



# **Approaches for Achieving Farmer Entrepreneurship in Uganda**

Case Studies of PELUM Uganda Member Organisations

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## Acronyms

ACODA	Aloet Community Development Association
AFARD	Agency for Accelerated Regional Development
AFIRD	Agency for Integrated Rural Development
CBO	Community Based Organisation
CIDI	Community Integrated Development Initiatives
NOGAMU	National Organic Agricultural Movement in Uganda
ORUDE	Organisation for Rural Development
PELUM	Participatory Ecological Land Use Management Uganda
SACU	Send A Cow Uganda
SUSALECO	Sub County Savings and Lending Cooperatives
WENDI	West Nile Development Initiatives
UGX	Uganda Shillings
VSLGs	Village Savings and Lending Groups



## Acknowledgements



*Doreen Nanyonga of PELUM Uganda interviewing farmers from Aloet Community Development Association*

**“This publication would not have been possible without the generous financial support of Oxfam Novib”**

The publication of this book has been supported by many stakeholders who are supporting farmer entrepreneurship in Uganda.

Participatory Ecological Land Use Management (PELUM) Uganda would like to thank her member organisations that provided case studies on the 3 strategies of market linkages, group approach and savings and credit access.

Many thanks go out to Send a Cow Uganda (SACU), Agency for Accelerated Rural Development (AFARD), National Organic Agricultural Movement in Uganda (NOGAMU), Agency for Integrated Rural Development (AFIRD), Community Integrated Development Initiatives (CIDI) and Organisation for rural development (ORUDE).

We are also thankful to the farmer groups and farmers working with these member organisations including Namulonge Horticultural Association, Namayumba Kyosiga Women’s Heifer project, Nampunge farmers organic coffee group, the Busedde Rural Cooperative Savings and Credit Society, Namulonge Horticulture Farmers’ Association, Aloet Community Development Association, Kubbi Community West Nile Development Initiative Programme and Mungu Lanyo Group for setting aside time to share their experiences with PELUM.

This publication would not have been possible without the generous financial support of Oxfam Novib

Many thanks go to the Country desk staff Doreen Nanyonga and Ruth Nabaggala for their invaluable support towards compiling the case studies and success stories in this publication as well as editing.

Last but not least, we express gratitude to Stella Grace Lutalo for her support towards final editing of this publication.



## Chapter 1

# Introduction

**A**gricultural development is the foundation for industrial development of most countries in sub-Saharan Africa, and consequently their economic development. In Uganda, 95% of agricultural production comes from smallholder farmers; yet many of these are subsistence farmers, producing mainly for home consumption, with minimal surplus for the market. In addition, smallholder farmers constitute majority of rural poor in Uganda, many of them living on less than 2 US dollars a day.

Despite several interventions by various agricultural development practitioners and stakeholders to improve the livelihoods of smallholder farmers, farmer entrepreneurship remains a key challenge.



*A market for fresh Agricultural produce.*

A farmer entrepreneurship baseline survey conducted by PELUM Uganda in 2010 indicated the following major challenges at farmer level:

- Smallholder farmers have limited market options especially in cases which involve price setting. They mainly depend on what the produce buyers are offering for a product of the same quality and quantity. In some cases, these farmers have been allowing their long term produce buyers/clients to take their produce on credit.
- Fluctuations in commodity prices was another challenge cited. Such fluctuations frustrate farmers, and deter their planning for future seasons. As such, farmers rush to invest in enterprises that are deemed to have been profitable in the previous season, and when this is done by many farmers, there is over supply of the particular commodity which excess leads to price depression. This ultimately results into a vicious cycle of poverty.
- Coupled with this is the limited access to post harvest handling and value addition techniques. Most of the primary farm products have low shelf life and without the ability to add value to them, farmers are many times left to deal in a buyers' market with very limited bargaining options.
- Access to timely market information and intelligence on what to produce, where to sell and reigning prices for produce was another challenge cited. In addition, farmers have to travel long distances to access 'good' markets which impedes their ability to sustain such markets.
- Limited access to investible capital limits farmers' enterprising efforts. While credit could be sourced from various lending institutions, the terms offered are not suitable for agricultural enterprises.
- Lack of bargaining power and a collective voice was another challenge cited. Even where collective marketing is practiced, internal wrangles arising out of distribution of proceeds have hindered such efforts
- Capacity to manage profitable enterprises is a major challenge. While farmers may have good ideas on potential profitable enterprises, limited skills and technical ability deters them from attempting them to venture into such undertakings.

In the face of such challenges, persistent rural poverty and the predominance of small and marginal farms have continued among farming communities.

However, development practitioners have also come to recognize that improving farmer entrepreneurship and enhancing the ability of resource-poor farmers to diversify their links with markets are among the most pressing solutions to increasing household incomes, and subsequent improvement in the livelihoods of smallholder farmers.

This publication highlights three approaches that have been effectively employed by some of PELUM Uganda's member organisations in helping farmers to produce for the market, while maintaining food security. These approaches include the group approach, market linkages approach and the savings and credit access approach. Also highlighted are ways in which these approaches have been used to empower smallholder farmers to identify and evaluate market opportunities, develop profitable agro-enterprises, and intensify market oriented production.

Chapter 1 presents the Group Approach, with case studies from Send a Cow Uganda (SACU) and Agency for Integrated Rural Development (AFIRD)

Chapter 2 presents the Market Linkages Approach, with case studies from National Organic Agricultural Movement in Uganda (NOGAMU), and Community Integrated Development Initiatives (CIDI)

Chapter 3 presents the Savings and credit Approach, with case studies from Organization for Rural Development (ORUDE) and Agency for Accelerated Regional Development (AFARD)

Each of the above case studies highlights the processes of the approach, what is working well, challenges and lessons, followed by success stories from farmer groups on the use of the given approach.

This publication acts as a valuable resource to be used by other development practitioners, farmers' associations, as well as other agricultural stakeholders in supporting farmer entrepreneurship interventions.



## Chapter 2

# The Group Approach

### 2.1 Introduction to the Group approach

In agricultural market development, it has been recognized that fragmented efforts by small-scale farmers are a major constraint in achieving farmer entrepreneurship. With the high levels of poverty, it is generally very difficult for individual small-scale farmers to gain any meaningful income from farming. A group approach to agricultural investment and production through promoting collective activities is more effective than the traditional individual-oriented approach. Formation of voluntary, small groups of farmers that are socio-economically homogeneous, and participatory in decision-making, is very critical to helping farmers do farming as a business.



*Members of Namayumba Kyosiga Women's Heifer project meeting at a member's home.*

## 2.2

# A case study of Send a Cow Uganda (SACU)

### 2.2.1 Introduction

Send a Cow Uganda (SACU) was founded in 1988 with a vision, 'Uganda free of poverty and malnutrition' and a mission to work with vulnerable people in a sustainable manner by developing livestock, sustainable organic agriculture and self-sustainable groups. The organisation's approach to development involves integration of livestock with crop production and Social development/empowerment of groups. In its work, SACU focuses on marginalized groups like women, orphans and vulnerable children and people with disability. All supported groups are mandated to pass on the knowledge to the rest of the community members using the value based approach and cornerstones

SACU defines target beneficiaries as: "The genuinely needy but viable resource poor households" and therefore seeks to reach those poor that are able to use the gift as a seed that they grow to achieve economic and food security. Consequently, beneficiaries must have basic assets such as land, positive attitude and the willingness to receive the gift and use it for their own development. Self-reliant and sustainable group development demands clear selection criteria for groups and clear understanding of the partnership, roles and responsibilities to avoid dependency from the onset. SACU usually works through existing groups who have formulated values, vision and strategies



*Members of Namayumba Kyosiga Women's Heifer project on a tour of their tree nursery.*

### 2.2.2 Processes

To SACU, a group means a number of organised people who mutually come together for a common purpose. Initially, when SACU started the group approach to farming and marketing it was working with 40

groups with a total of 400 members. Currently, the organisation works with 254 groups with an average of 50 members/ households each. Of these, 30 have been graduated or 'weaned' off the program.

