ARI 3201/ARX 4201 Developing Sustainable Rural Institutions and Organizations

By

Dr. Richard Miiro

1**. Course (Code & Name): ARI 3201/ARX 4201 Developing Sustainable Rural Organizations**

2. Course Instructor: Richard Miiro
3. Course Type: **CORE Course, BARI III and BAX IV**
4. Course Structure, Duration and Location
3 Course Units (CU) i.e. Total Contact Hours (per Semester): **30 Lecture Hours; 20 Tutorial hrs and 20 Field practical hrs= 45. 15 weeks (45 hours).** The course is offered at the Department of Extension & Innovation Studies, in the School of Agricultural Sciences, College of Agricultural and Environmental Sciences.

5. Course Description:

The course introduces students to the centrality of organizations in society and in developing rural areas and rural livelihoods in particular. Using the concepts and theories behind understanding organizations, the course helps the student to appreciate the way rural organizations are structured, and how they are an integral part of a changing rural development landscape. Focusing on farmers organizations and producer organization, the course demonstrates how these are formed, managed, governed, the challenges they face, and how capacity assessment and development can be undertaken in order to help them deliver on their mandates. Mandates of lower and second order or higher level farmers organizations are explained, including the characteristics of effective organizations. This leads into issues of financing of these rural organizations, sustainability as well as success and failure factors these organizations face. The course ends with a look at the role of external actors and the enabling policy environment in making rural organizations succeed including case studies of effective organizations.

6. Course Objectives:

Overall Objective
The course equips students with knowledge and skills <u>of how rural organizations developed and what contributes to their sustainability in ensuring </u>for improved rural livelihoods. The course will enhance students' ability to analyze, understand and potentially contribute to change in the institutional and <u>organizational </u>environment in which they work.

COURSE OBJECTIVES

By the end of the course students will be able to;

1. Explain key concepts and theories behind organizational functioning including the important of rural organizations in sustainable rural livelihood development and farmer empowerment.
2. Distinguish the various rural organization typologies including the characteristics and features of those organizations based on structure and level of operation.
3. Explain the processes and steps in rural organization development including the differences between the formation of farmers' groups and organizations and cooperatives
4. Explain how rural organizations are led, managed, grown and governed including how to handle conflict and challenges faced by these organizations.
5. To know how to conduct capacity assessment/evaluation of the farmers or producer organizations to ensure health and sustainability of those organizations.
6. Identify the critical services offered by the different levels of the farmers organizations, and explain the critical success and failure factors related to farmer institutional and organizational development
7. Explain the role of social capital, and other actors in ensuring rural producer organization functioning

7. Instructional Methods, Tools/Equipment:

- Interactive lecture, involving power point presentations in combination with brainstorming, and question and answer (Q&A) sessions; and discussions
- Tutorial sessions, involving students' presentations and discussion
- LCD Projector/ White board /Markers/Cards/pins

8. Course Evaluation:

- Continuous Assessment (individual assignments & group assignment/presentation: 40%
- Final written Exam: 60%

9. References/reading list

1. Andersson, K.P. 2004. Who Talks With Whom? The Role of Repeated Interactions in Decentralized Forest Governance. *World Developmen*t 32(2): 233–249.
2. Birchall, J. (2003). Rediscovering the cooperative advantage. Poverty reduction through self-help. *Cooperative branch of the International Labour Organization (ILO)*. Geneva p 85..
3. Coe, C.A. 2006. Farmer Participation in Market Authorities and Coffee Exporting Countries. *World Development* 34(12): 2089 – 2115.
4. CRS/MEAS (2015). Organizing and managing Farmers' groups. A smart skills manual. Catholic Relief Services and Modernizing Extension and Advisory Services. www.crsprogramquality.org/smart-skills-for-farmers/ or at

www.meas-extension.org/meas-offers/training
5. EAFF (20140. Organizational Capacity Assessment of EAFF member organizations. Eastern Africa Farmers' Federation (EAFF)
6. Gonzalez, A.A. and Nigh, R. 2005. Smallholder Participation and Certification of Organic Farm Products in Mexico. *Journal of Rural Studies* 21: 449 -460.
7. Hussi, P. Murphy, J., Lindberg, O., and Brenneman, L (1993). The Development of Cooperatives and Other Rural Organizations. The Role of the World Bank. The World Bank Technica paper number 199. Africa technical Department Series. Washington D.C.
8. Kristine Van Herck (2014). Assessing efficiencies generated by agricultural Producer Organisations. European Union.
9. MAAIF (2018). An assessment of the capacity needs of farmer groups and high level farmer organizations in Uganda. Ministry of Agriculture Animal Industry and Fisheries. Government of Uganda.
10. Mangnus, E. and Pitres, B. de Stienhuijse (2010). Dealing with small scale producers. Linking buyers and producers. The KIT publishers
11. Penrose-Buckley, C (2007). Producer Organizations" A guide to developing collective rural enterprises. Oxfam.
12. Rehber, E. 2004. Vertical Integration in the Food Industry in the Food Industry and Contract Farming. *Outlook on Agriculture* 33 (2): 85-91.
13. Rocchigiani, M. & Herbel D (2013). Organization analysis and development Food and Agriculture Organization of the United Nations Rome, 2013
14. Technoserve/USAID (2016). The Status of Producer Organizations in Uganda: Insights from USAID –Uganda -Feed the Future Producer Organizations Activity Report
15. Sanginga, P.C., Best, R., Chitsike, C., Delve, R., Kaaria, S. and Kirkby, R. 2004. Enabling Rural Innovation in Africa: An Approach for Integrating Farmer Participatory Research and Market Orientation for Building the Assets of Rural poor. *Uganda Journal of Ag*

