

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

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LIST OF ACRONYMS

ADB	Agricultural Development Bank
ASIP	Agricultural Services Investment Programme
BHC	Bank for Housing and Construction
CMDT	Compagnie Malienne des Textiles
COCOBOD	Ghanaian Cocoa Board
DOC	Department of Cooperatives
DED	German Development Agency
ETP	Extension Test Plot
FAO	Food and Agriculture Organisation
FASCOM	Ghanaian parastatal enterprises created for the delivery of agricultural inputs and other services
FCE	Farmer Controlled Enterprise
FFB	Fresh fruit bunches
FPP	Farmer Production Plot
FSCC	Farmer Service Centre Cooperative
GCC	Ghana Cotton Company
IFAD	International Fund for Agricultural Development
KKL	Kuapa Kokoo Limited
LACROSPED	Land Conservation and Smallholder Rehabilitation Project
MOFA	Ministry of Food and Agriculture
NGO	Non Government Organisation
PBC	Produce Buying Company
PC	Purchasing Clerk
SCIMP	Smallholder Credit, Input and Marketing Project
SG 2000	Sasakawa Global 2000
SRDP	Smallholder Rehabilitation and Development Programme
UNDP	United Nations Development Programme

SUMMARY

In this report, we discuss the findings of the first of four country studies on the provision of agricultural services by co-operatives, groups and other kinds of farmer-controlled enterprises. Group approaches are often encouraged by NGOs and some donors, and there is much to be gained by identifying factors which lead to their success. The objective of this research is to test certain hypotheses about: (a) the types of activity for which FCEs are most suitable; (b) the characteristics which are most often associated with success, and; (c) how FCEs should be promoted.

The study was carried out by two NRI staff and a Ghanaian consultant (costs were shared with another project) and involved: (a) obtaining secondary data and screening possible case studies; (b) field visits, concentrating on four specific cases which our original screening suggested were relatively successful, i.e.: Groups of cocoa farmers financed under a Barclays Bank lending scheme, on the basis of joint and several liability (Eastern Region); the Ntinanko Oil Palm Processing Cooperative (Ashanti Region); the Fufuo Co-operative Maize and Cowpea Marketing Society Ltd. (Ashanti Region), and; three Farmer Service Centre Co-operatives (Upper West Region). Various other projects and enterprises were examined at the screening level including IFAD smallholder lending groups, the Kuapa Kokoo Union and groups of cotton farmers in the north of Ghana.

Our first hypothesis was that: *the promotion of FCEs is widely justified in the African context for the provision of financial, input supply and marketing services but, notwithstanding exceptions, are not widely justified for the development of milling, agro-industry and other export-based industry.* The Barclays Bank experience suggests that FCEs are widely justified as a channel for lending in relation to cash crops, and that there is considerable scope for extending group liability approaches which hitherto have been mainly used in the microenterprise field. Ntinanko and Fufuo cases also show that FCEs can successfully provide marketing and processing services, or be vehicles for cooperation in agricultural production. However we conclude that such cases are not "widely justified", but "selectively justified". Success is less dependent upon the support of an outside agency (e.g. a bank or an NGO), and more upon the motivations and intrinsic qualities of the group members, and the cultural milieu in which they operate. Failure is extremely common, and in no sense can successful groups be "programmed" by an outside agency.

The Ntinanko case runs counter to the second part of our first hypothesis i.e. that FCEs are not widely justified for the development of milling, agro-industry and other export-based activity. However, Ntinanko experienced strong assistance from an NGO (TechnoServe) which anticipated managerial problems that might have arisen. There is a need for further research on this subject in the other country studies.

Our findings confirm the importance of the market for the commodity supplied by the FCE members, and the most successful cases concern cocoa, palm oil and seed maize, for which relatively attractive markets exist. Furthermore, in the case of established cash crops, groups can more easily gain access to financial services; this is currently the case with cocoa and possibly with cotton in the future.

Internal factors which determine success

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

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

How should FCEs be promoted?

The experience of the Barclays cocoa lending scheme supports the hypothesis that: *financial sector reform and the establishment of a dynamic commercial banking sector are key steps in establishing effective financial level group enterprises*. The initiative dates from 1988, a year of fundamental financial sector reform, and as banks gain confidence in the new economic order, appears to have further scope for development in relation to cash crop marketing.

There is a substantial body of evidence in support of our hypothesis that: *donor largesse and lack of coordination are significantly undermining African initiative in creating sustainable and dynamic FCEs*. This is particularly the case with a large FCE programme, where project evaluations revealed the following features which could be related to poor performance: lack of attention to financial sustainability of projects; the fact that participating banks were only conduits for funding and that their resources are not at stake; political interference in the process of group formation and; "mixed" performance by NGOs assisting groups. The text provides other evidence of this problem.

Performance of TechnoServe relative to NGOs working with IFAD provides some evidence for the hypothesis that *specialised NGOs are more effective in promoting FCEs than unspecialised ones*, but due to the dissimilarity in the circumstances under which they were working, we are wary in making hasty judgements.

In the light of our observations on the Barclays initiative and on the development of contract farming in northern Ghana, we feel that there is a case for NGOs to explore a more "complementary" approach toward group formation, by building upon spontaneous developments in the private sector. For example in the case of the cotton industry, NGOs might seek out groups of farmers who wish to enter into serious business relationships with banks, cotton companies and so on, and assist them in questions of internal organisation and management. By enhancing the cohesion of the groups, they become better credit risks for the banks and more reliable business partners in developing cash

crops cultivation. It also enhances the bargaining position of groups vis a vis commercial companies. Groups could also be assisted in preparing funding proposals.

Priorities for the remaining case studies

Regarding hypotheses and areas for research, we believe that the following are priority issues: the extension of group liability approaches, as employed in the Barclays case, to food crops and situations of higher risk; development of group approaches in complementarity with agribusiness; appropriate promotional and extension approaches, particularly with regard to women, and; whether and under what circumstances more complex group activities, especially processing, can be sustained in the long term.

Regarding the organisation of the remaining case studies, we strongly favour their being carried out by two-person teams, both to share the work load and ensure consistency of approach (which is particularly challenging with multi-country studies). Local consultants will also be involved where feasible. A consultative group will be asked to review country studies as they emerge and advise on next steps. Further details are given in the text paras 250 to 257.

SECTION ONE: INTRODUCTION

The Need to Study Farmer Controlled Enterprises

1. The Ghana Case Study is the first of four case studies comprising the second part of Phase I of the research project **Provision of Agricultural Services Through Self-Help in Sub-Saharan Africa**.
2. The need to study farmer controlled enterprises (FCEs) has become important as economic liberalisation in many Sub Saharan countries has led to a significant reduction in state provision of agricultural services. As new systems develop to provide these, FCEs may have an important role to play. By studying FCEs, and developing an understanding of what factors contribute to success, policy makers will be assisted in making informed decisions about their potential.
3. Another important reason for studying FCEs is that group enterprises are already favoured by many donors and NGOs for channelling assistance to agricultural communities. Our research suggests that many FCEs are established as a result of external assistance. There are practical reasons for this preference: working with groups may build on existing socio-economic institutions in rural communities where self help and co-operation are well established traditions; groups are cost effective because through them training inputs and resources can be disseminated more widely; and the success of the Grameen Bank and similar institutions in Africa has demonstrated how group liability can substitute for collateral, allowing many people previously excluded from the financial system to gain access to credit.
4. Ideological factors may also influence some NGOs who promote co-operatives as a superior form of economic organisation, freeing the farmer from "exploitation" by middlemen.
5. With this in mind, a study which attempts to evaluate the effectiveness of NGOs in promoting FCEs should indicate what approaches and in what circumstances success is achieved. As governments channel more development assistance through NGOs this understanding will be crucial.

Objectives of the Ghana Case Study

6. The Ghana case study is the first of four proposed cases to test the hypotheses developed in the first part of Phase I of the research. In summary form these were:
 - (a) That the promotion of FCEs is widely justified in the African context for the provision of financial, input supply and marketing services but, notwithstanding exceptions, are not widely justified for the development of milling, agro-industry and other export based activities;

(b) That features usually associated with success¹ 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 credit
- a single activity at the outset
- effective structures of accountability
- financial transparency and record keeping
- strong individual leadership
- participatory decision making
- heavy external training inputs in the early stages;

(c) That NGOs specialised in small business and/or co-operative development are generally more effective in promoting FCEs than are unspecialised NGOs;

(d) That financial sector reform and the establishment of a dynamic commercial banking sector are key steps in establishing effective financial level group enterprises;

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

Methodology

7. During the first part of Phase I, desk research was undertaken to identify gaps and issues for further research and to identify countries and cases for field research within the second part of Phase I. The research included a literature review and a consultation exercise through which 101 private organisations, 37 governmental agencies and 236 rural development consultants, with recent African experience, were contacted. Findings were presented in a report in December (**Provision of Agricultural Services through Self-Help in Sub-Saharan Africa**, December 1994, NRI/Plunkett Foundation). The Report's main hypotheses are given above in paragraph 5.

8. Ghana was one of several countries identified through this research with a range of apparently successful FCEs promoted both by the NGO and commercial sectors. Of particular interest were groups of cocoa farmers promoted by Barclays Bank and by Twin Trading; groups of cotton farmers supported by trading companies in Northern Ghana; and palm oil co-operatives promoted by TechnoServe.

¹ The key criteria used in the study to define success were: (a) benefits to members; (b) sustainability; (c) growth; (d) the enterprise's democracy and openness to all comers.

9. Fieldwork lasted three and a half weeks and was carried out by two NRI staff members (Coulter and Stringfellow) and a Ghanaian consultant (Asante). Time and costs were shared between this assignment and a review of progress on the implementation of inventory credit, of which the report has already been sent to ODA's Ghana Desk.

10. During the first week of field work, information was collected on these, and other possible case studies. Locally available literature was reviewed and interviews were held with the private sector, NGO staff and government officials. A full list of those consulted is given in Appendix 1.

11. The potential cases were screened in accordance with the success criteria previously identified, and four case studies selected. These were the Barclays Bank cocoa farmers; an palm oil co-operative promoted by TechnoServe; a farmer service co-operative project also supported by TechnoServe and the Department of Co-operatives; and a farming co-operative supported by Sasakawa Global 2000 (SG 2000). Visits were made to all these projects where FCE members, and where possible, non members, were interviewed using the outline given in Appendix 3 of the desk research report. Further interviews were carried out with the executive members and staff of FCEs, relevant government officials, representatives of the NGO or commercial organisation promoting the project, other farmers' representatives and competitors. As far as possible, project accounts were collected. The case studies are presented in Section Four.

12. A brief overview of all the cases screened is provided in Section Three. It was felt important to include this information as it reveals (a) much information relevant to the research; and (b) that a broad range of projects were covered despite the limited time available.

SECTION TWO: A BRIEF REVIEW OF GHANAIAN EXPERIENCE WITH FCES

13. In the pre-independence period co-operatives played an important role in Ghana, particularly the cocoa co-operatives which formed the backbone of the movement. However in the early 1960s, co-operative apex organisations were dissolved by government and their assets and functions transferred to parastatals. Over the next two decades inconsistent government policy further weakened the movement. The cocoa co-operatives were badly affected: their assets were seized in 1961, some were returned in 1966, only to be seized again in 1977. In 1989 legislation was passed formalising the forfeiture of all their assets.

14. During this period the government continued to promote co-operatives but as channels for its own development programmes and services. Although many co-operatives were created, they were perceived as government organisations, not private business enterprises. The word co-operative became associated with government interference.

15. Loss of interest in co-operative activity is reflected in figures provided by the World Bank. At the end of 1989, of a total of 10,585 registered co-operatives, only 1,000 were in operation. Most were small in terms of membership, as well as volume of activities. Among the primary societies, there were four main groups:

- (a) agricultural service co-operatives - some 5,000 registered of which only a few hundred are active.
- (b) industrial co-operatives - mainly distillers and bakers societies which in 1989 accounted for more than half of all active co-operatives in Ghana. However the sustainability of the distilleries is linked directly to the monopoly status they are accorded by Government.
- (c) non-agricultural service co-operatives - including transport, consumers, petrol filling stations and others. Although more than 3,000 have been registered, only 200 are active.
- (d) financial sector co-operatives - 250 active credit unions, offering savings and loan facilities to members.

16. The agricultural service co-operatives are a shadow of the pre-independence network of regional unions. The cocoa co-operative primary societies were under the United Ghana Farmers Cooperative Council which was dissolved after the 1966 coup. They were then passed to the state-owned Produce Buying Agency (PBA), a division of the Cocoa Board (COCOBOD), which took over their assets. The PBA was later reorganised as a subsidiary of the Cocoa Board under the new Produce Buying Company (PBC). What remains of the rest of the cooperative are a mix of semi-active unions and primary societies organised into the Ghana Co-operative Marketing Association; the Ghana Co-operative Poultry Farmers Association, which has approximately 25 primary societies with about 5000 members; the Ghana Cola Marketing Association with 23 primary societies and a small number of independently operating co-operatives.