SACU partners with already formed groups which fall in the selection criteria of;

- active poor (willing to put into practice development initiatives) and
- Community Based Institutions - formal or informal groups of community members of a defined locality, more often, with similar backgrounds and values who willingly come together through an agreed criterion of membership or otherwise to address an identified social or developmental need.

SACU's experience shows that CBOs are more likely to serve the interest of more community members who may not be members of the CBO.

In situations where there are no already formed groups SACU may form a group but will ensure the ownership is by members.

Send a Cow facilitates the development and support of groups as opposed to working with individuals or whole communities. Groups are a more effective way of working and can easily form cohesive supportive bonds that enhance sustainability of projects. Groups promote the following:-

- **Equity** - the fair distribution of resources, free from discrimination on the basis of age, disability, gender, socio-economic background, race, ethnicity, religion or sexual orientation
- **Equality** - equal, effective and comprehensive rights for all
- **Access** - fair and equitable access to all services, so that no one falls below minimum standards that include adequate income, sufficient nutritious food, adequate and affordable housing, and sufficient clothing.
- **Participation** - the opportunity to participate fully in the activities and decision making within the household, groups and communities – both of which can result into a quality collective future for the home and community.

**“Send a Cow facilitates the development and support of groups as opposed to working with individuals or whole communities”.**

- **Cohesion, Self-worth and dignity** - the fostering of social trust, mutual care, and respect for diversity as the foundation for supportive groups.

### Characteristics of groups SACU works with

- Already organized groups who apply to SACU for support and satisfy the screening process using the group selection criteria. They are identified, assessed and selected.
- Locally registered at the sub county level or willing to register before the partnership.
- Average of 50 households, with simple structures, rules and regulations.
- Funded through local contributions, membership fees and subscriptions.
- Cover a small area of operation usually a sub-county.
- SACU undertakes capacity building through training and farm visits.
- SACU targets women to promote the family focus strategy, and youths to ensure impact on the future generation.
- Preference is for groups with a vision beyond themselves, and with willingness to open up to others members or form other similar satellite groups. It is therefore essential to find out who can join them, and establish whether they have a caring and sharing heart towards other vulnerable categories.

### Reasons for the group approach in SACU interventions

- Groups have members with common interests that bind them together.
- A group is autonomous, self governing and has a constitution governing them.
- Groups are registered which gives them a legal status and ensures that SACU is dealing with a legal entity.
- Group approach enables peer support through individual to individual follow up within the group that promotes sustainability.
- Implementation of work is easy in a group with its own leadership compared to community.
- Groups have by-laws that govern them.



*A Zero grazed Heifer.*

### 2.2.3 What is working well

- Capacity building of groups using established manuals.
- Groups agree on the training areas.
- Group development processes with clear indicators that are tracked.
- Joint implementation of projects.
- Graduation of projects.
- Group linkages to other service providers.
- Collaboration with local government.

### 2.2.3 Challenges

- Rotational leadership in some groups, where founders do not want to let go of the control and leadership.
- Some groups' low adherence to their constitutions.
- Holding the groups accountable –issues of lack of transparency and sometimes political interference.
- Some groups were too large already at the level of associations.
- Linking to marketing opportunities and promotion of collective marketing are limited.
- Value Chain management and development has not yet been addressed.
- More enterprise development and move to large scale farming, diversification are still major challenges.

### 2.2.5 Lessons learnt

- Decentralization of groups to manageable proportions. The fewer the number of people per group, the more manageable it is. It is much easier to monitor the progress of small groups of people than large groups. Similarly, because groups bring together people from different backgrounds, limiting membership gives a chance for all to be active contributors to the groups initiatives.

### 2.2.6 SUCCESS STORY ON THE GROUP APPROACH

#### Namayumba Kyosiga Women's Heifer project

Located in Namayumba sub-county, Wakiso district, Namayumba Kyosiga Women's Heifer project was formed in 2000 as a Functional Adult Learners' class. In 2002, the group approached Namirembe Diocese Heifer Programme and received 8 Heifers in 2003. They were later introduced to SACU and have since received 15 heifers. The group is involved in many successful projects one of which is the sale of milk which was started in 2009 with close to 20 cows. As per policy, SACU provided trainings to the farmers on how to take care of the cows, an extension worker to monitor and offer technical advice as well as a veterinary doctor. Group membership started at 8 in 2000 but currently stands at 36 including 32 women and 4 men.

The 8 founding members each received a cow from SACU and passed on a calf to a new group member upon delivery. This process led to multiplication of cows within the group hence increase in the amount of milk produced. (Passing on a cow to another member is a SACU policy which doesn't limit the recipients to only group members but also other beneficiaries of SACU services).

All group members are actively involved in group activities. With the many cows and surplus milk, members started door-to-door selling of the milk and individually taking milk to the Jesa dairy farm. But they soon realized that their efforts weren't productive and involved a lot of hard work and time wasting.

*“Walking around the village selling milk is really tough. The customers aren't guaranteed, sometimes*

*it's so hot and the profits are so little compared to the efforts put in. There was an opportunity for supplying milk at the Jesa farm which I think we weren't utilizing with our individual efforts. When we realized that we could gain more by working as a group, we went for it,"Cossy Kagwa narrates*

The group got a collection center and chose among themselves a contact person who is in-charge of collecting the monthly payments from Jesa Farm dairy. On average, the group sells 1000 litres of milk per month to the farm each costing UGX 700. UGX 100 is deducted from each litre of milk as a fee towards milk transportation costs. Each farmer gets an amount of money equivalent to the amount of milk supplied during the month.

### **Achievements**

- An assured market for their milk. *"It is very credible to market as a group and you earn a lot of respect. Jesa dairy farm knows our dedication and recognizes our hard work and willingness to work with them. With time, we have built good working relations with the Jesa Farm dairy management which has greatly improved our role as suppliers"- Lydia Jjemba*
- The group is recognized by Jesa dairy farm as reliable and consistent suppliers of quality milk. Members strive to adhere to farm terms and conditions. As a result, the management has never refused to buy milk from the group.
- Jesa dairy farm owner and leading Ugandan entrepreneur Mr. James Mulwana provided the community with access to animal vaccines at a low cost in case of disease outbreaks. *"We believe this was because of the dedication of community members like us who supplied milk to his farm. He is providing a free service so that we may decrease the cost of production"-Betty Mukisa*
- East African Dairy Development Corporation brought artificial insemination services closer to the community. The company provides high quality semen at low cost and allows payment when the farmers get money from sale of milk at the end of the month
- Improved quality of the milk sold. Marketing jointly has helped the group to save enough money some of which was used to purchase metallic cans in which the milk is stored and transported. *"The management of Jesa Farm dairy does not accept storage and transportation of milk in plastic cans. Such cans are very hard to clean and easily contaminate the milk thereby affecting quality. As a group, we were able to purchase cans whose prices are according to the capacity of the can. For instance, a 50litre can costs more than UGX 250,000. This amount of money cannot easily be raised by an individual rural farmer but it is possible if working as a group," explains Lydia Jjemba*
- Members have been able to access basic needs and take care of their families because of the assured monthly income from milk.
- Yoghurt production. With the number of cows increasing, there is a lot of surplus milk which is not consumed by the available market. On many occasions, the group has incurred losses due to milk gone bad. To deal with this, the group introduced yoghurt production in January 2011 as a supplementary income generating project. *"During the wet season, there's surplus production of milk from the cows all of which the dairy farm cannot contain. Being that we aren't the only suppliers to the farm, it leaves us with a lot of milk with no market hence losses. We have started making yoghurt from the surplus milk and, for the start; we are selling it locally at UGX 1000 per half liter. We had already tried it and saw its potential locally," says Lydia Jjemba the group Chairperson.* Yoghurt production is expected to offer a daily income to the farmers
- The group has a joint account with Stanbic bank on which funds from all income generating projects are deposited. The account has 3 signatories and withdrawals are always endorsed by group members. This has helped a lot in transparency and accountability. The saved funds are loaned to group members at an interest of 2%.