10. Course content, instructional methods, tools/equipment

Topic	**Content**	**Instructional methods**	**Tools /Equipment**
Lecture 1 &2: The Universality of organizations *(Week 1)*	• Introducing the course, course expectations, course rules, assessment • Organizations as part of society • Types of organizations in society • ***Individual assignment:***	Interactive lecture Tutorial (2hrs)	LCD Projector/ White board /Markers//Cards/pins
Lecture 3 & 4: The importance of organizations in rural development *(Week 2)*	• Role of organizations in improving livelihoods • Benefits of belonging to rural organizations/farmers organizations • Applications of the course	Interactive lecture (2hrs)	LCD Projector/ White board /Markers//Cards/pins

Lecture 5: Key concepts and definitions *(Week 3)*	• What is an organization, a cooperative and what purposes do they serve: structuring how activities can be accomplished, distribution of roles, producers of goods and services, providers of identity, power houses, institutions key to socialization and social mobility • Distinguish organizations, institutions and groups • Elements of an organization	Interactive lecture (2hrs)	LCD Projector/ White board /Markers//Cards/pins
Lecture 6: Organization Theories *(Week 4)*	• Classical organization theories – bureaucracy, scientific management, • Human relations theory and human centered theories	Interactive lecture (2hrs Tutorial (2hrs)	LCD Projector/ White board /Markers//Cards/pins
Lecture 7&8 Organization Theories Continued *(Week 5)*	• The open systems theory, organizations as part of a wider environment • Organizational culture • Applications of organization theory	Interactive lecture (2 hrs)	LCD Projector/ White board /Markers//Cards/pins
Lecture 9 & 10: Rural organizations *(Week 6)*	• What are and types of rural organizations Mangnus and Pites (2010) • Farmers organization as the typical R&D community org. • Typologies of farmers organizations • Structure and levels of farmers organizations	Interactive lecture (2 hrs) Tutorial (2hrs)	LCD Projector/ White board /Markers//Cards/pins
Lecture 11:Drivers and the case for rural organizations *(Week 7)*	• The changing context for farmers organizations • Conditions for organizing rural organizations – Mangnus and Pites (2010)	Interactive lecture (2 hrs) Tutorial (2hrs)	LCD Projector/ White board /Markers//Cards/pins

Lecture 12 & 13: Formation of rural organizations *(Week 8)*	• Considerations before forming farmers organizations • Steps in formation of farmers' groups and producer organizations • How cooperatives are formed – the key steps • Considerations for new farmers groups and organizations		
Lecture 14&15: Leadership, managing and governance of rural organizations *(Week 8)*	• Leadership in farmers' organizations • Leadership styles and qualities • Managing of farmers'/producer organizations • Governance of farmers/producer organizations • **Test**	Interactive lecture (2 hrs) Tutorial (2hrs)	LCD Projector/ White board /Markers//Cards/pins
Lecture 16 & 17: How to help organizations to grow *(Week 9)*	• Helping organizations to grow • Communication in organizations • Managing conflict • Why groups and organizations fail? • Challenges faced by farmers' organizations	Interactive lecture (2 hrs	LCD Projector/ White board /Markers//Cards/
Lecture 18 & 19: Capacity of farmers' organizations *(Week 10)*	• Capacity of organizations – farmers organizations Mangnus and Pites (2010) • Building organization capacity • Evaluating organization capacity • ***Group assignment on ZAABTA***	Interactive lecture (2hrs) Tutorial (4 hrs)	LCD Projector/ White board /Markers//Cards/pins
Lecture 20: Higher order organizations *(Week 11)*	• Activities and services of farmers/producer organizations (Penrose-Buckeley, 2007) • The role of higher order organizations	Interactive lecture (2hrs)	
Lecture 21 & 22: Higher order organizations continued *(Week 12)*	• Supporting higher order organizations to deliver their services • Characteristics of effective organizations • Success and failure factors for farmers organizations/producer organizations/cooperatives	Interactive lecture (4 hrs) Tutorial (2 hrs)	LCD Projector/ White board /Markers//Cards/pins
Lecture 23 &24:	• The different types of social capital,	Interactive	LCD