17. The Co-operative Societies Decree of 1968 provides the legal framework for the registration and operation of co-operatives. It gives the Registrar of Co-operatives extensive powers to direct the administration and business operations of the societies. The Department of Co-operatives has 370 technical officers who have a regulatory and promotional/development function. Regulatory activities involve inspections, annual audits, scrutiny of annual budgets and, in some cases, countersigning of cheques issued by co-operatives. Promotional and development activities include member education and staff training as well as preparation of co-operative development plans and projects.

18. In the view of a World Bank team (World Bank, *op.cit.*) co-operative legislation is outdated. It gives the Registrar power to direct and control co-operatives in a way which could erode their capacity for self management and successful business operation. New legislation is needed to bring the movement in line with the more liberal economic environment which now exists.

19. Although it is beyond our remit to look into this matter in any depth, our discussions with the Registrar did not indicate that he or his department perceived their role to be highly directive. Moreover he strongly supported the idea of NGOs becoming involved in the promotion of co-operatives.

20. The Registrar's attitude reflects the new interest in co-operatives which has been created with economic liberalisation. The government now recognises the role which co-operatives and other rural organisations can play in the privatisation programme, especially in agricultural marketing and in the provision of financial services to smallholder producers. One indication of this change is the government's interest and support for the activities of TechnoServe, a US based NGO, which promotes the establishment of sustainable co-operative enterprises.

21. TechnoServe is a private, non-sectarian, non-profit making US voluntary organisation. Founded in 1968, its goal is to improve the economic and social well-being of low income people in developing countries, by fostering the development of small to medium-scale enterprises. It focuses on the rural areas, emphasising agricultural production, processing and marketing. TechnoServe Ghana has been operating for 20 years. Since 1986 it has focused its efforts on oil palm processing, inventory credit and farmer service co-operatives.

22. In its approach TechnoServe is committed to farmer control, group equity mobilisation and self reliance. It believes that the hand outs often made by NGOs do not encourage sustainable development and may even create a culture of dependence among rural people which stifles their own initiatives and energies. It also attaches great importance to the transfer of good business practices, including transparent accounting systems, accountability of officers and participation of members.

23. TechnoServe's approach is entirely consistent with the liberalised economic climate in Ghana in which the withdrawal of the state from many areas of service provision has created new opportunities for agricultural service enterprises. It comes as no surprise therefore that TechnoServe is working increasingly in partnership with the government and the major donors, including the World Bank and USAID. Details of its programmes are given in the next section.

24. Many other NGOs in Ghana adopt a "group" approach in their programmes, although TechnoServe is the most committed to the "business" approach. Sasakawa Global 2000 (SG 2000) has been using groups to disseminate new agricultural technologies, and in more recent years, has used groups to facilitate access to credit to purchase inputs. The formation of groups to facilitate access to credit is an approach which has been adopted by many NGOs, influenced by the success of the Grameen Bank. The most significant project of this kind has been developed by IFAD. Details on this and SG 2000 are given in the next section.

SECTION THREE: REVIEW OF POSSIBLE CASE STUDIES

25. As indicated previously, our desk research identified four possible case studies. In the first week, further information was gathered on these and other possible cases to determine which to follow up through fieldwork.

International Fund for Agricultural Development (IFAD)

26. IFAD is sponsoring three agricultural development programmes in different regions of Ghana. IFAD contributes 90% of the funding requirements and the Government of Ghana the other 10%. The first project, the Smallholder Rehabilitation and Development Programme (SRDP) began in 1988 in the Northern Region. In 1991 the Smallholder Credit and Input and Marketing Project (SCIMP) was established in the Ashanti Region and in 1992 the Land Conservation and Smallholder Rehabilitation Project (LACROSPED) in the Upper East Region.

27. The first two programmes were considered of greatest relevance to our study as they have included substantial lending to farmers on a group basis. Under the SRDP, c302 million was disbursed to beneficiaries until August 1992, reaching on average 200 groups each year and some 1,500 individuals. In September 1994, disbursement for SCIMP was equal to c2,100 million to 788 groups comprising 8,802 individuals.

28. The credit sub programme within the SRDP has three sub components: provision of seasonal credit on a group basis for food crop production; provision of credit for maize storage and food marketing, and; credit for women's income generating activities. Institutional support is provided to the participating banks, the Agricultural Development Bank (ADB) and the Bank for Housing and Construction (BHC), which channel IFAD funds to the programme's target groups. Beneficiaries for IFAD loans either approach the banks directly or are introduced by "group animators" which include the Department of Community Development, the National Council of Women and Development, the Women Farmers' Extension Division (all governmental organisations), the 31st December Women's Movement (a local NGO with strong party-political affiliations) and the Amasachina (a local NGO).

29. Although lending is made on a group basis, group liability is limited. Default by one or more members of a group will disqualify the group for the next season, but other members of the group are not liable for the defaulters' debts and are free to join different groups the following season.

30. An evaluation of the credit component of the SRDP programme prepared by Kuba Consult in April 1993 (Kuba Consult, 1993) paints a rather bleak picture of the programme. Recovery rates for the two banks are given below.

Year	Loan repayment - %	
	ADB	BHC
1988/89	94	100
1989/90	77	84
1990/91	70	79
1991/92	43	50

31. Civil disturbance in the Northern Region affected repayments in the fourth year of the programme's operation, but even before then repayment was not reaching sustainable levels. In the evaluation report, poor programme monitoring by the banks is considered a major factor, and the BHC's better performance is attributed to a more thorough monitoring system, facilitated by a smaller number of borrowers. Late payment of loans by the banks was also a major problem, given the very seasonal nature of farming in the area. The performance of the NGO "animators" was mixed, and in the worst case, one NGO was allegedly involved in the diversion of funds.

32. Other programme features may well have contributed to its disappointing performance. The incentives for those participating in the scheme to repay were weak: on the one hand, the banks involved were not lending their own money, and therefore had little incentive to set up costly monitoring systems; on the other, individuals were not jointly liable within groups for debts, nor did the bank demand any group security fund to offset the debts of defaulters. Thus there was little incentive for groups to screen out bad risks. Savings performance by groups was also poor, despite a loan condition to open up a savings account with the bank. Only 19% of farmers did open savings accounts with the banks, although around 50% were found to be saving in their homes, suggesting that the problem was more one of accessibility to banking facilities than inability to save.

33. The central role played by government and politically affiliated organisations may have weakened the programme. Our desk research indicated that a feature of group enterprise usually associated with success is the absence of political links.

34. Finally, it seems that a major weakness of the programme was the lack of attention given to marketing issues. Although it included provision of credit for maize storage and food marketing, this part was neglected. Most funds were for maize production and were granted on the basis of need, not on an assessment of a farmer's ability to repay. In practice maize proved susceptible to adverse climatic conditions leaving little marketing surplus. Although the rationale made for granting input credit is to provide farmers with the means to purchase yield enhancing inputs, unless yields are reasonably predictable, which is difficult when there is significant climatic variability, input loans can lead very rapidly to severe indebtedness, as this project demonstrates. Given the climatic variability of northern Ghana, limited national and sub-regional markets, and the absence of a dominant marketing channel, SRDP faced far higher risks of default, with maize, than did Barclays Bank with their cocoa scheme (this is discussed later in the text). The lending risk could have been reduced with more stringent requirements for group security, for example the accumulation of substantial group savings, prior to the provision of loans. However despite the greater risks involved, IFAD was less demanding than Barclays in this regard.

35. On a more positive note, repayment of loans for women's income generating projects was on schedule and default rates were minimal. The evaluators comment that where women had failed to repay, the rest of the group settled the obligation with the bank. The activities favoured by the women were rice processing, *pito*² brewing, shea butter and *dawdaw*³ processing. In the words of the evaluators, these are all activities with "a better potential for profit."

² Pito is a locally brewed beer

³ A fruit from a tree which grows wild in northern Ghana

36. The contrasting experience of the input credit and income generating projects within the SRDP show that it is not easy to replicate the group liability approach, so successfully developed for the financing of petty trade and micro-enterprises, for the purpose of seasonal agricultural lending. However the most significant difference between the two schemes was their relative profitability. Where seasonal agriculture is less susceptible to climatic factors and output is assured a secure market, results are likely to be more favourable.

37. On the grounds of sustainability alone, the input credit component of the SRDP did not recommend itself for a more detailed case study. We were interested in following up the income generating projects in greater detail but difficulties in meeting the programme manager and time constraints prevented us from doing so.

38. The second IFAD project, SCIMP, began in the Transitional Zone in October 1990 with the objective of raising food production and incomes of smallholders in an area where there appeared to be potential for increasing the marketable surplus. Women, as major food producers and as the heads of 30% of households, were targeted. The approach taken was similar to the SRDP: groups were used to link individuals with institutional credit, channelled through the ADB and three rural banks. They were "mutually responsible" groups under the supervision of three local NGOs: Women's World Banking, 31st December Movement and Apple. Groups were vetted by "District Co-ordination Units" composed of the District political head, a bank representative and technical staff. The purpose of involving the District political head is, in the words of IFAD staff, to ensure loan recovery.

39. By September 30th 1994 the programme had lent c2,100 million (approximately US \$2 million) to beneficiaries. Nearly 80% of this was production credit and about 20% was for marketing by women traders. Storage construction and processing received minimal funds.

40. A Mid Term Evaluation report prepared by Atta-Kay Consultants in April 1994 (Atta-Kay Consultants, April 1994) indicates that SCIMP was facing many of the same problems as the SRDP. Despite the more favourable climatic conditions, loan repayment was poor. This is confirmed by a project situation report for September 30th 1994 in which average recovery rates were only 50% by due date and 70% overall. The evaluators considered the performance of the groups to be poor, and that they failed to "exhibit cohesiveness and a singleness of purpose". They were often found to be "personalised by their founders", displaying little formal structure and operational coherence. The supervising NGOs lacked expertise and had not provided adequate training to the groups and the evaluators expressed concern that the 31st December Movement was staffed by civil servants. It appears that political interference was also a problem as the evaluators recommend that imposed groups should be avoided and "individuals should not be accepted or rejected on the basis of their political affiliations."

41. Other matters of concern were that savings mobilisation was low among the groups; men tended to dominate the executive positions of groups and most of the loans given were for production rather than processing.

42. In trying to summarise the problems encountered by these projects the following observations are pertinent.

- (a) The contrasting experiences of groups involved in economically viable activities (the women's income generating groups) and those involved in high risk farming (production credit groups) confirms the central importance of financial sustainability as a criterion for success.
- (b) Many of the features which, according to our desk study, are normally associated with success, seem to have been at least partially absent, including a lack of political links, member homogeneity, a clear written constitution and membership rules, a clear member driven agenda and a high degree of self financing. As the Barclays case will illustrate, simple group lending schemes do not necessarily require a high degree of self-financing, as do more complex FCEs involving group procurement, processing and marketing. However, with regard to political linkages, there is little room for compromise, because of the confusion which can arise between credit, on the one hand, and political patronage, on the other.
- (c) While we are unable to comment upon individual organisations, the available reports suggest that the overall performance of NGOs was not very good.
- (d) From the financial perspective, the weakness of the link between the programme and the commercial banking sector (the programme relied on donor funds channelled through the banks, not the banks' own resources) is consistent with our hypothesis that the establishment of effective primary level group enterprises is linked to the existence of a dynamic commercial banking sector. Where banks are merely conduits for donor funds, incentives to strictly monitor the performance of borrowing groups are reduced.

43. The IFAD experience in Ghana suggests that the group approach is no simple panacea to the problems of rural poverty. The success of the Grameen Bank and its clones may be a great inspiration to development agencies but the SRDP and SCIMP indicate that the approach cannot be easily replicated *en masse*. Success lies in maximising the potential of groups to minimise a lender's risk and transaction costs, not in establishing groups *per se*. Strong and highly motivated groups are required. According to the evaluations considered, the groups in the programme did not display these characteristics.

Poultry farmers

44. The Agricultural Development Bank has been successfully lending to groups of poultry farmers in recent years to finance the purchase of various inputs and service. Despite the fact that the scheme has been performing well, the socio-economic profile of group members (urban based, middle class) rules them out for further consideration.

Distillers

45. The World Bank reports that of the thousand registered co-operatives which were operational at the end of 1989, more than half were distillers' and bakers' societies (World Bank, *op.cit.*) In the case of the distillers, this relatively high rate of sustainability is explained by their legal mandate to handle the marketing of distilled alcohol, effectively giving them a monopoly.

46. This arrangement rules out further consideration of the distillers' co-operatives. Though they are successful enterprises, their success rests exclusively on an unfair market position, an inheritance of the days of extensive state control in trade and marketing.

Maintenance lending to cocoa farmers: Barclays Bank of Ghana Ltd. and the Agricultural Development Bank

47. Since 1988 Barclays Bank of Ghana has been lending to "peer" groups of cocoa farmers through the existing network

of Produce Buying Company (PBC) societies.⁴ Under the scheme, the executives on the seven member committee (Purchasing Clerk, Chairman and Treasurer) are responsible for vetting all loan applicants. Their local knowledge of farmers allows them to screen out poor risks and then recommend applicants to Barclays. The bank then sends an agricultural officer to assess applicants and successful ones are organised into sub groups of 10 - 15 members who are jointly liable for the repayment of all loans made to individuals in the sub group.