## 2.3

# A case study of Agency for Integrated Rural Development (AFIRD)

### 2.3.1 Introduction

AFIRD is a not-for-profit organisation working with vulnerable communities and development partners to improve the livelihoods of vulnerable communities through capacity building in sustainable natural resources management to increase household income. Over 1,000 farmers have received support from AFIRD and their livelihoods have been transformed. In January 2000, AFIRD started applying the group approach as a means of service delivery and helping farmers promoting collective marketing. The organisation started with two farmer groups of 25 members each and the groups have since grown to 38 and total number of farmers to 813. The approach has been applied in the sub-counties of Namayumba, Kakiri and Masulita in Wakiso district.



*Members of Nampunge farmers organic coffee group.*

### 2.3.2 Processes

AFIRD not only supports already formed groups but also helps farmers to form groups to overcome constraints in the marketing of agricultural products. In order to meet or form the groups, AFIRD organises visits and meetings in villages where it interacts with local farmers; introducing them to its work and the benefit to the community. During such visits, AFIRD looks out for already formed groups and works to admit them on its program. In instances where a community doesn't have already formed groups, AFIRD holds meetings intended to educate farmers

about the importance of group formation and then supports them to come together. Support includes capacity building trainings in group management, developing constitutions and registration at the different local levels among others.

For new groups (whether formed by AFIRD or not), support is given to enhance agricultural production through sustainable agriculture. Efforts are made to ensure the groups are food secure before they embark on marketing.

In the older groups where farmers are food secure, farmers work collectively to overcome constraints

related to low incomes. Among activities carried out in this category is collective marketing.

All AFIRD supported groups have leadership structures where leaders are elected democratically.

### 2.3.3 What is working well

- Communication is a key to a successful group.
- Members are informed about all issues pertaining the group and the effects they may have. It also determines their enthusiasm and participation in planned activities.

### 2.3.4 Challenges

- Collective action can be difficult especially if there is no common enterprise among members. Getting a group to agree on one enterprise is a major determinant of success in the group strategy. Having members do different projects limits team work in areas such as marketing of products hence negatively affecting their participation and profit from available markets. AFIRD is putting a lot of effort in working with groups with a common vision and enterprise. Individual enterprises aren't discouraged but the driving factor is the common enterprise.

### 2.3.5 Lessons learnt

Trust among group members needs to be built in order for them to work together and overcome the constraints they face.

### 2.3.6 SUCCESS STORY ON THE GROUP APPROACH

#### Nampunge Farmers Organic Coffee Group

On a first look, members of Nampunge farmers organic coffee group look like any other ordinary farmer; growing for home consumption without any focus on the monetary value of agricultural products. 3 years ago that would have been a correct assertion, but today, the group is very ambitious and market driven in its farming activities.

The group has been involved in Robusta coffee growing for many years. It grows both indigenous and colonial coffee. Each of the 25 members has a coffee



*Matooke planted within a coffee plantation. Where production for the market is encouraged, farmers are encouraged to keep enough food for their households*

plantation whose care is dictated by the group's rules and regulations. Each member has a copy of the group rules and failure to adhere to them leads to expulsion. The group has a joint nursery which also acts as a demonstration field. Members attend trainings organized by AFIRD and other organisations after which they hold group meeting where trained members pass on the gained knowledge to other members. The group has nominated field officers who often supervise members' farms and offer advice which takes the form of sharing best farming practices like harvesting, building trenches, planting trees, adhering to the no-spraying rule etc.

Currently, most of their market for coffee is got through AFIRD. In 2010, 16 of the 25 group members sold 14 bags of coffee to Nsangi coffee farmers association each with an average weight of 63kilograms. The farmers reaped a lot of profits from the sale because while the middlemen were offering UGX 1600 for a kilo of coffee, Nsangi coffee farmers association offered them UGX 1950 collecting a total sum of UGX 1,719,900 for the group. Collective marketing earned the farmers an extra income of UGX 308,700.



## Chapter 3

# The Market Linkages Approach

### 3.1 Introduction to the Market Linkages Approach

With the rapid economic developments like the recent opening of the East African sub regional market, many opportunities have been created as well as challenges. Uganda's small-scale farmers are most likely to be outcompeted because of poor market linkages and limited entrepreneurial skills for adding value to produce. Meeting the demands of the markets requires organisation, efficiency, risk, market access and understanding, quality and quantity and good business management skills, all of which many small-scale farmers currently lack. Improving market access has become vital in ensuring the sustainability and improvement of the livelihoods of small-scale farmers. This section looks at two case studies-the National Organic Agricultural Movement in Uganda (NOGAMU) and CIDI; highlighting how they have been able to successfully improve the livelihoods of their farmer groups using the market linkages approach. Examples have been drawn from three farmers groups to show the dynamics and benefits of applying the approach.



*Members of Community Integrated Development Initiatives (CIDI) discuss their successes and challenges at a meeting*

## 2.3

# A case study of National Organic Agricultural Movement in Uganda (NOGAMU)

### 3.2.1 Introduction

The National Organic Agricultural Movement in Uganda (NOGAMU) is an apex membership organization formed in 2001 to coordinate and drive all stakeholders towards organic agricultural development. NOGAMU currently has a membership of over 1,000,000 farmers of which 206,300 are organic and/or fair-trade certified and are already participating in the export market chains. Membership consists of groups, organisations and individuals. All NOGAMU farmers produce for the market; whether local or international or both. The organisation links farmers to local and international markets, training and mentoring them into attaining necessary requirements in order to reap more benefits. NOGAMU uses different strategies in its market linkages approach as explained in the next section



*An organic garden of Namulonge Horticultural Farmers' Association.*

### 3.2.2 Processes

**Local market linkage strategy:** This was started in October 2002 with the founding of the NOGAMU shop located in Kabalagala, Kampala district. Initially, the shop dealt in a few processed products but later introduced fresh products (2003) and the Basket scheme (2005).

**In the Basket scheme,** NOGAMU uses the internet to inform potential and remind existing customers of the available products then goes ahead to deliver

products to the clients' residences once orders have been made. The organisation has an up-to-date clients' database for easy follow up and sending of product price lists. Products are distributed in a refrigerated van to ensure quality upon delivery. Each client is charged UGX 3000 (delivery charges) per basket delivered. Initially, 90% of the clients under the basket scheme were expatriates. Locals could hardly afford the UGX 3000 cost of delivery and didn't understand the benefits of consuming organic products. Currently though, over 80% of clients are local Ugandans and



*Different types of organic vegetables grown and exported by Namulonge Horticultural Farmers' Association.*

over UGX 48million is generated from basket scheme alone. The scheme continues to grow at an annual growth rate of 15%.

