women's group. The feeling of solidarity through a shared identity appeared to be an important motivating factor, particularly in the women's groups.

On the question of the size, the smaller groups appeared to be more cohesive than the larger ones and members of both large and small groups were aware of the organisational disadvantages of larger groups. In the larger groups the committee also appeared more powerful and consequently participation by the general membership was less. For example committee members of the Bunandasa group expressed dissatisfaction with the relative lack of involvement of the general membership, whilst the general membership complained of the committee's lack of financial transparency. A similar grievance was voiced by ordinary members of the Bwetyaba Co-operative Society. In the smaller groups there was more evidence that members participated in decision making and financial transactions were more transparent (crucially meetings were more frequent, which meant that committee members could be more easily held to account).

A high degree of self-financing has already been highlighted as an important factor in ensuring the sustainability of a group's activities. The Muslim women's group provides a good illustration of the perils of debt: the suspension of purchases by FON would have put the group out of business if the loan had been from a private source. On the other hand, members who had purchased dryers with their own resources were in a far better position to withstand the loss of business. Self-financing also avoids any disequilibrium between the institutional capacity of a group and the institutional demands made on it as a result of its control over resources.

Other features of successful group activity suggested by the case studies are a shared desire among members to actively pursue new opportunities for economic advancement (this enthusiasm was common to all groups interviewed); and an appreciation by members of the advantages of collective over individual effort, balanced by an understanding of the limits of collective action (the fruit processing groups provided the clearest examples of this).

Taken together, these observations suggest that a successful group is one which can provide an effective channel through which members can link to the wider economy. This brings the benefits of access to new technologies, to new markets and to financial services over a sustained period. The group's ability to play this role and to identify and bargain effectively with the external economic agents and institutions providing these services is linked to its institutional strength. In the early stages external training which emphasises self-reliance, savings mobilisation, business skills and group dynamics is essential in creating strong groups.

5.3 How should FCEs be promoted?

These findings from our case studies are consistent with the evidence provided in Section 3 on the role of donors in promoting group activities in Uganda. Donors are becoming increasingly aware that sustainable programmes require a greater emphasis on capacity building and that promoting economic integration is a better long term strategy than disbursing grants or soft loans. In these circumstances the quality and appropriateness of training provided to groups becomes crucially important.

The case studies provide examples of donor promotion activity which are supportive of sustainable group activity and some examples that are less effective. The SIDA funded Co-operative Reform and Development Programme (CRDP), providing matching grants to top up working capital raised by a group, is a responsible approach to business development, particularly when coupled with business training. Similarly the MMM Christian-based NGO provides little financial support but focuses on training for self-help and microenterprise development.

At another level major USAID support for the co-operative marketing and export of coffee facilitated the transition from a state controlled to a free marketing system for coffee although now the co-operative sector appears to be losing market share to private traders who presumably are providing better services. This may be a sign that the co-operative structures are failing to compete with the private trade. It is too early to draw any conclusions based on the Uganda situation but the market share of co-operatives in the Mali and Zimbabwe case studies will be examined to provide a comparative perspective.

The EDF Microprojects Programme has already experienced problems with sustainability and adjusted its approach in response to evaluations which found that groups had little substance and were more a response to a supply driven funding programme than genuine farmer organisations . Prior to these adjustments it could be reasonably said that the programme was contributing to a culture of dependency in rural areas rather than self help and enterprise. EDF microproject programmes of a similar nature in many other countries have experienced similar problems. The programmes now place far more emphasis on savings mobilisation, capital formation and business training before any material assistance is given.

A positive finding is the donor support (USAID) for the Co-operative Bank which is becoming far more commercially minded and dynamic. It is for example making credit available for processors and traders higher up the marketing chain. This is a useful mechanism increasingly adopted in a number of countries, but there is a need to ensure that the producers lower down the chain are being treated equitably.

It is encouraging to note that CRDP and MMM place considerable emphasis on training for enterprise as this is so essential in terms of a group's ability to sustain its operations and expand. However despite this the case studies provide disturbing evidence that some groups are planning to access new economic activities but appear to have very little knowledge of the importance of feasibility studies and sound business planning.

Although not donors, the role of private companies linking up with farmer producer groups is an important development in Uganda and may well herald a new approach in other countries. Once again the arrangements should be such that the production and marketing functions are based on equitable arrangements in order to safeguard groups of producers and avoid exploitation. Market competition may ensure this. The vanilla industry in Uganda provides an interesting example of such an arrangement.

5.4 Priorities for the remaining country studies

As noted above, the evidence provided by the Uganda case study tends to support the original hypotheses developed in the early stages of this research. During the course of field work a number of other issues have emerged which have relevance to the issues of agricultural service provision and the development of rural enterprise. These are:

(i) the potential significance of links between private traders and processors in facilitating the integration of smallholders into the wider economy and the role groups can play in this process. This issue also emerged as a priority during the course of the Ghana case study;

(ii) closely related to (i), evidence that successful group enterprise appears to be closely linked to the ability of the group to insert itself into the mainstream rural economy and have effective forward and backward linkages embracing access to formal finance systems, effective input supply and secure marketing arrangements;

(iii) again in relation to (i), the degree to which these relationships are equitable ones and what scope there is for external agents to ensure that they are;

(iv) in relation to the formal co-operative movement, whether evidence of a decline in market share is a sign of the movement's failure to compete in the face of private sector competition;

(v) in relation to the design of donor assistance, evidence that supply driven programmes appear to be failing to promote sustainable enterprise and self reliance;

(vi) and that effective assistance programmes appear to adopt a step wise approach to group development encouraging self reliance and training.

The remaining case studies in Zimbabwe and Mali will provide further opportunity to test the original hypotheses and to explore the issues identified above.

Appendix 1

List of hypotheses to be tested during field work following the desk study in 1994

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

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

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

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

Appendix 2

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Appendix 3

List of those consulted during fieldwork

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