48. Although no collateral is required, all those receiving loans are required to contribute c5,000 to a security fund held by the society. The following sanctions are used to ensure repayment: (a) if a sub group fails to repay and the debt is not made good, all members are automatically disqualified from borrowing in the next season; (b) the security fund is used to meet the debts of defaulting members; (c) group members who repay their loans before term are not reimbursed for additional interest charges until all members have repaid.

49. Some of the societies have developed the scheme a little further and established associations of borrowers with an elected loans' committee.

50. The amount lent to each farmer is usually about 35-40% of the value of his/her average production at current prices and varies in size from about c50 000 to c1.5 million. Loans are not advanced until after the first rains in May/June which ensures that the bank does not bear the risk of losses through bush fires. Repayment must be made by the end of March.

⁴ The Produce Buying Company (PBC) is the state owned cocoa marketing company which had a monopsony on cocoa purchases in Ghana until 1993. The societies bring together cocoa farmers in a locality to sell to the local representative of the PBC, the purchasing clerk (PC). The PC pays the farmer by cheque (the *akuafu* cheque), recording the cocoa purchases in the farmer's passbook. If a bonus is paid to farmers by the state-owned Cocoa Marketing Company (which still has a monopoly on the export of Ghana's cocoa) as a result of a higher than expected export price for cocoa, farmers are paid a bonus on the basis of the production recorded in the pass book. PBC societies may have up to several hundred members who elect a seven member executive committee. The PC is on this committee.

51. The scheme is operated by nine regional branches of Barclays Bank. Details on volume of lending and repayment are given below.

Year	Amount approved (million cedis)	Number of farmers	Percentage Recovery
1989/1990	331	n/a	99.66
1990/1991	235	n/a	99.6
1991/1992	378	n/a	98.33
1992/1993	256	n/a	99.08
1993/1994	338	3702	97.91
1994/1995	324	2370	86.65*

* loans not due until 31/3/95

52. The Agricultural Development Bank (ADB) has been operating a similar scheme with farmers who cash *akuafu* cheques at their branches. Borrowing groups are jointly liable for loans and are limited to 20 members as a maximum. No collateral is required. In the 1993/1994 season 2,115 farmers were receiving loans from seven branches under ADB's Kumasi Area Office, with a value to c496 million.

53. Barclays considers its scheme a success. Repayment rates are high and although costs are considerable, the bank estimates that it has made profits of around c100 million. As cocoa marketing is liberalised and new buying companies set up operations with accounts at competing banks, the scheme helps Barclays to retain the patronage of its cocoa farmers because to qualify for the scheme a farmer must redeem his cheque at Barclays.⁵

54. On the other hand liberalisation is creating more risk for the bank as competing buying companies vie for the farmers' cocoa by offering cash payment. High prices last season may have postponed the impact of this change on repayment rates though managers at the bank appeared confident that these would not be affected in the future.

55. From discussions with managers at ADB, it appears that liberalisation has had a greater impact on their lending scheme. It was reported that repayment had fallen from about 98% to 68-70% for the last season. This was attributed directly to cash payment by the competing cocoa purchasing companies. As a result, the bank has already withdrawn the scheme from some areas and is thinking of lending directly to the purchasing companies in the future, not to farmers.

56. The schemes have been successful, and in the case of Barclays Bank, continue to be successful, because of factors which minimise the bank's risk and reduce its transaction costs. In relation to the groups, these can be considered "external" and "internal" factors.

57. Peer group pressure is the key internal factor as the subgroups are jointly liable for any defaulters, following the Grameen Bank approach. Another internal factor is the mobilisation of local knowledge through the seven member or loans' committee which

⁵ The encashment of PBC cheques is very good business for Barclays as it receives a commission of 1%. With expected purchases by PBC this season to reach 180-200 000 MT, the banks are looking at a total commission equal to US\$1.2 million.

vets potential applicants. In both cases, the bank is reducing its transaction costs to an acceptable level.

58. The principal external factor which reduces the bank's risk is the existence of a reliable export market for cocoa. Risk is further reduced by the payments system for cocoa purchases. When a borrowing farmer cashes his/her PBC cheque, the bank deducts his repayment on the spot. The only risk for the bank is a farmer selling his cocoa through an intermediary other than the PBC, either another buying company or through a third party. Until the liberalisation of cocoa purchasing in the 1993/94 season, the sole operation of the PBC reduced this risk.

59. We do not know why the two banks have had such differing repayment experiences over the last year, but it may be due to their approach towards group security funds. The increasing risks arising from market liberalisation suggest that the banks will, in the future, need to place increasing reliance on security funds as a means of ensuring repayment. However, ADB does not appear to have required the constitution of such funds. Group sizes are also slightly smaller in the case of Barclays.

60. The Barclays scheme provides a good example of the extension of the group liability approach from small traders and micro-enterprises to farmer groups involved in seasonal agriculture. Its success is apparent in the fact that it is financed by a commercial bank lending for profit, and is therefore sustainable, and that it has brought benefits to farmers who would otherwise be ineligible for loans. In addition, following liberalisation, it has maintained high repayment rates in the face of greater risk, in contrast to the ADB scheme which has been more negatively affected. Another indication of success is that Barclays is considering extending the scheme to groups of cotton farmers in northern Ghana.

61. On this basis, the Barclays scheme was felt to provide a good case for more detailed study and members of two peer groups were interviewed in the Nsawam district of the Eastern Region. Results are presented in the Section Four.

Kuapa Kokoo Ltd and the Kuapa Kokoo Union, Kumasi

62. We were originally guided to this project on account of the support it was receiving from ODA, via the NGO, Twin Trading. Kuapa Kokoo Ltd, a cocoa purchasing company, was established in 1993 following the government's decision to end the monopsony held by the state-owned PBC on cocoa purchases from farmers. Since its establishment, the company has promoted the development of autonomous groups of farmers into individual unions to sell to the company. The company is committed to a profit sharing arrangement with these unions (50% for farmers' unions, 45% for the Board of Directors or shareholders, 5% for employees of KKL) and intends soon to extend to them 50% of the share holding in the company.

63. Kuapa Kokoo Ltd's commitment to profit sharing and joint ownership with farmers sets it apart from the other private cocoa purchasing companies that have been established since 1993. This reflects the conviction of the company's founder, Nana Yaw Abebesa, that the new opportunities created by liberalisation in cocoa marketing should be used to return profits to cocoa farmers. The company also differs from its competitors in that it does not "impose" its own purchasing clerk (or "recorder") on the unions but requires them to elect their own, with a remit to prevent cheating on weight and quality, a common

grievance among cocoa farmers). However, KKL pays cash for small purchases of cocoa which is in line with its private competitors, which is illegal though widely practised by private cocoa buyers. Its rationale is that it saves small farmers the transaction costs associated with cashing a cheque at a bank.

64. Kuapa Kokoo Limited has received assistance from the British NGO TWIN Trading and from the Dutch NGO SNV. TWIN provided a loan (£33,000) to the company to purchase materials for its own use and for the unions. Repayment terms have still to be agreed. SNV has provided training and is currently funding an expatriate financial and technical advisor. In addition, the NGOs have established links with the Rotterdam based trading company, Max Havelaar, which pays a premium price for Kuapa cocoa on the basis that it can be sold as a "fair trade" product⁶.

65. At the time of our visit to the KKL, there were 40 member unions with a membership of between 20 and over 200 members. The KKL purchased 1,500 tonnes of beans in the first year of operation, 1993/94. A number of setbacks including the death of Nana Yaw Abebesa and slower than predicted turnover led the company to make a loss in its first year of operation. In January 1995, KKL had purchased about 3,000 tonnes of beans against a target of 5,000 tonnes for the 1994/95 season. Buying continues and an efficiency drive has improved turnover making KKL confident that it will make a profit this year. It is keen to press ahead with the transfer of shares to the unions, although the mechanisms for carrying this out have yet to be agreed. It is the company's belief that once the transfer has taken place and it has demonstrated its operational efficiency, farmers will be willing to sell the cocoa on credit to KKL, substantially reducing its working capital requirements and borrowing costs.

66. Despite our interest in the Kuapa Kokoo project as an alternative marketing system for cocoa farmers in Ghana, we decided not to include it as a case study in our research. The major reason for this was that the project is at an early stage and it is not yet possible to judge its success in relation to our criteria. The unions are only a year old and the unanticipated problems of KKL in the first year may have negatively affected their performance. It is difficult to assess what benefits they have brought to members and whether the groups are sustainable and likely to grow.

67. On the more general issue of features associated with success in group enterprise, the existence of a clear member driven agenda was found in our desk research to be important. It is interesting to note that in the case of Kuapa, the agenda for the unions appears to have been set so far by KKL and the NGOs. They believe that joint ownership by the farmers is the best arrangement for the farmers and should be carried forward as soon as possible.

68. A visit to one of the unions suggested that the members' agenda might not completely coincide. The first reason given by members for joining the union was that it offered prompt *cash* payment for cocoa. This begs the question as to how willing farmers would be to sell to KKL if they were asked to sell on credit. Other reasons given were profit sharing and the acquisition of inputs at lower cost through bulk purchase. Part ownership in the KKL company was not mentioned.

⁶ Kuapa Kokoo Ltd. may not export cocoa in its own name as this role is still reserved exclusively for the Ghana Cocoa Board. However, if it finds a buyer prepared to pay a premium price, it may claim the premium from the Board.

69. It is important to note that KKL is involved in an ongoing exercise to solicit the views of farmers on the ownership issue. It is hoped that the results of this survey will guide policy in the future.

Sasakawa Global 2000 Agricultural Project (SG 2000)

70. The SG 2000 Project has been working in Ghana since 1986. It is attached to the Ministry of Agriculture's Department of Extension through which it works with extension workers located throughout the country. Its main objective has been the introduction of improved technological packages for the production of maize, involving the provision of credit to buy seed and fertiliser, and improved cultural practices. Farmers were organised into groups to facilitate access by government extensionists and reduce the cost of administering the credit, which was originally provided directly by SG 2000, and at a later stage by ADB. Originally loans were made to individual farmers, but from 1991, loans were made to groups, with farmers being jointly liable for their credits.

71. SG 2000's early efforts (in 1988 and 1989) were characterised by an attempt to maximise impact in the shortest possible time. The number of beneficiary farmers increased to 80 000, but there were serious repayment problems, as farmers found that they could not obtain remunerative prices after the harvest. This led to a phase of retrenchment in which SG 2000 concentrated assistance on its most strongly performing groups.

72. New groups are assisted under the Extension Test Plot (ETP) scheme, in which farmers receive ADB credit for one acre each. Inputs are delivered by an appointed supplier (AGLO). Groups must have joint savings in a bank account of at least c10,000. Groups successfully graduating from this phase are then assisted under the Farmer Production Plot (FPP) scheme, where they cultivate two or more acres each, and are free to procure inputs from whomever they wish. Until 1992, FPP groups averaged about 15 members, but starting in 1993, smaller groups were assisted, averaging about 7 members. In 1984, there were 336 ETP farmers, and 682 FPP farmers, the latter organised into 79 groups of the old and new types. Repayment rates for FPP groups have greatly improved, averaging 91% for 1991, 93% for 1992 and 72% for 1993.

73. In order to help farmers overcome post-harvest constraints, they are now being assisted in the construction of drying cribs. Farmers are provided with designs and a donation of c20,000 per person with which to obtain materials.

74. Given SG 2000's extensive experience of working with farmers' groups we asked them to recommend a successful group for a case study. They proposed the Fufuo Co-operative Maize and Cowpea Farming and Marketing Society Limited in the Ashanti Region. Established in 1987, the 17 members of the co-operative have successfully developed both joint production and marketing activities, and established the co-operative as one of the country's best producers of seed maize, for which they received an award from the President in 1991. A full account of the Fufuo Co-operative is included in Section Four.

Groups of Cotton Farmers in the North of Ghana

75. We interviewed the managing directors (MDs) of two of the seven companies involved in cotton production in Ghana, the Ghana Cotton Company and Agrottrade Ltd., in Accra. Later in Wa (Upper West Region) we interviewed Agrottrade's deputy area and operations managers. We also met a mission from the Caisse Française de Coopération Economique (CFCE), which was studying the scope for French assistance in developing the cotton industry.

76. Both companies operate contract farming schemes. The company makes available inputs to farmers, ploughs the land and purchases the cotton after harvest. In return when the farmers sell their crop to the company, the price paid is adjusted to take account of the services received. Incentive prices are paid to more productive farmers. Despite this, and the fact that farmers are penalised for poor yields, productivity is lower in Ghana than in the surrounding Francophone countries. The companies attribute this to the diversion of inputs to other activities and the fact that farmers do not pay for the inputs they receive.

77. Groups play a role in this system but at present it is quite limited. Farmers supplying a given company in a locality are registered by the cotton company and together they form a group. They select a chief farmer who liaises with the company. The company assigns production assistants to each area and they are responsible for storing inputs and distributing them to the farmers and providing extension advice. They deal individually with farmers. At harvest, farmers bring their cotton to the local buying centre where it is purchased on an individual basis.