NOGAMU shop turnover (basket scheme and drop-in customers) has grown from UGX 12m in 2004 to UGX 93.4m in 2009

**Export market linkage Strategy:** This is purely demand driven and focuses on selected enterprises. In this strategy, NOGAMU first identifies a buyer/market. Once a market is identified, potential producers are identified, organized and their capacity to produce quality sufficient quantities is built based on the market requirements. The producer(s) is then linked to the buyer.

As at November 2010, over 200,000 farmers were participating in the export market chains through organic export companies or directly with importers.

The value of exports has been growing at an average of over 30% over the past 3 years; US\$ 10m in 2006, US\$15.3m in 2007; US\$ 27m in 2008 and over US\$ 30m in 2009.

**Collective marketing strategy:** Focuses on value chains development and/or strengthening with the aim of producing sufficient volumes for a specified market. This strategy involves;

- Assessing the individual/group/association/

cooperative's capacity to engage in market oriented production

Identifying actors in the whole value chain and engaging them in building/strengthening the value chain

- Organizing and conducting actors' meetings to do a SWOT analysis
- Developing an action plan highlighting each actors role that would link the producers to the market

**Information Sharing and awareness raising strategy**

- Holding farmers' market and organic days
- Holding radio and television programs. Many consumers purchase products because of the perceived benefit including but not limited to quality and health.
- Printing and disseminating information materials such as brochures, market information bulletins and chain specific booklets.

**Certification and standardization:** NOGAMU builds the capacity of entrepreneurs and supports them to establish International Quality Monitoring Solutions (IQMs) that address certification against market standards and other quality systems such as Hazard Analysis and Critical Control Point (HACCP) and fair trade. Certified organic producers obtain



certificates recognized by the market and are linked to sustainable markets from which premium prices are earned. Producers/farmers make decisions to adopt production systems basing on what the market requires thereby reducing on the losses. Currently,

- There are 206,803 certified organic farmers from the 40,000 in 2004.
- The number of certified land has increased from 182,000 hectares in 2004/2005 to 296,203 hectares.
- There are 45 certified export companies exporting to the European Union, United States and Japanese markets compared to 12 in 2004
- 61 groups/companies are linked to major domestic markets and institutions compared to 5 in 2004

### **Product development and promotion strategy:**

NOGAMU facilitates development and promotion of organic entrepreneurs' products in the areas of quality, packaging and labeling. Tools, equipments and inputs to facilitate agro-processing are imported and easily made available for entrepreneurs. Members are supported to participate in major local, regional and international trade fairs to promote their innovations and products. As a result of these efforts, the organic subsector has grown; with increases in demand for organic products thus resulting into increase in rural

household incomes. Over 60 agro-processors have been supported to improve quality and access scan codes. This has helped them to penetrate the local supermarkets where over 60 products are favorably competing with imported products.

**Networking:** NOGAMU uses sale of organic products through shop organic as both a marketing and networking strategy. Simple online surveys are occasionally conducted to establish clients' satisfaction and challenges

### **3.2.3 What is working well**

- **Networking:** Genuine relationships are developed with clients resulting into increased levels of awareness about products and services among consumers. This has also led to increased demand for products. The basket scheme alone has over 70 clients of which 30% are regular.
- **Collective marketing:** Weak areas/gaps along the entire value chain are easily identified and addressed through collective efforts. NOGAMU has been able to apply this in the collective marketing strategy to integrate entrepreneurs into collective domestic and export trade chains and be able to access;
  - Shop Organic outlets- Over 60 groups are currently benefitting from the outlet whose sales have continued to rise at an annual average of over 25%; UGX 57m in 2007, UGX 73m in 2008 and UGX 93.4m in 2009.
  - Linkage to major local supermarkets and institutions.
  - Agro-processors /export companies. The volume of exports has continued to grow at an average of 30% over the past 3 years.
- **Information sharing:** Organic entrepreneurs share market information and experiences where they get to know what others think about their innovations and products. Over 60 products have penetrated the major local market due to information sharing and awareness creation.

### 3.2.4 Challenges

- Limited resources to invest in value addition and expansion of business innovations.
- Lack of business skills and basic knowledge. 90% of the entrepreneurs operate without business plans or records on cash flows.
- Low creativity and innovativeness.
- Inconsistent supply of the products. This can be attributed to changing weather patterns which affects crops and inability by entrepreneurs to meet set standards.
- Low production levels which cannot satisfy demand, both local and international.
- Limited variety of products for the market.
- The high costs of standardization and certification negatively affect marketing of products as organic.
- Low investment in promotion activities. Most small scale producers perceive advertising as expensive and good for big organization not knowing that it could act as a pull for customers.

### 3.2.5 Lessons learnt

- Empowerment of farmers is necessary to help them acquire basic business skills to learn and appreciate cost effective ways of advertising to raise consumer awareness and be able to identify new market opportunities.
- The need for direct interventions to bridge gaps in the entire value chain with a focus on local, regional and export markets.
- Information, knowledge and experience sharing. This could result into improvements in quality of products and increase in demand of products.
- Strengthening collective marketing campaigns as key to attracting bulk buyers and creation of sustainable markets for organized groups.

**Group members choose an Enterprise depending on the market demands, capability of the member, the location and acreage of the land and the estimated yield.**

### 3.2.6 SUCCESS STORY ON THE MARKET LINKAGES APPROACH

#### Namulonge Horticulture Farmers' Association

Located in Busukuma sub-county- Wakiso district, Namulonge Horticultural Farmers Association is a farmer group with an eye on increasing the production of both local and export oriented fruits and vegetables. Among the crops grown are; strawberries, parsley, goose berries, chinese cabbage, carrots, pack hoi, white cabbages, red cabbages, broccolis, cauliflower and other different types of vegetables for the Ugandan, European and Asian markets. Most of the crops grown take up to 2 months before harvesting which gives the group consistency in supplying the markets.

Started in 2007, the Association originally had 5 groups but currently boasts of a membership of up to 42 groups all of which are residents of the 8 parishes of Busukuma sub-county, Wakiso District. Seventy six percent (76%) of the members are women, Youth and Disabled.

Having land for cultivation and paying an annual subscription of UGX 30,000 are prerequisites for a group to join the association while individual members pay UGX 10,000. When a Group/member applies for membership, the Association management visits his/her farm to confirm Acreage. Once confirmed, with the assistance of the Association management, Group members choose an Enterprise depending on the market demands, capability of the member, the location and acreage of the land and the estimated yield. Group members are then trained on the best way of practicing sustainable agriculture and meeting the market requirements.

The association has a group nursery bed, as well as a demonstration farm. Any new crops are first tested in the nursery before being distributed to the members for mass production. Farmers take their produce to an agreed upon collection point upon harvesting, which are then properly packaged and distributed to various outlets.



*A tractor used by group farmers.*



*A solar dryer used for drying fruits.*

Locally, the association sells its products in supermarkets, through the NOGAMU shop and through a stall that was rented in Nakasero market, Kampala. The stall helps the farmers to sell off the surplus produce otherwise not taken by NOGAMU.

- The association sells Chilli to Aseel Impex who then export them to the UK and Asia. Within 2010, the group sold between 8-10 tonnes of fruits. Prices keep changing because there are no signed contracts with markets but overall, there was a 40% increase in farmer's profits. From selling products to the NOGAMU Shop Organic, the Association has realized over 20% growth in profits between 2009-2010.

There is a considerable increase in demand for fruits such as Organic Strawberries in Ugandan Supermarkets as well as a growing demand for Asian vegetables.

### **Achievements**

- Members have been able to find different markets for their products. Not only do they depend on local market but also reach out to regional and international markets.

Diversity of crops grown: *"Some of the crops we grow are not known here in Uganda but are on demand abroad. Exotic vegetables like Pack hoi, Water spinach, Chinese Cucumber are consumed by Chinese. We grew these because they are relatively*

*easy and have a ready market," says Sylvia Nayiga the Association Coordinator.*

### **Challenges**

- Climatic changes and high prices of irrigation equipments greatly affect annual production.
- Poor quality vegetable seeds on Ugandan market making it expensive to farmers.
- Unstable markets and produce
- The local market is still not aware of the advantages of organic products. They are not yet willing to part with the high premium associated with organic products
- Hiring consultants is very expensive yet they are needed to offer guidance and conduct research in order to improve quality and quantity.
- Expensive packaging products. Because the group deals in perishable goods, it needs to transport produce in specially designed materials but these are so expensive. Losses are inevitable because the crops dry and rot easily.

## 3.3

# A case study of Community Integrated Development Initiatives (CIDI)

### 3.3.1 Introduction

Community Integrated Development Initiatives (CIDI) is a local NGO that was founded in 1996 to initiate and implement projects aimed at alleviating poverty in the local communities in which it operates. CIDI's vision is to bring about improved quality of life to people in the target areas and its mission is to facilitate and provide services aimed at improving living conditions in the local communities in which it operates by supporting programmes that promote poverty reduction. CIDI began practicing the Market Linkage Approach in 2004 in the district of Rakai beginning with 20 farmer groups each having 25 farmers. Currently, CIDI is using this approach with over 150 and 60 farmer groups in the districts of Rakai and Soroti respectively.



*Aloet Community Development Association members.*

### 3.3.2 Processes

In all its projects, CIDI works with already formed farmer groups but occasionally facilitates formation of groups in places where they don't exist. During the first year with a farmer group, CIDI focuses on food security and training farmers in farming as a business covering aspects such as market research, post harvest handling, cost-benefit analysis and enterprise selection among others.

In Rakai district, majority of the groups are practicing poultry farming. CIDI identifies buyers and different service providers such as input dealers and poultry breeders and links them with the farmer groups.

Between the two groups, agreements are reached on quality, quantity and delivery of products and sometimes memoranda of understanding are signed. From this point on, CIDI takes on a facilitating role-leaving the farmer groups to deal directly with the value chain actors. To date, most of the farmer groups in Rakai district know the service providers to contact, where to find them, and the different markets to sell their products. In addition, CIDI has established an agri-business center in Rakai district where farmer groups are able to sell their products.

In Soroti district, farmer groups are involved in a variety of enterprises such as bee keeping, poultry

### Agri-Business center

The agri-business center is a large produce collection store where CIDI farmer groups (not individuals) bring their produce to be sold. The center doesn't pay the farmers until their produce is sold. All proceeds from the produce sales go to the farmers and the center neither makes profits nor retains a percentage as cost of running the center. CIDI entirely manages and meets all the costs of running the center. Plans are in place to have a farmer representative (s) on the management team as well as introduce a cost sharing partnership with the farmer to run the center.

Only produce that meets the minimum set standards is accepted at the center.

and citrus growing among others. This region is still dealing with effects of floods and drought, therefore farmer groups aren't yet good in marketing, but are still addressing food security challenge.

### 3.3.3 What is working well

- Facilitating farmers to select their enterprises. This creates ownership and responsibility
- Involvement of farmers in carrying out market research. This gives them enough background information necessary when negotiating product prices
- Building the capacity of farmers in cost-benefit analysis.
- Working with organized group as opposed to individuals makes marketing of products much easier

### 3.3.4 Challenges

- Natural disasters like war, floods and drought limit the capacity of farmers to engage in income generating activities and marketing. In the district of Amuria for instance, farming as a business is still a challenge because many of the people still live in camps. Additionally, drought in the area has dried up most of the crops leaving the farmers unable to fulfill their obligations to buyers

- Some of the key actors in the value chain cheat farmers in spite years of working together.
- The lack of immediate benefits of marketing as groups decreases the morale of farmers forcing them to sell outside the identified value chain actors

### 3.3.5 Lessons learnt

Continuous capacity building of farmers in farming as a business is paramount for agricultural marketing

Preparation of farmers for at least 1-2years before involving them in marketing of produce is very key. Farmers need to learn the basic principles of marketing before they are allowed to engage in it.

### 3.3.6 SUCCESS STORY ON THE MARKET LINKAGES APPROACH

#### Aloet Community Development Association

Aloet Community Development Association commonly referred to as ACODA is a farmer group of 33 members; 17 women and 16men. Located in Arapai sub-county, Soroti district, the group was formed after the Teso region insurgency as a response to increased poverty and food insecurity among community members. The group started at household level and has just recently been registered as a community based organization. It has been receiving support from CIDI for 3 years.

The farmers started the poultry project in 2010 with 500 chicks kept at a members' residence. The project was a response to the high market demand for broiler hens in guest houses and hotels within Soroti and Mbale. Within the Soroti region, most of the hens reared are those termed as 'local chicken'. But the market demand for these is very low. As a result, hoteliers and guest house owners have to contact farmers from other regions to supply broiler hens. *"When we realized this niche in the market, we decided to start a poultry project to satisfy the demands of customers. We talked to various hotel managers and some took us on as supplies. Currently ACODA supplies Sipi Falls Hotels in Mbale and the National Agricultural Advisory services," states Joseph Ekochu the association chairperson*

Starting the project wasn't easy mainly due to a lack of breeders within the region. *"We had to buy the chicks from Ugachick poultry breeders which is located in Kampala and load them on a bus to Soroti. On our first purchase, we lost over 100 chicks due to poor handling. Though we still use the bus, we are more careful and the losses are minimal," Solomon Elayu, the Association Advisor explains*

The group employs the services of the District Veterinary Officer and students from a nearby agricultural institute to build the capacity of the members in how to effectively manage the poultry project. The group is currently able to manage 500 chicks at a time each costing about UGX 7500. When the 500 are all sold, then they are able to purchase more. At the beginning of the project, the group used to purchase poultry feeds from Mbale but soon realized that it was far too expensive. A 70kilograms bag of feed cost them UGX 50,000 and lasted for only 2 days (for 1 month old chicks). They resorted to making their own feeds by mixing 50Kilograms of poultry concentrate (a pre-mixed feed containing all important chicken nutrients) purchased at UGX 50,000 with 200 kilograms of maize purchased at UGX 35,000. The mixture produces 250kilogramas of feed which lasts 3 days (for 1 month old chicks).