78. Given that the groups in this system are not engaged in joint commercial activity but are essentially administrative units to facilitate the companies' operations, it was decided that they could not form the basis for a more detailed case study within this research programme. **However the importance of the schemes in delivering inputs and other services to farmers should be noted.** The arrangements adopted by the company remove the need for the individual farmer to seek loans to purchase his inputs as he in effect obtains them on credit from the company. The company can be sure that the farmer will "repay" as an agreement with the other cotton companies exists to only purchase cotton from its own farmers. Defaults are negligible. Both managing directors commented that their farmers showed a high degree of company loyalty even in areas where several companies were active. GCC attributed this to its honest dealings with farmers, timely provision of inputs and retailing of consumer items at cost to their more productive farmers. The best farmers were invited to annual award ceremonies.

79. Another important service is the ploughing of farmers' food crop farms. The companies are aware of the priority that farmers attach to food crop production. By assisting them with ploughing, the company releases labour for cotton cultivation. A new scheme to provide fertiliser for food crops on credit to discourage the diversion of company fertiliser from cotton production.

80. In the future, both MDs hoped that farmers, through their own groups, would take responsibility for input supply to their members. The MD at the GCC reported that a few groups had formed to establish joint storage facilities for inputs and the company had provided some assistance with roofing and cement. He believed that if the groups could go a stage further and procure inputs, there would be efficiency gains and incentives for

the better farmers. At present the system penalises above average farmers: the standardised pricing system is based on average performance - ie average productivity. If farmers were to purchase their own inputs, the company would pay a full market price rather than the adjusted price. Above average farmers would make more on a unit basis providing incentives for more efficient production.

81. The GCC was pursuing this idea with the mission from the CFCE. One possibility would be to establish groups along the lines of the "Associations Villageoises" developed by the cotton parastatals in Francophone Africa. These groups might also federate for the procurement of inputs, as they have done in Côte d'Ivoire and elsewhere.

82. A system in which farmers purchased their own inputs would certainly be more transparent and would improve their bargaining position vis-a-vis the company. Above average farmers would benefit. On the other hand, farmers would face new transaction costs associated with acquiring credit and operating in acquiring inputs. A new risk would be poor group performance, leading to a breakdown in the supply of inputs. It should be noted that the Associations Villageoises in the Francophone countries are not without their own internal problems (see Coulter and Sanogo, 1993 on Mali). These may be exacerbated in the absence of parastatals to oversee the operations of the groups⁷.

83. Although the operation of contract farmer schemes is outside the TOR of this research, the role of groups within them is a relevant topic, which should if possible be addressed in the other country case-studies. Private companies can play an important role in meeting farmers' working capital needs, both for the production of cotton and, as indicated above, for the production of food crops. Effective FCEs may be a logical complement to this in developing more efficient commodity systems.

TechnoServe

84. In addition to the oil palm processing co-operatives identified in the desk research, TechnoServe's inventory credit schemes and farmers service co-operatives in the Upper West were considered during the first stage of the field work.

Oil palm processing

85. This is a common village based cottage industry in Ghana. In the mid 1980s, extensive research by TechnoServe suggested that palm oil had a good long term outlook with strong and expanding internal and regional markets. However marketing problems were preventing small holders producing the oil palm fruit from benefiting. The market at the large mills was unreliable and delays in marketing led to fruit quality deterioration. Household processing was slow and tedious. TechnoServe believed the answer was to establish small, low cost mills in rural communities.

86. In developing the project TechnoServe adopted an integrated approach, focusing not just on technical aspects of oil palm processing but on community organisation, business formation, financial and technical management and marketing.

⁷ these problems may be related to the large size of the groups, typically around 100 families in Mali.

87. TechnoServe visited 30 villages over a 5 month period in order to identify client community groups for the project. Consistent with its commitment to promoting self help and discouraging dependency, it emphasised to potential clients the need to establish a business relationship with TechnoServe and pay a management fee for its services. It also required groups to register formally as a co-operative and raise equity capital equal to 25% of capital requirements.

88. Ntinanko in the Ashanti Region was the first community to come up with the necessary investment. The community had already established a society to address its marketing problem.

89. Work began on site in Ntinanko in early 1987. TechnoServe worked with the group to develop operational by-laws, a business plan for the start up phase and an appropriate accounting system. Processing operations began in October 1987 and following a few early problems, by the end of 1988 Ntinanko was processing all available fruit in the village and attracting more from outside. Twenty eight processors were using the mill, of whom 20 had not been involved previously in oil palm processing. Demand for fruits provided a stable market for local farmers, increasing prices and encouraging rehabilitation of farms. The mill's success allowed the group to amortise their loan before term and in 1990 it "graduated" from TechnoServe assistance. It now employs its own manager.

90. The apparent success of the Ntinanko mill recommended it for inclusion as a case study: the group's activities bring benefits to members and are financially sustainable. The Ntinanko case is also of interest because its success, and that of two further pilot projects supported by TechnoServe, led directly to an agreement between TechnoServe, the Government of Ghana and the World Bank in July 1990 to replicate the project and establish 60 more small scale, privately owned palm oil processing facilities.

Inventory credit

91. Starting in 1988, TechnoServe, working closely with the Department of Co-operatives and the Agricultural Development Bank (ADB), has been encouraging small farmers to form co-operatives in order to avail themselves of inventory credit with which to store their members' crop, primarily maize, for sale at higher prices in the lean season.

92. ADB provides loans against the members' stock, at 75-80 percent of the current market price. The grain is stored in a co-operatively owned and managed warehouse, under the dual key system, with the co-operative holding one key and TechnoServe or ADB the other. Before co-operatives obtain loans they are required to demonstrate their commitment by holding regular meetings, registering their co-operative, generating equity funds, and keeping accounts and minutes of meetings.

93. Since 1992, TechnoServe has concentrated its efforts on seventeen farmer groups in Brong-Ahafo, Eastern and Central Regions. The following table shows a statistical summary of the programme and of TechnoServe's estimates of the resulting benefits to farmers:

TECHNOSERVE'S INVENTORY CREDIT PROGRAMME IN GHANA

	1992/93	1993/94	1994/95
Credits in millions of cedis	16.6	39.3	7.3
Number of groups	5	12	6
Maize stored (tonnes)	200	600	111
Repayment by due date	100%	100%	**
Average cash/bag:			
for participants (cedis)	9,473	11,486	**
for non-participants	6,960	6,854	**
Net incremental benefits:			
in cedis	2,513	4,652	**
in percentage terms	36%	68%	**
Average bags per farmers	14	19	**
Incremental income	9%	22%	**
Rates of exchange: April 1993, approx. 625 cedis = US\$1 Late 1994, approx. 1,000 cedis = US\$1.			
** indicates not available			
Source: BOAFO (TechnoServe's Ghana Newsletter), December 1994, and personal communication with TechnoServe staff			

94. The volume of credit more than doubled between 1992/93 and 1993/94, but fell back in 1994/95 as a result of a poor harvest. Those co-operatives which have used the facility have gained large benefits, and all loans have been repaid. In 1993/94, TechnoServe reported farmers gaining incremental net benefits of 68% from their maize sales, and an overall incremental income of 22%.

95. This is a very impressive result, but it has involved considerable outside supervision, as well as assistance in co-ordinating sales. Some of the co-operatives might not survive without this continuing support. They must cope with significant problems of mistrust between villagers, member apathy and, last but not least, the negative effect of past hand-outs and debt-forgiveness by other organisations. Persuading farmers to put their equity into schemes has been a continuing difficulty. Technical problems with storage were also reported but these have been resolved with outside assistance.

96. One of TechnoServe's answers to this is to encourage the co-operatives into downstream processing of crops. It is believed that farmers will cooperate more actively if they have a business which keeps them working together throughout the year.

97. The co-operatives exhibit several of the characteristics which our desk findings associate with success e.g. starting with a single activity, member homogeneity, financial transparency and accountability, high level of member equity. However they tend to be larger than the maximum figure suggested (25). Indeed TechnoServe encourages large groups with a view to attaining economies of scale. This factor may partially explain the problems of cohesiveness and sustainability experienced by these co-operatives. Another factor may be the fact that the co-operatives have formed around a concept supplied by TechnoServe, and that the agenda is not sufficiently member-driven.

98. As this case had already been studied by one of the authors (Coulter) on a previous assignment, involving visits to two co-operatives, it was decided not to include it in our list of case studies, but to concentrate on cases with which we were less familiar.

The Farmer Service Centre Co-operatives (FSCCs) in the Upper West

99. In the late 1980s the government decided to privatise FASCOM, the state owned farmer input distribution system which has warehouses in rural areas in the Upper West, Upper East and parts of the Brong Ahafo regions of Ghana. The Department of Co-operatives, anticipating a new role for itself beyond the established functions of registration and auditing, was interested in promoting co-operative ownership of these facilities by groups of small farmers. It approached TechnoServe with a proposal for a pilot project to be undertaken in the Upper West. World Bank funding was secured and channelled through the ADB.

100. Three FASCOM storage facilities at Bulenga, Fian and Nadowli in the Upper West were selected for the pilot project and the new co-operatives took over all the FASCOM stocks, including a large amount of fertiliser. Local farmers were encouraged to join, contributing share capital to the venture. As members, farmers were offered input and inventory credit services as well as input supply, access to some consumer goods, storage and marketing services. In 1994, the FSCCs extended their activities into small scale milling and processing.

101. The project had a number of features recommending it for further study.

- (a) Unlike the other cases studied it was located in the relatively poor north of Ghana, an area of erratic rainfall. For this reason, there is considerable NGO activity and donor interest.
- (b) The FSCCs are diversified operations providing a range of services to members, and as such, provide an opportunity to assess the kind of services which are best provided through group enterprise.
- (c) Despite a difficult start, due to input lending, the co-operatives had become profitable and had substantially increased their net worth.
- (d) It was an apparently successful example of farmers taking over a former parastatal operation.

FAO/UNDP Pilot Projects for the Promotion of Integrated Agricultural Development

102. Under this programme, which lasted from 1985-1990, three pilot co-operative societies were established, including two at Bonyon and Adidwan in the Ashanti region. The groups aimed to improve access to agricultural services including input credit and marketing assistance. Donors provided all farming equipment, including tractors and processing equipment. In 1990, when the FAO/UNDP funding ended, the project was handed over to the Ministry of Food and Agriculture.

103. An evaluation of the Bonyon and Adidwan groups undertaken in 1993 (TechnoServe, 1993) indicates that the groups were still active with over 60 members each. Meetings were regular and well attended. Agricultural productivity had been greatly increased. However the apparent generosity of the donors in early years was identified as a potential weakness. It had left them with high outstanding liabilities and according a poor record of self-financing.

104. Thus, though the positive achievements of these groups are noted, their initial dependency on donor largesse, and the significant liabilities they face as a result, exclude them from further study.

DED (German Development Agency)

105. DED has been supporting a co-operative demonstration farm in Subinsa. However the DED's Resident Representative reported that it had experienced major problems, a view that was confirmed by an evaluation report of September 1994. This stated that group formation had been poorly done and linked too closely to the passive receipt of credit inputs without any financial contribution from the target groups. The only selection criterion used in allocating credit was land size. As a result, groups showed little cohesion or motivation and the group principle proved to be no substitute for collateral as many of the farmers failed to repay and became indebted to the project.

Agricultural Services Investment Programme(ASIP)

106. This World Bank funded programme is providing financing through the Ministry of Food and Agriculture(MOFA) to rural groups for agro-processing facilities, marketing services, access roads and access to water. One aspect of the programme which is of particular interest to this study is the targeting of groups, especially ones which are already involved in group borrowing. In order to benefit from their experience with groups, the World Bank and the MOFA are working closely with TechnoServe and SG 2000 in developing the programme.

107. The programme began in February 1994. Thus despite its potential importance, no groups have been operating for the sufficient length of time necessary to assess their success. For this reason no case studies were selected from the programme.

SECTION FOUR: THE CASE STUDIES

Case Study 1: Barclays Bank of Ghana Lending Scheme to Cocoa Farmers: Case Studies in Adeiso and Dokrochewa, Nsawam District, Eastern Region

The Adeiso Society

Structure and operations of the society

108. The society has 400 members, of whom 300 bank with Barclays. Originally 10 members received loans but there are now 23 beneficiaries. The strict vetting of loan applicants by the society accounts in part for the low percentage of members receiving loans relative to the number of members banking with Barclays, but other factors are also significant. These include the reluctance of some farmers to take loans and the ability of other farmers to finance themselves, especially following the increase in cocoa price in 1994.

109. The executive committee is elected on a two year basis and meets at least once a month. The society does not have a separate loans' committee although it is considering establishing one. Farmers in receipt of loans are organised into three sub groups. The PC is no longer involved in recommending applicants. As someone from outside the area, he proved unable to select credit worthy farmers, leading to a number of defaults which the society was forced to make good through the security fund.