*"We want to venture into rearing local chicken because they fetch a premium price. There may not have market in Soroti but they are definitely on high demand in Kampala. We also want to start a hatchery to limit losses incurred while transporting chics from Kampala," Joseph Ekochu explains the association's future goals*

### **Joseph Ekochu's Testimony**

Joseph Ekochu has been involved in citrus farming for many years but started selling his produce in 2010 after noticing a rise in the demand of the fruit. Soroti region is among a few regions in Uganda blessed with a favorable climate for citrus farming. Many families in the region have at least a tree in their backyard but most of the fruit is used for home consumption. With the opening of the East African market however, producers from as far as Kenya, Rwanda and Southern



Sudan now visit the region in search of the fruit. *"These people (traders) move from village to village, going as deep in the villages as they can to buy these fruits. Sometimes they will book the whole citrus field before it matures. That is how high the demand is. The market is available but there is less production," Ekochu explains*

Ekochu grows citrus on ½ an acre of land. He makes sure that his garden is well taken care of to produce high quality yields. On average, he harvests a minimum of 1½ bags per tree depending on the maturity of the tree. In December 2010, Ekochu sold 40 bags of citrus to Kenyan producers each bag costing UGX 50,000. *"It was unbelievable holding UGX 2,000,000 all at once. For the first time, I was able to pay my children's school fees and buy their school requirements before the beginning of the school term. The profits motivated me to work harder on developing citrus production to tap into the available market."*

Local farmers have increased farming of citrus to meet the market demands. With the proposed construction of a citrus juice factory in the area, the demand is likely to increase but it still questionable whether the locals will be able to adequately supply. *"As a member of Aloet community development association, I proposed to the members that we add citrus growing as part of the group projects so that we can be able to produce in big quantities and negotiate better prices."*



## Chapter 4

# Savings and Credit Access Approach

### 4.1 Introduction to the savings and credit access Approach

Savings and credit are very important inputs for agricultural production, enterprise development and overall farmer entrepreneurship development. Many Ugandan small-scale farmers still have limited access to financial services and lack capacities to create their own financial resources (savings). As such, they are in no position to purchase farm inputs and participate in the competitive markets which results into low production for the market and low profits hence poor livelihoods.

This chapter looks at how Organisation for rural development (ORUDE) and Agency for Accelerated Regional Development (AFARD) have been able to employ the savings and credit access approach within their farmer groups. The chapter looks at the general dynamics of the approach in each organisation with examples from farmers to show its effectiveness.



*An officer of ORUDE trains group members how to Save and Access Credit.*

## 4.2

# A case study of Organisation for Rural Development (ORUDE)

### 4.2.1 Introduction

ORUDE is a local NGO supporting rural women & youth to access savings & credit. This is done through capacity building and formation of rural women's banks using an approach of the Sub County Savings and Lending Cooperatives (SUSALECO).

SUSALECO is a youth and women's empowerment scheme that provides capacity building and credit access to women and youth. The model seeks to generate capital from within the community (members) without necessarily seeking for bank loans. Each SUSALECO consists of 250 farmers that is, 10 groups of farmers with 25 members each. (See SUSALECO Model on page 24). The 25 members of each group form the Village Savings and Lending Groups (VSLGs) or otherwise known as Savings and credit Cooperative (SACCO)



*A member of SUSALECO deposits money at the 'Bank'.*

### 4.2.2 Processes

ORUDE works with already existing community groups. These groups consist of a minimum of 25 to 30 members. After groups have been identified; they go through formation process which involves conducting meetings to discuss and lay plans of running the associations. In each sub county, ORUDE works with 10 groups which merge to form the SUSALECO. Each group sends nine representatives who constitute a general assembly that elects the board and other structures for the management of the association. Finally the climax of the formation process is launching the SUSALECO. It is important to

stress that in keeping with the cooperative principles, membership in the SUSALECOs do not exclude men despite its special focus on women.

Before the idea of SUSALECOs took hold, ORUDE had been mobilizing and training rural women's economic groups especially smallholder farmers (whose members live on less than US\$2 per day) and preparing them to absorb credit. This helped the groups to open savings accounts with microfinance institutions (MFIs) from which they hoped their members could access credit. As is usually the case, most MFIs view rural women as (ostensibly) a credit risk, thus making it difficult for them to access credit.

When they managed to acquire loans, high interest rates averaging 10% per month were charged, thus depleting the savings. Yet, a large percentage of the women's loan portfolios consist of their savings, which accumulates no interest. Even when the women paid off their loans the microfinance institutions did not pay interest on their savings, on the pretext that their savings were used as a loan security. The women's groups lacked the capacity to organize and form savings and credit cooperative schemes of their own from which they could borrow when in need and do away with the MFIs. Although there were savings and credit cooperatives – many of them enjoying support services from Government – these were male dominated and women were not encouraged to join.

Each SUSALECO has a an ORUDE identified secretary manager with a background and experience in basic accounting. In addition, SUSALECOs have management committees, supervisory committees and education committees. Under the management committee is the loans committee which is in-charge of all activities related to issuing out loans. When seeking for a loan, a member is required to buy application forms from the bank (SUSALECO) each costing UGX 2000. The forms are then filled out upto the Local Council, and then verified by the group's loan committee before being taken back to the bank. The loans committee within the bank then verifies the application and approves the loan depending on the applicant's shares within the SUSALECO. (The approved loan may be double or thrice a member's shares). The Secretary Manager then gets money from the account and gives it to the loan applicant.

### Characteristics of a SUSALECO

- Each SUSALECO is headed by a woman chairperson
- Each SUSALECO offers loans that have security attached. If a person defaults, security is taken or the shares belonging to the people who seconded the defaulter for a loan are taken
- Each SUSALECO sets its loan interest rate to make money. This rate is however always above the inflation rate

### Start Up Kits

Once a SACCO has been formed, ORUDE gives it a start-up kit which consists of a computer, a counter, window teller, a safe for the money collected, 2 years' rent, 2 year salary for the Secretary Manager and Askari. The total cost given in the start up kit doesn't exceed UGX 10million for the 2 years.

Village Savings and Lending Groups (VSLGs) or otherwise known as the SACCOs or groups consist of 25 members. In each of these groups, ORUDE works hard to integrate agriculture in all planned activities. To achieve this, the organisation divides the 25 members of each group into 5 cells each having 5 members. Each cell elects a leader who is referred to as a FABA (farming as a business advocate). When a FABA receives training from ORUDE on farming as a business, he/she is then expected to train the four remaining members of the cell.

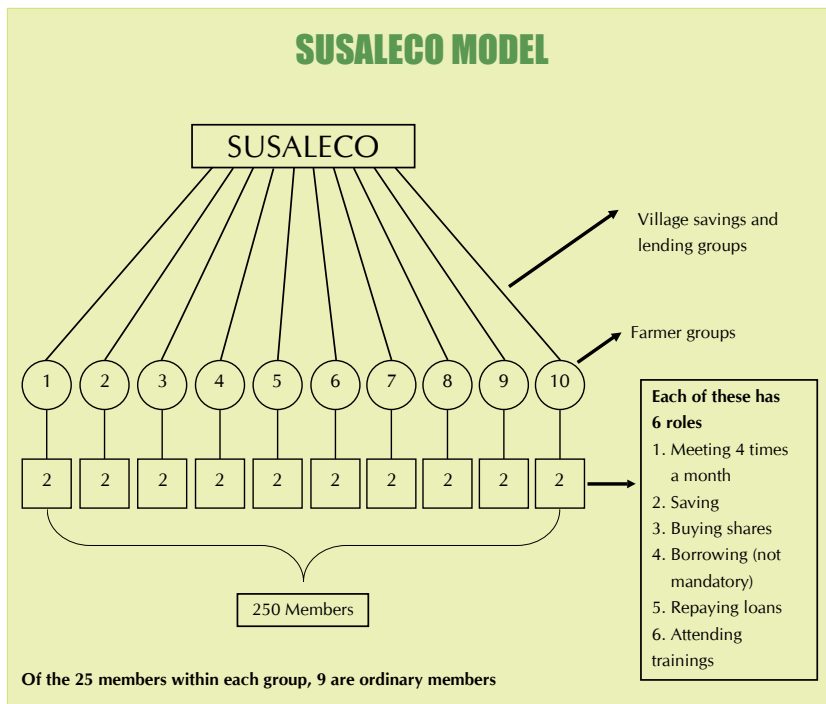
- Family members are encouraged to join a particular group but not to dominate the leadership of the SUSALECO
- Men too are encouraged to join the SUSALECO but aren't allowed to fill key leadership positions like that of the chairperson.
- Each SUSALECO has a funeral fund used to support members who lose close relatives

The SUSALECO model has so far been applied in seven sub-counties of Mafumbira, Budondo, Butagaya, Busedde, Bugembe municipal council, Kapayanga, and Nankoma all located within Jinja and Bugiri districts in Eastern Uganda.