110. The treasurer, who is required to countersign all PBC cheques, does a lot of work for the society. He receives a small amount of compensation from the PBC for his efforts to which the society itself adds a further sum.

The membership

111. The age of farmers is rather elderly, ranging from 35 to 75 years; the younger ones are felt to be less reliable credit risks. About a third of members are literate, although even illiterate members are able to read figures in their pass books, bank statements and cheques after years of experience.

112. Members produce between 15 and 60 bags of cocoa at harvest, equal in terms of gross value to between c645,000 (US\$600) and c2,580,000 (US\$2,580) in the 1994/1995 season (price per bag = c43,000). They are not among the smallest producers, who harvest less than 10 bags of cocoa, but nor are they large farmers.

113. There are few women in the society and none are taking loans from Barclays Bank as they bank at the Commercial Bank. They finance their production through their own funds, usually from trading activities.

Benefits of the Barclays scheme

114. Access to working capital has allowed members to hire labour for weeding and so improve yields at harvest. This has been particularly important for the older farmers. Before the scheme, farmers were reliant on moneylenders who lend at 100% interest, often demanding payment in kind using a "bush weight" well above the standardised bag

weight. Money lenders also demand “pledging” of farms for non payment of debts. This transfers use rights of the farm to the money lender until the debt is cleared, and occasionally, in the case of default, leads to the loss of the farm altogether.

Problems encountered

115. The major concerns expressed by farmers receiving loans were: (a) that they were receiving them later than they wanted, as late as May or June; and (b) they felt they received no compensation from the bank "for doing its work", ie vetting and monitoring borrowers. (The bank's delay in granting loans has already been described as a mechanism to minimise risk through bush fire.)

The Dokrochewa Society Loans Association

Structure and operation

116. This society has its own association of borrowers which elects an executive committee. The chairman of the committee is the local chief. The committee is responsible for vetting applicants. Of a total of 300 members who bank with Barclays, 39 receive loans and are therefore in the association. They are organised into three sub groups, each with its own chairman. Thirty six members have already completely repaid their loans, two months before the due date.

117. Defaulters' debts are met through the security fund. The loans' committee makes good any liability to the fund either by deducting what is due from the debtor's loan the following year, or by seizing his cocoa. This is understood by all borrowers.

118. The loans committee is now extending its activities. After all members have repaid their loans, it purchases inputs in bulk using the security fund. It also lends to members seeking additional loans at 50%, well below the rate charged by local money lenders.

The membership

119. Members range in age from 30 to 60 and about 50% are literate. Many are former government employees in receipt of a pension and therefore have a higher level of education. Many members have more than one farm, often in different regions. Among the women in the society, ten are receiving loans.

Analysis of success and its causes

120. With reference to our success criterion, both groups appear to score well. They have brought benefits to members. They are financially sustainable as Barclays is committed to maintaining the scheme. The groups also appear sustainable as cohesive units, since whilst members are receiving benefits, they are likely to remain loyal to the group. Moreover, peer group pressure means that if a member disrupts the operation of the group, he is likely to be removed.

121. The groups are internally democratic and are “open to all comers” to the extent that they are able to satisfy both the society/loan committee and the bank's agricultural officer.

122. The groups demonstrate various features which our research associated with success:

- (a) member homogeneity: all members are cocoa farmers and all are identified “good risks”
- (b) membership of sub groups is limited to 15 members
- (c) objectives are purely financial, ie access to loans
- (d) there are no subsidised interest rates
- (e) the groups started with a single activity, although the Dokrochewa group is now extending its activities
- (f) accountability is assured as members hold individual accounts with the bank; for access to the security fund held by the society, the bank requires evidence of the group's agreement
- (g) strong individual leadership, especially in the case of the Dokrochewa group which is chaired by the local chief. It is likely that his authority has allowed the group to find effective responses in dealing with defaulters.

Case analysis

123. The Barclays case supports the hypothesis that a dynamic commercial banking sector can play a crucial role in the establishment of effective primary level group enterprises. It is also significant that the bank has achieved this without the mediation of any third party. The scheme owes much to dynamic and committed individuals within the bank who were prepared to experiment with the “peer group” principle in their lending programme.

124. Commercial considerations are also of key importance. As discussed above, there is a strong export market for cocoa and the operation of the PBC marketing system has created a network of farmers societies to which Barclays already provides banking services. Thus the risks and transaction costs usually associated with lending to large numbers of small farmers are much reduced. It should be noted however that liberalisation of cocoa marketing and the subsequent opportunities for diversion of sales is making lending more risky.

125. Barclays is already considering replicating the scheme to the cotton growing regions. In the bank's assessment, cotton is a reliable commodity with an assured market. Marketing is in the hands of a few private companies which already organise farmers into groups for the purpose of supplying inputs and marketing cotton. Thus the cotton sector offers risk reducing factors similar to those found in the cocoa sector.

Case Study 2: Fufuo Co-operative Maize and Cowpea Marketing Society Limited

The development of the co-operative and its main activities

126. This group was formed in 1986 by three farmers returning from Nigeria who wished to farm more efficiently and obtain Government assistance. They believed that unity would bring them strength and allow them to take best advantage of their various skills and experiences.

127. In 1987, after six months of operation, the group had ten members and registered as a co-operative. Starting in 1988, SG2000 provided the technology which enabled major productivity gains, from around 5 bags to 12-13 bags per acre in the case of the major season crop. The group now has 16 members, including two women, and a good repayment record which has allowed them to graduate to FPP status.

128. Farmers co-operate intensively, by jointly farming a plot of 15 acres, rented from the village Chief, and by extensive work-sharing on individual plots totalling 30 acres (*nnoboa* system, a traditional form of joint activity in this part of Ghana). The female members are involved directly in joint production and they also prepare food for the group when it is engaged in joint activities. Major season production is devoted to maize for the consumer market, while in the minor season they produce seed-maize, by growing out foundation seed purchased from the Grains and Legumes Board. Members borrow from ADB to finance production on their individual plots.

129. Inputs for the joint plot are not bought on credit, but are purchased from a joint account, the funds for which are generated from sale of maize seed from the joint plot and a "tax" on each acre which members cultivate individually.

Membership and officers of the co-operative

130. There is a high level of member participation in the running of the co-operative, with the executive meeting every two weeks and a full general meeting every month. There is a written constitution, prepared with the assistance of the Co-operative Department, and which is understood by all members. Accounts and bank statements are kept by the secretary, and every year these are audited by the Department of Co-operatives and read to the members in the local language.

131. Members have a clear vision of their future development, involving the establishment of a retail outlet for their seed in Kumasi and the purchase of inputs for sale to farmers in Fufuo.

Benefits to members

132. Through a combination of increased productivity and acreage, members have greatly increased their income and living standards. There have been increasing opportunities for on-farm employment of family labour and various social benefits have been derived from the extra income. Members derive a premium price for the seed-maize which received a national award in 1991.

Problems encountered

133. Despite its successes, the group nearly collapsed on two occasions. In 1989 a number of new members were admitted who were not really committed to the co-operative ideal but were more interested in individual gains, particularly the access to credit provided by SG2000. The group reached 17 members but with many internal problems, numbers dwindled to three. Those remaining decided that the future success of the group would require a much stricter selection of members to ensure that they were committed to farming and prepared to share the very considerable collective tasks involved in group working. Members who satisfy the selection procedure must pay a membership fee of c12,000 and are put on six months probation.

134. In 1992 three members resigned following rivalry for executive office and complaints that some members were marketing their seed maize through the co-operative. With the resignations, the co-operative recovered its position.

The co-operative's impact on other farmers

135. An important indicator of success has been the group's impact on other farmers in the area. Two similar groups have formed in Fufuo, and are reported to have worked successfully for three years, making use of savings and loan facilities offered by a rural bank. Another group in a neighbouring village has been inspired by the Fufuo co-operative and has been working together for two years. Quite apart from group formation, the example of the Fufuo co-operative has inspired individual farmers in the area to make increased use of improved seed and fertiliser and generally improve their production technology and yields.

Analysis of success and its causes

136. The co-operative appears to score highly on the following criteria: benefits to members, sustainability, growth and democracy. As regards "openness to all comers", there are considerable restrictions upon new entrants, but if we are to believe the members, this is a necessary price to ensure that only hard working co-operators are admitted.

137. The case suggests that cultivation of cash crops is not a *sine qua non* for successful group ventures. Nevertheless, the group's success seems to be related to its involvement in relatively profitable branches of agriculture. As a result of support from Global 2000, it was able to enjoy a massive increase in productivity, through the adoption of new technology, while it was also able to pioneer a profitable niche market for seed.

138. There are several features of this enterprise which, according to our desk research, were likely to lead to success:

- (a) a strong and very forward-looking leadership, whose initiative pre-dates the involvement of outsiders;
- (b) a strong member-driven agenda, which has shaped the co-operative's design and operating rules;
- (c) building upon indigenous co-operative traditions (noboa system);

- (d) membership numbers which have been small enough to permit face-to-face interaction and a high level of mutual trust;
- (e) a fairly high level of literacy, with ten out of sixteen members being able to read and write;
- (f) the existence of a clear written constitution and set of rules that are known and understood by the members;
- (g) frequent meetings with a high level of member participation;
- (h) an emphasis upon savings and building up of equity within the co-operative.

139. Members discounted the importance of education as an important success factor, but felt that their commitment to co-operative working was the crucial element. In this regard, they have gone far beyond what one would normally expect in an agricultural service co-operative, by co-operating in the area of agricultural production. Indeed members seek to co-operate wherever this is to their mutual benefit. The admission of new members is regulated with a view to ensuring the continuity of this practice.

140. The case also lends weight to the hypothesis that donor largesse frequently undermines African initiative in creating sustainable and dynamic FCEs. It appears that over expansion of SG 2000's operations in 1988 and 1989 almost led to the organisation's collapse.

141. In other aspects, the influence of outside agencies appears to have been positive. SG 2000 provided vital technical knowledge, and ADB assured access to banking services and credit. The Co-operative Department has helped the group frame its constitution, and has provided extensive help with accounting.

142. One possible area of weakness is the co-operative's dependence upon the secretary for so much of its work, for which he does not feel he is adequately compensated. The secretary is responsible for preparing all financial statements up to the level of the trial balance sheets. He has received some training sponsored by SG2000 but he needs to rely on the Department of Co-operatives for assistance. The co-operative would like to employ a secretary but at present it is not generating sufficient surplus to meet the cost⁸.

⁸ The Group is currently two years behind in the preparation of formal financial statements.

Case Study 3: The Ntinanko Oil Palm Processing Co-operative

The formation of the Ntinanko Co-operative and its major activities

143. Farmers producing oil palm in the Ntinanko area first came together on their own initiative in the mid 1980s in a loose association of about 25 members. They hoped to find a collective response to the problems they were encountering in marketing their fresh fruit bunches (FFB) of oil palm. The local mill at Anwhiankwnta, owned by the Agricultural Development Bank, did not come regularly to buy the FFBs, often leading to spoilage and waste as the fruit perishes very quickly. The group were considering buying a tractor to transport their fruit to the mill. However efforts to raise money for this purpose were not very successful and the group dwindled in number. At this time one member of the community also applied to the Agricultural Development Bank for a loan to establish a mill, but his application was turned down.

144. In 1985 contact was made with TechnoServe and the possibility of receiving assistance encouraged members to reform. Discussions began with TechnoServe on raising the necessary capital to begin the project. In 1987 the association registered as a co-operative with 34 members. Members were required to buy between one and four shares at a value of c5,000 each and c480,000 were raised and invested in a building to house the mill. TechnoServe agreed to loan the co-operative c975,000 for the purchase of the processing equipment. No loan was provided for working capital.

145. The mill began operation in October 1987. It purchased FFB from co-operative members and then marketed the processed oil. Soon it became apparent that the lack of working capital available to the mill made it difficult to purchase sufficient fruit. After discussions with TechnoServe, it was agreed in May 1988 to establish the mill on a service basis for members and non members. Since then the mill has processed 4,360 tons of fruit (until the end of December 1994). Successful operation meant that the co-operative was able to retire its debt for the milling equipment by the end 1990. The total net surplus declared by the co-operative from November 1987 to December 1991 amounted to c1.66 million.

146. TechnoServe provided a site manager to the mill for the first year of operations. The co-operative now employs its own manager and operator.

Current operations

147. Currently 35 processors use the mill, seven of whom are men. Ten are members of the co-operative. The other 24 members do not process. They are required to sell their produce to processors using the mill, though not necessarily to other co-operative members. It is also a requirement for co-operative membership to produce fruit.

148. In 1992 a second diesel engine was purchased for c290 000; at about the same time the co-operative bought 37 acres of land for about c600,000 to establish the tree nursery; and in 1993 a 500 gallon storage tank was purchased for c200,000. This was used to store oil purchased in kind from insolvent processors and then sold later in the season when the price for oil had doubled.

149. In 1995 there are plans to buy 2,500 gallons of oil as collateral for an ADB loan to purchase more oil from processors, providing them with the working capital to purchase more fruit from farmers. In this way the supply of raw material to the co-operative will be assured. The co-operative has been encouraged to do this by TechnoServe.