### The SUSALECO model

#### 4.2.3 What is working well

- The model places major emphasis on internal generation of funds through savings and purchase of shares.
- The shares and savings are loanable to members as opposed to other SACCOs
- SUSALECO model with its sub-structures (VSLGs)



- The model is expensive in terms of investments made in form of the start-up kits.
- A good number of SUSALECO members are illiterate and yet they are expected to play active roles in management
- The model puts much emphasis on purchasing shares as opposed to savings.
- Dependence on internally generated funds implies that the SUSALECO is exposed to external shocks affecting the community and members.

#### 4.2.5 Lessons learnt

- The process of developing a model is slow and needs involvement of different stake holders who, though expensive, are a worthwhile venture.

and FABAs) are an epicenter for peer learning within the community

- The Model inculcates the culture of savings among the members thereby promoting a sense of ownership
- Provision of start-up kits consisting of items such as renting an office, furniture, safe and counters boosts the confidence of members.
- The process of accessing a loan from SUSALECO is not bureaucratic compared to MFIs.
- It is relatively cheap in terms of loan application fees compared to MFIs
- The model provides an opportunity for ploughing back wealth created in the community.
- Group membership in SUSALECO promotes competition between different groups which improves level of savings and purchase of shares by individual members

#### 4.2.4 Challenges

- The funds generated in the SUSALECO do not meet the credit demand of the members.
- The merging of VSLGs into one entity or a SUSALECO assumes that such groups are homogeneous.

- Participatory approach is needed when developing the model. Participation promotes ownership, experience sharing and exchange of ideas between different participants.
- A model cannot be fully refined within a short-time. It needs pre-testing and making adjustments as well as testing adjusted model for assurance on what works and what does not work before scaling up.
- The rate at which rural households save money and purchase shares don't match loan demand within SUSALECOS. Failure of the members to access loans de-motivates them.
- It is not possible to depend on group savings and capital to meet institutional and credit demands of a SUSALECO during its initial stages
- SUSALECOs require sufficient time to manage resources that can enable them to be professionally managed in line with cooperative societies such as VSLGs and FABAs
- Blending of knowledge and skills with right attitude towards savings creates a fertile environment for facilitating development within rural communities

- In Uganda, cooperatives have been termed ‘the sleeping economic and social giants’. However, Busedde and Mafubira SUSALECOs can be termed ‘the active economic and social giants’. Members of these SUSALECOs are active and enthusiastic about the cooperative movement. They are visionary and committed – factors that determine whether or not a cooperative will be a success.
- The Project Manager of ORUDE states that, *“The cooperative movement should be driven by private institutions. The role of government should be policy formulation and harmonization. Findings indicate that many local people including members of SUSALECO failed to actively participate in the project with the hope of accessing ‘free money’ from the government’s SACCOs under the prosperity for all programme. It should be remembered that state control of cooperatives in Uganda is one of the major causes that led to the death of the cooperative movement in the 1990s. In one commission of inquiry in 1963 for example, it was recommended that in Unions where government had invested more than the members, government officers should be given overriding powers where major decisions are concerned. This was to be effected in the 1970 cooperative act.*

#### 4.2.6 SUCCESS STORY ON THE SAVINGS AND CREDIT ACCESS APPROACH

##### **Busedde Rural Cooperative Savings and Credit Society**

The Busedde Rural Cooperative Savings and Credit Society was launched in January 2009 in Busedde sub-county, Bugobya village- Jinja district. The group has the needed 250 membership of which 178 are women and 72 are men. It has a management team chaired by a woman, holds bi-monthly meetings and makes decisions by the majority vote-wins approach. Group members utilize savings from the SUSALECO to set up successful individual as well as joint projects.

##### **Enterprise 1: Poultry Farming**

Mrs. Waiswa Lucy is a 52 year old lady who has a poultry income generating project she started in 2008.

She began her project with 34 chicken that were given to her by the NAADS program in her area, which began laying eggs 4 months later. She got income from eggs throughout the first year and managed to pay school fees for her children and provide food for the family. She then sold the chicken as off layers at UGX 8000/= per chicken which totaled up to UGX. 272,000/=.

After the sale of the chicken and a loan of UGX. 400,000/= from the Busedde SACCO, she managed to buy 300 other layer chicken. Currently, 100 of the chicken produce an egg per day which she sells at UGX 160 each. Lucy calculates her profits through the feeds for the chicken. She buys 1 sack of chicken feed at UGX. 42000/= for the 100 layers in every 5 days. Since she produces 100 eggs per day and sells each at UGX.160 that adds up to 80,000/= . She therefore makes a weekly profit of 38,000/= making it a monthly profit of Ughs.152, 000/= .

Lucy says that she managed to pay the loan back after 5 months with the interest rate of 3% per month.

##### **Benefits from the SUSALECO**

- Ability to access low interest loans to advance her project.
- Able to pay school fees for her children through the chicken business.
- The poultry business has grown from 34 to 300 chickens. *‘The SACCO has helped to develop my business from a small to a big one and I can save my money into the bank so I don’t have to worry about security issues.’ Lucy states.*
- She has managed to use the chicken business to feed into other income generating projects such as rearing of pigs and matooke plantation.



**Eggs are a source of income in poultry farming.**

## 4.3

# A case study of Agency for Accelerated Regional Development (AFARD)

### 4.3.1 Introduction

AFARD is a local not-for-profit NGO working in West Nile region; with a focus on food, economic, health, and education security as well as good governance. AFARD works in 5 districts of Nebbi, Zombo, Arua, Yumbe and Moyo; with 25 lower local governments, and more than 15.000 households.

In 2008, AFARD introduced the savings and credit access strategy as a means of ensuring food, economic, health, and education security among its small-scale farmers. 51 farmer groups (with 7,440 farm families) participated in this initiative but the numbers have since risen to 87 farmer groups (with 12,828 farming households). AFARD works with already established groups where they exist and forms new groups where there is none. It plays a facilitating/mentoring role as well as facilitating linkages to external sources of resources – funds, knowledge and relationships among others.



*Mrs. Ongeirwoth selling cereals at the local market in Nebbi town.*

### 4.3.2 Processes

In AFARD's savings and credit schemes, loans are given to only group members. Applicants must be fully paid members without outstanding debts. Each group has a loan committee which is primarily tasked with educating members on the loan process including the interest rate, duration, penalties given to defaulters and to verify collateral such as houses and land attached to loan applications.

AFARD periodically organises meetings where it

invites loan applications from members. Once the application forms are filled and returned, the loan committees then verify applicants details including the amount of money requested, collateral provided and its value among others. Verification is then followed by an approval process that is carried out in the presence of all group members. Members are given a change to evaluate each loan application looking at aspects like the amount of money requested for, the applicant's faithfulness, capability and state of

**“Rural communities do not need to wait for formal financial institutions’ expansion in order to gain financial inclusions. However slow, they can self capitalize their savings and credit schemes in many diversified ways”.**

the attached collateral. Such meetings are sometimes referred to as approval or rejection meetings because of their potential results. If dissatisfied with provided information, group members can decide to halt an application or agree to a reduction in the amount of money requested by a member. Similarly, the applicant can agree or disagree with the meeting’s decision. It is on this same day that loans are given out.