The membership

150. Membership has been very stable since the co-operative was formed in 1987. There are 26 male and 8 female members. No new members have been admitted to the group although recently the members have agreed to change this policy to encourage more farmers with access to oil palm fruit to use the mill. It is likely that the co-operative's earlier reluctance to admit new members reflected a desire to retain benefits from the mill's operation within a limited group⁹.

151. The entire membership meets twice a year when accounts are presented. Thirteen members are literate: four of the women and nine of the men. The current president, Mr. Yarney, has a diploma in agriculture from the university and a further three have middle school qualifications. There are no young people in the group.

152. There is a seven member executive committee which meets every month. Executive members are paid an allowance by the co-operative. Until last year, the executive committee had not changed since the co-operative was formed. Last year new officers were elected at the annual general meeting.

153. Co-operative members interviewed were proud to be the first group to establish an oil processing mill under the TechnoServe programme. As a result of their success, they receive many visits.

Training

154. TechnoServe provided training in accounts to the manager of the mill, the secretary and the accounts manager. The current manager, Mr. Mason, does most of the record keeping for the co-operative and is still learning all the relevant book keeping procedures. Each month he is visited by the auditor from the Department of Co-operatives who provides some assistance. Mr. Mason does not have training or experience in project analysis/feasibility.

Benefits to members

155. Direct benefits to members include:

- (a) *improved marketing of fruits and increased demand:* processing in the village has removed the main problem formerly facing oil palm producers - an unreliable market for their produce. The highly perishable fruits were often spoilt and wasted. Local processing has stopped this spoilage and created new demand for fruit as

⁹ Most of the co-operative's surpluses are distributed on the basis of members' shareholdings, not according to patronage, providing a powerful incentive to limit the entrance of new members.

traders and processors have concentrated their business around the mill. Both factors have had a positive impact on farmers' income.

- (b) *access to credit*: farmers are able to get an advance from the processors by pledging fruit for future processing. This helps them to meet unexpected cash needs.
- (c) *employment*: the mill has created a large demand for casual labour enabling members to supplement their farm income with regular wage labour.
- (d) *dividend payments*: at the AGM co-operative members decide whether to pay out dividends on their shares. In 1994, c2000 was paid per share.
- (e) *bonuses and incentive payments*: members receive incentive bonuses for supplying fruit to the mill. The co-operative also periodically supplies its members free with tools, including cutlasses.

156. In addition there are benefits to the whole community.

- (a) Employment opportunities at the mill for elderly members and children who would otherwise be dependent on those more economically active.
- (b) Increased incomes have had a multiplier effect, encouraging the establishment of new enterprises in the village.
- (c) Transport links with the surrounding area have improved with the regular arrival of palm oil traders in the village to buy from the mill.

Concerns expressed by the co-operative members

157. The members' main concern was the difficulty in obtaining fruit for the mill. A number of factors have contributed to this problem:

- (a) poor rainfall in 1994 severely affecting fruit production.
- (b) competition from a new mill a few kilometres away at Antoakrom, established with assistance from TechnoServe in 1994.
- (c) competition from traders buying fruit directly from farmers at a good price to sell fresh in the market, mostly for household use in making soup.
- (d) competing uses for oil palm, particularly for palm wine
- (e) competing labour demands on farmers from other crops further squeezing the supply of FFB.
- (f) decline in the area harvested by co-operative as a consequence of decline in the industry in the years before the mill was established. As oil palms take several years to become productive, a decline in the industry and the consequent lack of investment in new trees would take several years to become apparent. In the last

two years the co-operative has tried to address the problem of declining acreage by establishing a nursery for young trees.

- (g) difficulty in transporting the FFB palm fruit to the mill. The farmers carry the fruit in head baskets, sometimes for distances of up to 6 miles. The co-operative would like to buy a tractor to improve transport although they have not done a feasibility study.

Analysis of Ntinanko as a successful group enterprise

158. The co-operative scores highly in terms of benefits to members. It has sustained its operation even though support from TechnoServe has been much reduced since 1990. The recent input supply problems are causing members some concern, and they have responded by seeking new members and improving their ability to purchase fruits through inventory credit arrangements (with assistance from TechnoServe). However it was our impression that neither the members nor the manager had sufficient entrepreneurial vision or the financial skill to develop project proposals for bank funding, but remained dependent upon TechnoServe. If the co-operative is to prosper and develop in the long term it will need to increase its capabilities in these areas.

159. Membership has remained stable at 34 members, indicating member satisfaction with the group's services, and in the light of the input supply problem, efforts are now being made to increase membership. Regular meetings in which members actively participate indicate that the group is democratically run.

160. There are several features of this enterprise which, according to our desk research, are likely to lead to success.

- (a) a clear written constitution and set of membership rules
- (b) a high degree of self-financing
- (c) an absence of subsidised interest rates
- (d) a single activity at the outset
- (e) effective structures of accountability
- (f) financial transparency and record keeping
- (g) participatory decision making
- (h) heavy external training inputs in the early stages.

161. Another important factor in the success of the co-operative was undoubtedly the existence of a "self-help" group prior to TechnoServe's arrival. Although it had not solved the FFB marketing problem, members had made a first step by coming together and had demonstrated a belief in collective solutions to their problems.

162. Finally, the presence of a ready market for the mill's final product ensured the financial viability of the project.

163. The presence of many of the "success" features can be attributed directly to TechnoServe's input. From experience with group enterprises over many years TechnoServe has developed an approach which emphasises self help and

accountability. This tends to support the hypothesis that specialised NGOs are generally more effective in promoting FCEs than are unspecialised ones. Mention should also be made of the important assistance provided by the Department of Co-operatives.

164. However this case study provides counter evidence to another hypothesis: that promotion of FCEs is not widely justified for the development of milling and agro-industry. At Ntinanko turnover is sufficient to produce a surplus to employ a manager and an operator. This professionalism has allowed the co-operative to undertake specialised and demanding tasks beyond the ability of most of the membership. It does not appear to have led to tensions between the co-operative's members and its employees.

Replicating the success of Ntinanko

165. TechnoServe is seeking to replicate this project under an agreement with the World Bank and the Government of Ghana, which was signed in July 1990. It was originally intended to establish 60 mills over a five year period, but by December 1994, sites for 30 only new mills had been identified and 18 mills installed. The original target was probably unrealistic given the time it takes interested communities to assemble the equity required.

166. The research team visited one of the newly installed mills at Jonjonso. The poor harvest in 1994, which was the mill's first year of operation, had a severe impact on the mill's turnover. Only 12% of the target for the year had been achieved. A year's grace period from the bank means that the loan is not yet due, but another bad year in 1995 would create serious problems for the co-operative. The other mills are in a similar situation.

167. The severity of the input supply problem was not anticipated by TechnoServe, largely because the harvest in 1994 was exceptionally poor. However, it has had an overwhelming impact on the success of the mill at Jonjonso and other mills involved in the programme. The effectiveness of the programme cannot be evaluated at least until the end of the 1995 season.

Case Study 4: Farmer Service Centre Co-operatives in the Upper West

Background: Agriculture in the Upper West Region

168. The Upper West Region is in the driest part of Ghana. Rainfall is around 1,000 mm per year, and falls between April and September. Soil quality is variable, with poor laterite soil being characteristic of the most densely populated western part adjacent to the Black Volta River.

169. Rainfall conditions are similar to those of the most southerly parts of Mali and Burkina Faso, which are considered rich regions in their respective countries, and where a highly productive economy has been developed around the cultivation of cotton. In those countries, and in northern parts of Togo and Benin, animal traction is highly developed. Food security is assured through a combination of cash and food cropping, with the cash crop providing resources for increased farm productivity and food production.

170. In Ghana most agricultural development has been concentrated in the wetter south, and the north has received less attention. The level of cotton production is the lowest in the region, about 20,000 MT per annum compared to 120,000 MT in Togo, which is the smallest producer among the Francophone countries. However since 1988, there has been steady growth in cotton production, led by private companies engaged in contract farming. Their operations are described in Section Three. These companies also purchase cowpeas and shea nuts, and are increasingly involved in the marketing of newer crops, including cashews and soybeans.

171. The main food crops in the Region are typical of the Sudanian Savannah belt of West Africa and include maize, sorghum, millet, cowpeas, groundnuts, cassava and yams. Maize is mainly cultivated for the market, while the small grains are consumed in the home. Maize yields are low relative to the maize triangle area of Ashanti and Brong Ahafo Regions; even with the application of fertiliser, six bags per acre is considered normal. Livestock density is high by Ghanaian standards, but low compared to southern Mali and Burkina Faso, and animal traction is little developed either for land preparation or transport.

172. While private initiative has concentrated on cash crops, Government and donor initiative in the agriculture sector has been generally concerned with increasing food crop production, through the introduction of high yielding maize varieties and the use of fertilisers. This has been popular with farmers, who find it difficult to get a worthwhile maize crop without using fertiliser. However, the rainfall pattern has made it difficult for them to repay their loans, and debt collection efforts have often been weak. Notwithstanding this situation, food crop lending continued into the early 1990s, leading to widespread perceptions that loans could be "forgiven" and would not have to be repaid.

173. It is amid this culture of debt forgiveness that the Farmer Service Co-operatives were established, as outlined in Section Three.

Development and main activities of the Farmer Service Co-operative Centres

174. Three FASCOM storage facilities at Bulenga, Fian and Nadowli in the Upper West were selected for the pilot project. The new co-operatives took over all the FASCOM stocks, including a large amount of fertiliser. Local farmers were encouraged to join, contributing share capital to the venture. As members, farmers were offered input and inventory credit services as well as input supply, access to some consumer goods, storage and marketing services.

175. As membership was dispersed over a wide area, each co-operative was split into a number of village societies and zonal committees. Each co-operative employed a storekeeper.

176. TechnoServe's role was to provide training in book keeping and accounts to the executive committee and to the storekeeper in each co-operative as well as assistance and training to the regional office of the Department of Co-operatives.

177. The original target for membership was not met. Initial projections for the three co-operatives was 1,950 by the end of the first year, to reach 2,520 by the end of the second. In fact initial membership was only 295 rising to 714 by the second year, increasing only slightly thereafter.

178. In 1990/1991, 407 farmers took input loans. A poor harvest led to a repayment rate of only 33%. Failure to pay meant that many farmers were disqualified from 1991/1992 lending and only 208 farmers took loans. Repayment fell to 25% of the lending volume. TechnoServe therefore decided to suspend new input credit lending although it did not write off the loans. Project funds were borrowed to pay off the debt with the ADB, and efforts to collect debts from farmers intensified. One of the co-operatives has used the police, but there is still much ambivalence over this subject, with many members unwilling to press recalcitrant neighbours to pay up.

179. The decision to suspend input credit was not popular. Farmers in the area see access to working capital as one of their greatest needs. However the co-operatives would have collapsed financially if the programme had continued.

180. The inventory credit component of the project was not attempted in 1990/1991 because of harvest failure. In the 1991/1992 season 150 farmers stored about two bags each. The volume of produce stored rose to 490 bags in 1992/93 and fell back to 348 bags in 1993/94. This is very low compared to the volumes stored in TechnoServe's inventory credit program in the maize triangle where average quantity stored 14 and 19 bags per farmer in 1992/93 and 1993/94 respectively. This reflects the relative poverty of the Region and the subsistence orientation of agriculture, with most grain probably being retained for home consumption.

181. Though the stores provide an important service to the farmers, turnover has been low. Price rises of 90% for urea between 1993 and 1994 and competing sales from farmers working with the cotton companies, has resulted in fertiliser sales well below target. The recent loss of credit from FASCOM has also hit sales badly. Accounts for the year to March 1994 show that the co-operatives' sales were only 41% of target.

182. The need to diversify operations was identified by TechnoServe. In the first half of 1994/95 highly profitable trading in shea nuts easily covered the loss on trading in sorghum. Processing facilities were also promoted. In June 1994, the first mill at Fian was opened to process on a custom hire basis. The total cost of the equipment was c1.6 million of which one third was raised by the community. The balance was lent by ADB. The Nadowli FSCC installed processing facilities at Tangasia in January 1995 and a further mill is to be installed in Bulenga. It is too early to evaluate the success of these ventures.

183. TechnoServe's contribution to the FSCC project is due to finish in March 1995, although an extension is being sought. TechnoServe is drawing up proposals for the replication of the FSCC project and the World Bank has shown interest.

The FSCC at Bulenga

184. The co-operative has 204 members, 28 of whom are female. Membership is dispersed among 14 villages, most of which have village societies. Each member is required to buy at least one share, at a value of c5,000 per share. There is an eight member executive committee, two of whom are literate.

185. The FSCC has a storekeeper and sub shops in three other villages. The new processing facility has not yet become operational. Only 23 members have individual shares in this although the FSCC as a whole has purchased shares.

186. Members of the Bulenga co-operative were interviewed in Goripie.

The Goripie Village Society

187. Goripie is Moslem village. Men and women produce food crops, as well as cotton, soya beans and cashew. Ploughing is by tractor, despite the cost and difficulty in finding services, rather than by animal traction.