Upon taking the loan, a member is given 3 months period at before payment. The 10% interest covers the 3 months. The loan can be repaid in up to 3 installments.

If a members for any reason isn’t able to pay the loan within the 3 months, he/she is given a 2 weeks grace period and a fine equivalent to 10% of the loan. If he/she is still unable to clear the debt after the 2 weeks, the loan is multiplied by 10% with a 3 months repayment period. In other words, it would be the equivalent of receiving a new loan. If all these attempts fail, then the group takes over the attached collateral.

### **Characteristics of groups AFARD works with**

- Established by members
- Have a written constitution signed by each member
- Are registered with the local government.
- Have elected leaders
- Rotational and gender sensitive group leadership; allowing for democracy and transparency.
- Every group is independent with a self accounting status.
- Team spirit. Every member has to do something to ensure the success of the group.
- Diversified resource mobilization is a critical lynchpin for sustainability and ownership building.

- Monthly meetings within their locations (after the executives have met)
- Have a shared vision and short term goals that they want to achieve within specific time period
- Belong to a district network

### **Roles of individual farmers within the group**

- Registering as a member (with a membership fee and signing the constitution)
- Participating in all group activities – meetings, trainings, etc and failure to do so, without a convincing reason, attracts a fine
- Paying UGX 5000 monthly
- Taking up responsibilities as entrusted by members
- Ensuring safe sanitation and hygiene in one’s home
- Ensuring children of school going age are in school
- Maintaining open communication with fellow members
- Accounting for all responsibilities and monies entrusted to one’s position

### **4.3.3 What is working well**

- Local capitalization (in 2010, UGX 930 million was raised).
- Transparent access to credit using a public appraisal system
- High repayment rate
- Increased livelihood diversification and members’ ability to meet lifecycle, emergency, and asset accumulation needs
- Increased sense of ownership, visibility, and cohesion
- Freedom from political manipulation; discrete loan transactions; and public policing
- Recognition by and linkages with local government

### **4.3.4 Challenges**

- Provision of booster fund distorted the market by facilitating bigger loan sizes and default payments (the attitude syndrome of “donor money, let us eat it”)

- Weak record keeping given that many members are illiterate. In some villages with 100 members, there may be only 1 literate primary seven graduate (who cannot fully comprehend with loan records).
- Failure of group members to balance between group and household fund growth. Often interest rates are too high (to the benefit of group loan fund growth).

#### 4.3.5 Lessons learnt

- Rural communities do not need to wait for formal financial institutions' expansion in order to gain financial inclusions. However slow, they can self capitalize their savings and credit schemes in many diversified ways.

#### 4.3.6 SUCCESS STORY ON THE SAVINGS AND CREDIT ACCESS APPROACH

##### Kubbi Community West Nile Development Initiative Programme

##### Orombi Yallo Lambert's story

Orombi Yallo Lambert is a 42-year old small-scale farmer from Kubbi Community West Nile Development Initiative Programme (WENDI) located in Erussi sub-county Pachaka parish, Kubbi village. is a member of AFARD which started in 1993 with 80 members but currently has 86 members. The group started the credit and loan scheme in 2009, mostly targeting women doing 'petty' businesses. The group gives women loans of up to UGX100,000 without security attached and from UGX 50,000 or more to men with security attached. Loans are given at an interest rate of 5% every 2months.

Orombi Yallo is a long serving member of this group and started getting loans from the group in November 2009 with an initial loan of UGX 200,000 at an interest of 5%. Since November 2010, Orombi Yallo has received 4 loans from the group savings and credit scheme amounting to UGX 800,000. UGX 600,000 of the loans were invested in beans and repaid within 2months. The beans were purchased from the Democratic Republic of Congo and sold in the local



**Orombi Yallo (left) deals in beans (centre) and Soya (right) which are some of the popular enterprise.**

market. The first harvest fetched him an income of UGX 270,000. Using this income, he repaid the loan (UGX 210,000) and made a profit of UGX 60,000.

When the planting season approached, Orombi Yallo again requested for a loan of UGX 200,000 which he used to hire 3 acres of land within Nebbi on which he cultivated beans. The harvest gave him 7bags of beans each weighing 120kilograms which he sold at UGX 150,000 per bag. With his UGX 1,050,000 income, Orombi Yallo repaid the loan, paid his daughter's school fees, contributed to his family's basic needs and purchased 4 female goats each at UGX 60,000. 2 of the goats have since given birth. He hopes to start selling the goats when they are ready. A goat is currently valued at UGX 70,000.

*"Farming is easier when you have start-up capital. Without money, you can't hire land, laborers or purchase farming materials. Luckily for me, I am a member of the Kubbi Community WENDI Programme with a loan scheme which has helped me save up to UGX 800,000 which I hope to invest in my children's 2<sup>nd</sup> term school fees," Orombi proudly states. "I also hope to get another loan which I will use to hire 4 acres of land and cultivate soya beans. However, my ambition is to reach a point where I no longer get loans but save up my profits for re-investment," he emphasizes.*

**"Farming is easier when you have start-up capital. Without money, you can't hire land, laborers or purchase farming materials."**

Currently, 1Kg of soya costs UGX1700. On average, a farmer can harvest 800kgs of soya beans on one acre of land. If Orombi successfully cultivates and harvests 800kgs, he can benefit from the produce market AFARD has already identified earning him UGX 1,360,000.

But inspite of all these milestones and successes, Orombi still faces a lot of challenges as he travels the journey of farming as a business. These challenges are in the area of value addition especially lack of knowledge skills and electric power for value addition.

*“We (small-scale farmers) are being told to produce for the market but that isn’t easy. I know of many farmers who are either afraid or incapacitated to join the market. For instance, we don’t have a reliable source of electric power. If we did, we would grind the soya beans into powder and get a higher profit than when we sell the beans. Powder is easy to store compared to the beans. If the market prices are low, one can keep his powder until the market price rises than sell hurriedly at low prices for fear of the beans going bad. What really frustrates is that the middlemen buy beans from us at a low price, take them to Kampala, add value to them, and then sell the powder to us at a higher price.”*

Additionally, sustaining the market isn’t easy because of the unreliable weather patterns and poor storage facilities.

### **Farmer enterprise 2: Groundnuts and beans**

Mungu Lonyo group has been in existence since 2002. The group boasts of 75 members (from the initial 21 members). This group too has a saving and credit scheme. Every Sunday, group members contribute UGX 5000 which is saved and made available for members to borrow. With an interest rate attached to each loan given out, the group is able to raise more money from the loans before the 10months period when each member receives his/her UGX 500,000. Member are encouraged to invest this lump sum in profitable ventures.

Group members are actively involved in different agricultural related ventures including cultivation of groundnuts, beans, and rearing of goats. All ventures are located on land hired from other community members. During the last season, the group cultivated beans on 2 acres of land and groundnuts on 3 acres of land. They in turn harvested 19 bags of groundnuts and 4 bags of beans each worth 220kilograms. Each bag of beans was sold at UGX 250,000 making total income of UGX 1,000,000. The groundnut produce wasn’t sold because of the low market price of each bag currently at UGX 60,000 instead of UGX 95,000.

All income got from these ventures is deposited onto the group account. Currently, the account has UGX 22.3million.

*“We don’t distribute the money among the members. We want to save enough to build offices and hire more land to cultivate soya beans,” narrates Ongeirwoth Dominick, the group’s Secretary*



**Ongeirwoth Dominick (top left) involved in cultivating Groundnuts (top right) and rearing Goats (bottom).**

## Annex 1

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