188. The village has considerable experience of group activities. The women have *susu*¹⁰ groups and work together for groundnut production. There are also groups in the village working with external NGOs on social development, including the establishment of a clinic and day-care centre in the community.

189. The village committee has eight members, three of whom are women. Four committee members were present at the meeting as well as 20 ordinary members. Total membership in the village is 44, including 16 women. Committee meetings are held once a month, and there are quarterly general meetings. The secretary of the executive committee is the only member of the Goripie society who is literate. He is receiving training in accounts and bookkeeping.

190. Many members were motivated to join the co-operative to gain access to fertiliser through the input credit scheme. They were disappointed that this part of the project had been dropped (however the volume of outstanding debts at Goripie is higher than in any

¹⁰ *susu* are traditional savings schemes which are very common in Ghana. Members make a regular contribution to the fund which is paid out on a rotational basis to each member.

other village in the co-operative). Efforts were still being made to collect outstanding debts. It was generally felt that women had a better repayment record than men. The men said this was because the women's trading and processing activities give them access to more money. In addition men felt that those with several wives to provide for faced more difficulty in repaying loans.

191. Benefits from membership include access to the inventory credit scheme, which made them less dependent on traders and provided a good storage service. Some members also expressed satisfaction at becoming share holders in the co-operative, and saw investment as security for the future. Others commented on the usefulness of the co-operative's retailing services, particularly for acquiring kerosene. The women in the group had been assisted by the shea nut purchasing.

The FSCC at Nadowli

192. In 1990 this FSCC had 126 members and an initial share capital of c130,000. Since then 99 new members have joined and share capital now stands at c973,000. Of the present membership there are 205 men and 20 women. Members come from a number of surrounding villages most of which have village committees. No member has left the group.

193. A meeting was held in Nadowli with 24 members of the co-operative present, including four members of the executive committee and many of the leaders of the village committees.

194. Members mainly produce food crops as the poor laterite soils limit cotton production. Some groundnuts are grown for sale, and the women grow rice and brew pito (local beer) to sell. Some women have purchased pigs with savings from these activities. The difficult farming conditions have led to quite a high level of migration, either to land east of Nadowli or to other more fertile regions of the country.

195. Group activities are well established. Women are involved in joint groundnut farming and *susu* groups as well as the Christian Mother's Association; men described labour sharing arrangements similar to the *nnoboa* system in Ashanti.

196. Members had joined the co-operative to work together to overcome their problems and improve their income. They liked the idea that through the co-operative, profits from retail sales would be returned to them as share holders, and not go to middlemen. The inventory credit scheme was popular.

197. The executive committee appeared to have the confidence of the membership. They had been elected on a show of hands at a general meeting of the group.

198. Of the 24 present at the meeting, fifteen were literate. Among the literate members of the co-operative was one member with a diploma in agriculture, one teacher, and three members with the middle school leaving certificate.

199. The co-operative has a written constitution which the executive members are currently studying. They intend to launch an education drive soon to teach all the membership about it. The executive is also learning about accounts and intends to

disseminate what they learn among the whole group. The vice president felt this was very important in assuring the transparent operation of the co-operative. In his own words, "if we don't explain to our illiterate brothers, it will be like a blanket over their eyes."

200. Members were enthusiastic about the newly installed processing equipment at Tangasia, a local shea butter processing centre.

Analysis of success factors

201. *Benefits to members:* Members at both Nadowli and Bulenga described a number of benefits resulting from co-operative membership. The inventory credit scheme has decreased members' dependence on traders, improving their returns on production. Access to retail goods has been improved through the stores, and members expressed satisfaction that they were building up savings through their share capital. The issue of share certificates representing the increase in the value of co-operatives' new worth seems to have been a masterly and costless way of enhancing the loyalty of membership. It is too early to see benefits accruing to the membership from processing activities, but members, especially at Nadowli, appeared optimistic. As with the reaction towards the share certificates, capitalistic motives seem to be at work, as members anticipate future profits.

202. *Membership:* membership has been growing slowly since 1990 and no members appear to have left the co-operatives which suggests a reasonable level of member satisfaction. However, membership is well below the original targeted level.

203. *Openness to all comers:* by accepting new members the co-operatives hope to increase turnover at the FASCOM stores. However numbers have stabilised and this maybe due to the fact that, apart from the small inventory credit programme, non-members have the same access to services as members.

204. It is noticeable that women are in a very small minority in the groups, despite comments made by the men that they are better at meeting their debts and generally have access to more cash. This seems surprising given women's involvement in other group activities in the villages visited, especially in the susu and groundnut production. However, none of the women in the groups were literate, suggesting perhaps that this has discouraged them from joining an organisation which has a written constitution and formal accounts.

205. *Sustainability:* As indicated above the co-operative's original business definition was weak, being based around input credit for subsistence agriculture, but has subsequently been strengthened by the development of other services. We cannot yet speak of a strong member-driven agenda, as it is TechnoServe which has taken the lead in defining these services. However in Nadowli, we noted that TechnoServe's agenda concerning the processing facility was being adopted and developed by the co-operative leadership.

206. There are several features of the FSCCs, which, according to our desk research findings are likely to result in success:

- (a) strong indigenous co-operative traditions influencing member behaviour;

- (b) the existence of a clear written constitution and set of rules which are increasingly understood by members;
- (c) frequent committee meetings at co-operative and village level;
- (d) a high level of member equity in new investments. In the case of the milling facilities, the debt to equity ratio is about 2:1.
- (e) strong inputs in the administrative and accounting education of storekeepers and key literate members of executive committees.

207. Outside support for education of illiterate committee members, and the membership at large, has been limited, and there has been no literacy training linked to the project. A very small number of people are in a position to understand the accounts and financial statements, which could have implications for the future sustainability of the FCCs. Nevertheless to remedy this situation, the executive committee at Nadowli is taking the initiative in explaining the constitution and accounts to the mass of the membership. So far there has been no training in project appraisal and preparing project proposals to banks, and the FCCs are dependent upon TechnoServe in this regard.

208. Our desk study findings suggest that the large size of the primary organisations (200 members or more) may be difficult to sustain without continued outside supervision and support. The lack of face-to-face interactions and homogeneity may diminish drive and leadership.

209. The case lends strong support to the hypothesis that donor largesse frequently undermines African initiative in creating sustainable and dynamic FCEs. In the Upper West Region, various agricultural programmes seemed to have fostered a careless attitude to questions of financial viability which, in the words of one observer, "poisoned the water" for the FSCCs.

210. Outside support from TechnoServe and the Department of Co-operatives has been important in ensuring financial transparency, and a general strengthening of the co-operatives, which given the earlier problems, would have otherwise become insolvent.

211. Though the FCCs are making progress towards sustainability, they are likely to need at the very least two years more outside support to stand a fair chance of surviving on their own.

Case analysis

212. This is an interesting case of FCEs which in many ways were well designed and supported, but which were handicapped from the outset with the dubious premise that farmers could sustainably use fertiliser credit to maintain and enhance soil fertility on subsistence-based cropping systems. A study of more developed farming systems in other parts of Sudanian Savannah belt of West Africa would probably have indicated that sustainable use of fertiliser was only possible where: (a) cash crops (especially cotton or irrigated rice) constituted a major part of the farming system; (b) parastatal enterprises were prepared to offer guaranteed market outputs for food crops (e.g. case of CMDT's purchases of maize in Southern Mali until 1988); (c) fertiliser remained heavily subsidised.

213. Such a study might also have suggested that a more valid area for farmer co-operation would have been the development of farming systems based upon a mixture of cash crops, food crops and livestock. As discussed previously, cash/food crop systems are developing in northern Ghana under contract-farming arrangements, promoted by the cotton companies. It would have been useful to explore the scope for enhancing and accelerating this process through farmer co-operation, drawing upon the experiences of Francophone countries.

214. Various possible areas for co-operation might have been investigated, including production, credit, input supply, mechanisation, and primary marketing, with the participation of both farmers and commercial companies. Indeed there is still a case for such a study.

215. TechnoServe and the Co-operative Department have already addressed the need for cash crop development through the development of shea nut processing and marketing. In the case of food crops, they have promoted inventory credit arrangements which are both highly beneficial to farmers and, compared to input credit for subsistence crops, highly sustainable. A small cadre of trained directors and storekeepers has been built up, and member confidence has been strengthened through the provision of a range of useful services, transparent management and accounts, and tangible evidence (in the form of share certificates) that their equity is growing.

216. However, the co-operatives' turnover and net worth (about US\$36,000 and US\$6,000 respectively) is minuscule relative to the cost of external support (about US\$430,000 per annum in 1992). Expenditure on the latter scale can only be justified if there are major positive "externalities", i.e. benefits accruing to Northern Ghana as a whole, beyond members of the three existing FSCCs. These might include: (a) benefits to members of new FSCCs created through replication or adaptation of the original model; (b) benefits through the wider application of the developmental lessons gained through the FSCC experience.

217. With regard to type (a) benefits, we cannot draw very firm conclusions based upon such a short visit. However, we are left with some concerns as to the prospective economic benefit:cost implications of replicating the FSCC model as presently conceived. Doing so may involve a high opportunity cost, in terms of resources which might otherwise be devoted to the development of more dynamic and sustainable initiatives, which go to the heart of farmers' concerns.

218. There is also a danger of creating complex organisations, with a wide variety of services, some of which could be supplied with equal or greater efficiency by private entrepreneurs (if these were given technical assistance comparable to that being given to the FSCCs). Members' enthusiasm for the issue of share certificates indicates that they are increasingly attracted by capitalistic motives. Thus it might be valid to consider the current FSCC programme in relation to an alternative strategy of developing these services by assisting individual entrepreneurs.

219. With this in mind, assistance to FSCCs may involve the following advantages and disadvantages:

Advantages	Disadvantages
Broader access to the benefits of capitalism	High cost in external inputs: promotion and supervision, without which it is less sustainable
More people learn to run enterprises	Need for complex controls to ensure accountability
Benefits can be ploughed back into important services which small entrepreneurs not provide (inventory credit)	Less competitive, therefore risking poorer services over the long term (competing entrepreneurs can be assisted, in the expectation that only some will survive)

220. With regard to type (b) benefits (benefits through the wider application of developmental lessons gained through FSCC experience), we believe the FSCC initiative has been very successful. Discussions with the Regional Administration and with members of co-operatives indicated that there has been a transformation in thinking at both levels. This has involved an appreciation of the need for market-led, as opposed to supply-led, initiatives, with financial viability being the paramount concern in the development of smallholder agriculture. TechnoServe's initiative stands out in relation to that of other governmental and non-governmental programmes in the way that it has fostered this learning process, and discouraged the repetition of earlier mistakes.

SECTION FIVE: CONCLUSIONS

221 Three out of the four case studies appear to have been successful in terms of two key criteria listed in our desk study: benefits to members and sustainability. The FSCCs seem to have been the less successful than we anticipated, due to uncertainty over: (a) sustainability and; (b) replaceability of the model (on a scale which would justify the substantial investment already made in the pilot project). Nevertheless, the case has proved valuable, as it provides a wealth of insights into the process of creating strong and sustainable FCES.

222. Our research is concerned with three main issues: (a) for what types of activity are FCES most suitable; (b) what factors determine their success; and (c) and how should they be promoted. In the following paragraphs, our findings will be used to suggest some answers.

For what types of activity are FCES most suitable ?

223. Our first hypothesis was that: *the promotion of FCES is widely justified in the African context for the provision of financial, input supply and marketing services but, notwithstanding exceptions, are not widely justified for the development of milling, agro-industry and other export-based activities.*

224. The Barclays Bank experience suggests that FCES are widely justified as a channel for lending and input supply in relation to cash crops, and that there is considerable scope for extending group liability approaches which hitherto have been mainly used in the microenterprise field.

225. Ntinanko and Fufuo cases show that FCES can successfully provide marketing and processing services, or be vehicles for co-operation in agricultural production. However in these cases, FCES should not be described as "widely justified", but "selectively justified". We describe borrowing groups such as those in the Barclays case as "linkage-dependent FCES" ¹¹, in that they are designed to work permanently with supervision by an outside body which has a vested interest in their survival. Their success is largely dependent upon the support of an outside agency (e.g. a bank or an NGO) which, if successful, can propagate its model on a massive scale. The other three cases may be described as "linkage-independent FCES", as they are designed to survive with minimal outside supervision. Their success depends primarily upon the motivations and intrinsic qualities of the group members and the cultural milieu in which they operate. NGOs or other organisations can enhance their prospects, but are not decisive in determining their success. In practice failure is extremely common, and really successful groups (as in Fufuo) may need to be ruthless in excluding non-performing members. Notwithstanding a wealth of informal co-operation, Ghana's present day cultural milieu is not generating large numbers of successful linkage independent FCES upon which a powerful co-operative movement can develop (in contrast, say, to turn-of-the-century Scandinavia).

¹¹ This term is used by Harper and Roy (1992), but we have defined it slightly differently, in terms of the design of the FCE, rather than its operational reality. For example we would not consider the co-operatives assisted by TechnoServe as linkage-dependent as they are designed to stand alone.

226. This finding suggests that farmers might benefit if more resources were devoted to the creation of linkage-dependent FCEs, which work in close relationship with banks or agribusiness companies. We shall discuss this further under the heading: *How should FCEs be promoted?*

227. The Ntinanko case does not support the second part of our hypothesis i.e. that FCEs were not widely justified for the development of milling, agro-industry and other export-based activities. With guidance from TechnoServe, problems have been avoided by the co-operative's willingness to appoint a manager and operator, removing the need for members to engage in activities for which they are not trained. A similar approach is being adopted in the Upper West.

228. Further case studies will provide more insight, but our fieldwork indicates that success may be less associated with the type of service than the quality of the assistance provided. In the case of Ntinanko, TechnoServe invested significant resources in training the executive members of the co-operative. It also promoted the idea among members of employing a professional manager.

229. However this does not rule out the possibility that less complex group activities (input supply, primary marketing) might yield higher returns relative to the investment made. This might well be the case in the Upper West where there appears to be potential for further cash crop development.

230. Another key issue highlighted by this study is the nature of the market for the commodity supplied by the FCE. Where markets are readily available for the group's output or services, as in the case of cocoa, seed maize and palm oil, potential exists for generating the financial benefits which farmers seek from group enterprise. Furthermore, where the marketing system is well established and integrated with the commercial banking sector, groups have been able to gain access to financial services (cocoa and possibly cotton in the future).

231. The corollary to this is that where markets or production itself is constrained, it will be much more difficult for viable groups to form. The two cases reviewed of input credit for food crop production (IFAD and TechnoServe in the Upper West) indicate that group lending schemes cannot easily function under such constraints. This has implications for replication of group liability schemes of the kind introduced by Barclays Bank. With food crops, the risks are much greater, and if lending is to be attempted, it may be necessary to create substantial group savings or security funds.

What factors determine success?

232. The following table analyses the four case studies in relation to certain success features which were identified in the desk study (page 24 and 37). The purpose of the table is simply as an aid to discussion; we do not ascribe precision either to the definition of the features or to the scoring, both of which involve considerable subjectivity.

233. It is also possible that the team's screening of cases to be analysed may have biased the selection towards cases certain features. Hopefully the cumulative effect of such biases will diminish as different researchers participate in successive country case studies.

234. We have changed one of our characteristics from "lack of political links" has been changed to "not dependent upon political patronage", since it is dependency upon politicians rather than the existence of linkages which is most likely to undermine the performance of FCEs.

Success features	Case 1 Barclays Cocoa Lending	Case 2 Fufuo Coop.	Case 3 Ntinank o Palm Oil Mill	Case 4 FSCC Upper West
Not dependent upon political patronage	••	••	••	••
Member homogeneity	••	••	••	
8 to 25 members	•	•		
Incorporates/builds upon pre-existing organisations and co-operative traditions	•	••	•	•
Purely financial objectives	•	•	•	•
Broad social objectives				
Clear member driven agenda	••	••	••	
High degree of self-financing		••	••	••
Absence of subsidised credit	••	••	••	•
Single activity at the outset	••	••	••	
Effective structures of accountability	••	••	••	••
Financial transparency and record keeping	••	•	••	••
Strong individual leadership	•	••	••	•
Participatory decision making	•	••	••	•
Heavy external training inputs in early stages		•	••	••

235. The following observations are pertinent:

- (a) Many of the success features are common to all cases, including: lack of dependency upon political patronage, pre-existing organisations or co-operative traditions, purely financial objectives, the absence of subsidised credit, accountability and financial transparency, individual leadership and participatory decision-making.
- (b) All the groups had explicitly financial objectives (increasing incomes) rather than broad social ones.
- (c) The Barclays lending groups did not require either a high degree of self-financing, or heavy external training inputs, to be successful.
- (d) The FSCCs, which appear to have been somewhat less successful than their other organisations, are characterised by: a less clearly member-driven agenda; the large size and relative heterogeneity of the membership and; the attempt to develop more than one activity from the outset.

(e) Heavy external training inputs is not a characteristic of all successful cases.

236. Group size and member homogeneity are notable areas of divergence between the cases. TechnoServe encourages larger groups on the grounds of scale economies. The Ntinanko co-operative had over 25 members confirming that sustainable groups can exceed this number. However there may be a trade-off between size and group cohesiveness, which is of more fundamental importance.

237. This may be illustrated by comparing the Fufuo group to the FSCCs in the Upper West Region. A small and selective group like Fufuo will probably find it easier to make decisions about its future than a larger one with minimal requirements for membership. Fufuo was certainly "member-driven" in contrast to the FSCCs where membership was dictated by scale economies and the agenda was set to quite a large extent by TechnoServe.

238. As far as we were able to establish, none of our case study groups had political links. Of the other groups surveyed in Section Three, political links were only mentioned in an evaluation of the IFAD project, as detailed previously, and were noted in an evaluation as source of failure.

239. Although self financing was not the principal source of financing for any of the groups, it was significant in all but the Barclays case (which was explicitly a lending scheme). TechnoServe requires all its groups to raise considerable initial equity, typically one third of the total investment. At Ntinanko, a number of subsequent investments have been financed entirely through the co-operative's own funds. This, and the fact that the groups have not received subsidised credit, has helped foster self reliant groups. While relying on seasonal loans from ADB, the Fufuo group has likewise built up a significant equity base.

240. Another success factor suggested by the Ghana case study is the importance of pre-existing organisations. Farmers in the Upper West and in Fufuo in the Ashanti region said that they had participated in traditional labour sharing arrangements prior to involvement in the FCE. Among the women, there was considerable involvement in *susu* groups or small scale group processing activities. At Ntinanko villagers had formed their own self-help group prior to TechnoServe's arrival. These examples suggest a strong tradition of collective action in Ghana.

How should FCEs be promoted?

241. The experience of the Barclays cocoa lending scheme supports the hypothesis that financial sector reform and the establishment of a dynamic commercial banking sector are key steps in establishing effective primary level group enterprises. The initiative dates from 1988, a year of fundamental financial sector reform, and as banks gain confidence in the new economic order, appears to have further scope for development in relation to cash crop marketing.

242. The success of TechnoServe relative to that of the NGOs working with IFAD lends support to the hypothesis that specialised NGOs are more effective in promoting FCEs than unspecialised ones. However this overlooks the fact that TechnoServe's success is

built on many years of experience in Ghana and, as its staff readily acknowledge, a number of failures as well. In addition, the NGOs working within the IFAD project had a much larger number of groups to support and monitor, implying a much thinner spread of resources relative to beneficiaries. We should be wary therefore of making hasty judgements.

243. On the other hand, TechnoServe's prominence in a number of major donor projects suggests that its "business" approach is having a very positive impact. Its emphasis on self financing and accountability is creating well motivated groups, and is helping to shape Government approaches towards co-operatives and agricultural development.

244. In the light of our earlier observations re "integrated FCEs" and the development of contract farming in northern Ghana, moreover, we feel that NGOs should develop a more "complementary" approach toward group formation. Rather than trying to define the business or commodity with which FCEs get involved, they might seek a role which builds upon and enhances spontaneous developments in the private sector. For example in the case of the cotton industry, NGOs might seek out groups of farmers who wish to enter into serious business relationships with banks, cotton companies and so on, and assist them in questions of internal organisation and management. By enhancing the cohesion of the groups, they become better credit risks for the banks and more reliable business partners in developing cash crops. It also enhances the bargaining position of groups vis a vis commercial companies.

245. TechnoServe has already moved in the direction we are suggesting, through its agricultural export programme, and organising the FSCCs for the procurement of shea nuts.

246. There is substantial evidence in support of the last hypothesis in our desk study report, i.e. *that donor largesse and lack of co-ordination are significantly undermining African initiative in creating sustainable and dynamic FCEs*, as follows.

- (a) The largest FCE programme in Ghana, funded by IFAD, has various features which can be related to poor group performance, notably lack of attention to the financial sustainability of the projects financed, the fact that participating banks were only conduits for funding and that their own resources were not at stake, political interference in the process of group formation and "mixed" performance by NGOs assisting groups.
- (b) Excessive funding by Global 2000 in 1988-89 appears to have nearly dealt a lethal blow to the latterly successful Fufuo Co-operative.
- (c) In the case of co-operatives promoted through the FAO/UNDP pilot projects in Ashanti region, donor largesse appears, notwithstanding successful aspects, to have left a legacy of dependency.
- (d) NGOs promoting a more hard-nosed approach (such as TechnoServe), sometimes find their efforts undermined by the culture of donations and debt forgiveness, notably the case with the FSCCs.

247. An important promotional issue relates to gender. During our research, many of the traditional forms of collective action described were either all male or all female. However, none of our case studies were exclusively male or female although women were in a clear minority. Despite women's prominence in agriculture, and in other income generating activities, we found that they were relatively marginalised. This raises two questions:

- (a) should women's' co-operation be promoted through mixed or single-gender organisations? The latter may be more practical in many societies.
- (b) is there a case for giving women (or men) individualised support or training.

248. These issues should be given more prominence in further case studies.

249. The use of functional literacy training was discussed in the desk study, but in Ghana we found no cases of it being used as a tool in group formation. Literacy levels were highest in the Fufuo group (10 out of 16), but members did not believe that this was related to their success. Further research should seek to assess the value of such training.

Priorities for the remaining country studies

250. In funding the Ghana case-study separately we understand it has been ODA's intention for us to use it as a "trial run" for refining our hypotheses and planning our approach to the remaining case studies

251. Regarding hypotheses and areas for research, we believe that the following are priority issues:

- (a) the extension of group liability approaches to food crops and situations of higher risk. Our Ghana study has shown how aspects of this approach have been successfully adapted by Barclays Bank to relatively low risk agricultural activities. Further research should try and find more examples of efforts, whether by the commercial sector or by NGOs, to extend the approach in higher risk situations.
- (b) the scope for development of group approaches in complementarity with agribusiness and contract farming (see above);
- (c) appropriate promotional and extension approaches, particularly:
 - identification of group activities; how and by who?
 - the case for, and implementation of functional literacy training; business skills training
 - the approach to gender aspects (see above)
- (d) whether more complex group activities, especially processing activities, can be sustained in the long term.

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APPENDIX 1: PEOPLE CONSULTED IN GHANA

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Ministry of Food and Agriculture

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IFAD Programme

Mr.Adongo, Smallholder Rehabilitation and Development Programme, IFAD
Mr.Badima, IFAD Office, Accra
Mr.Lawrence Djokoto, Farming Systems Research specialist, Smallholder Credit and Input Marketing Programme, IFAD

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Mr.Cobha, Acting Director
Mr.Kwasi Poku, Project Manager, ITSPM/Palm Oil Development Programme
Mr.Adolph Briandt, Project Advisor, Accounts
Mr. Samuel Danso, Project Advisor
Mr.Augustus Chinbuah, Research and Development Officer
Mr.Wusa Manga, Project Manager, Farmers Service Centre Co-operatives

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Mr.Richard Dune, Deputy Area Manager, Upper West Region, Ghana Cotton Company
Mr.Muminia Allasram, Operations Manager, Upper West Region, Ghana Cotton Company

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Mr. Somiah George, Co-operative Department Counterpart Manager, Farmers Service Centre Co-operatives

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Mr. Kwabna Sakyi, Programme Officer, Head Office, Accra

Mr. Sydney Seho Ahiabile, Regional Co-ordinator, Ashanti Region

Fufuo Farmers Co-operative

Mr. Andrews, Secretary

Mr. Adansi Pipim, President

Mr. Owusu Korkor, Member

Mrs. Mariana Abdulai, Member

Upper West Regional Government

Mr. Joseph Yieleh, Regional Minister

Mr. Bede Ziedeng, Deputy Regional Minister

Mr. S.M.Adamah, Deputy Regional Minister, Agricultural Portfolio

Mr. J.B.Dasah, Regional Economic Planning Officer and National Chairman of Ghana Co-operative Credit Unions Association

Bulenga Farmer Service Centre Co-operative (FSCC), Upper West Region

Mr. Bayong, Secretary

Mr. Saan Nonee, Treasurer

Mr. Hamsa Abdul Kadri, Member, Goripie Village Committee

Mrs. Alimata Yokuri, Member, Goripie Village Committee

Mr. Minah Tamahamah, Member, Goripie Village Committee

Mr. Abdul Mohamed, Member, Goripie Village Committee

Kuapa Kokoo, Kumasi

Mr. Appiah Kubi, Chairman

Mr. David McMahon, TWIN Trading/SNV Sponsored Financial and Technical Advisor

Ntinanko Oil Palm Processors Co-operative

Mrs. Alice Poku, Executive Committee Member,

Mr. Kwasi Kanbi, Executive Member

Mr. Kwuku Memsah, Member

Mr. G.W.Mason, Mill Manager

Jonjonso Oil Palm Processors' Co-operative

Mr. Solomon Namitchi, Member

Mr. Samuel Opoku, Member

Mr. John Antwor, Member

Mr. Kingsley Amancar, Member

Mr. Pepra Dansoh, Member

Mr. Addai Emmanuel, Member