Social capitals and networking *(Week 13)*	networking • Inter-organization relations • ***Group assignment:***	lecture (4 hrs) Tutorial (3 hrs)	Projector/ White board /Markers//Cards/pins
Lecture 25 & 26: Financing and sustainability of producer organizations *(Week 14)*	• Types of producer organization financing • How to sustain producer organizations and businesses • Measures of organization sustainability • Role of community leaders, local, central governments, private sector and NGOs in FOs • The need for an enabling environment	Interactive lecture (4 hrs) Tutorial (3 hrs)	LCD Projector/ White board /Markers//Cards/pins
Wrap up *(Week 15)*	• Case studies • Course wrap up		

10. SUMMARY OF TIME (CONTACT HOURS) NEEDED

- Lecture hours =30hrs
- Tutorials =20hrs
- Field practical =20hrs

11. OVERALL COURSE EVALUATION

- Continuous Assessment (individual assignments, group *discussion* assignment/presentation): 25
- Participation in field-based activities and contributing to outputs: 15
- Final written Exam: 60%

Lecture 1 Appreciating the universality of organizations

In society people organize them selves into organizations in order to meet specific needs both personal and social. Organizations surround us, are part of us and we are part of them. We work in organizations. Our leisure is often organizational. Social transformations such as migrating into new areas, or a community that receives migrants, the recent trend of many rural and urban communities having to get into savings and lending schemes, whether as Village Savings and Lending Schemes (VSLAs), or Saving and Credit Cooperative Organizations (SACCOs), social media influences where people are forming communication groups and more are all organizational in nature. As such organizations are an integral part of society.

Individuals cannot often succeed on their own when it comes to fulfilling certain objectives. They need to get organized into groups or organizations, in that way they can accomplish more. Through organizations, individual strengths are leveraged, and collectively more is achieved.

What organizations are you part of, and how helpful have they been to you? Identify the activities you normally engage in and the organizations linked to them

Organizations exist to secure and advance the interests of their members within the existing institutional framework, while constantly seeking to influence that framework so as to achieve greater advantages and benefits.

Organizations are found in all sectors of society

- private (family, commercial entities and corporations), civil (associations, membership-based groups, NGOs) and
- public (government and its various organs, government-owned enterprises).

Organizations are also found at all levels:

- extending from the micro (family, community e.g. community-based organizations (CBOs) to
- the meso (local, district, regional, provincial),
- to the macro (national) and international level (e.g. United Nations, World Trade Organization, multilateral organization).

Organizations and their role in improving farming and farmers lives

As we are aware, in Uganda most of the farming is being done by close to 4 million small-holder farming households (Agricultural Census of 2008/2009). Most of these farmers are located in rural areas where were poverty is still most prevalent. *"poverty in rural areas had also fallen by almost two-thirds to 22.3% in 2012/13 from 60.4% in 1992/93.* Approximately 43% of the population are at risk of falling back into poverty in the event of a shock. *See Figure 2.3 page 11 for poverty graphs per region (Uganda Poverty Status Report of 2014)"* Agriculture employed 66 percent (8.8 million) of the working population, while by occupation, 60 percent (8.1 million) of the working population were agriculture and fishery workers in 2009/10 (MAAIF, Statistical Abstract of 2011). Agriculture since it is the main form of employment for most rural folk, and nationally is seen as the only most plausible strategy through which poverty in rural areas can be alleviated, so that rural families can experience economic freedom.

Smallholder farmers in Uganda and East Africa as a whole have faced several historical constraints, including land tenure, land access rights, and land management; credit access; access to input and output markets; infrastructure; extension services; institutional problems; climate change and food security besides challenges experienced from global influences such as financial, food, and fuel price crises (Salami, Kamara and Brixiova, 2010).

One of the challenges to rural development has been the difficulty in efficiently providing certain services to the people there due to high transaction costs. These are brought about by the constraints explained above including poor infrastructure, low volumes of trade and business. One of the key explanations for this is the lack of organizational capacity among the rural folk, and the lack of capacity to cater for all categories of rural people given their diversity. Such capacity that would make the rural folk attract services and business to their areas.

Services such as extension, micro-finance, market services have failed to reach certain sections of the rural people and individual farmers effectively. Thus, the need to encourage farmers to form groups or organizations as a strategy to facilitate:

- effective articulation of demand,
- raising of marketable production volumes,
- access to service provision and outreach to farmers.

Understanding concepts related to rural organizations

First let us appreciate what organizations and in particular rural organizations are:
Generally, **Organizations**, refer to a group or association, formal or informal existing to accomplish specific objectives, in which there are defined and accepted roles, positions and responsibilities structured in some relationship to each other in order to achieve those objective(s).

Rural organizations can broadly be defined as any group of individuals of rural people getting together formally or informally for a common purpose.

Types of common rural organizations in Uganda

There are many different actors and organisations that provide business services and other kinds of support to POs:

1. Rural producer organizations
2. Government ministries and agencies,
3. Finance institutions such as micro-finance, and banks
4. Development NGOs led by foreign agencies
5. NGOs that are local
6. Produce Buyers/ exporters
7. Trading organizations
8. Community based organizations
9. Farmers' associations
10. Farmer Cooperatives
11. Farmer groups
12. Savings and Credit Groups
13. Farm input supply shops/agencies
14. Burial groups
15. Self help groups – Women and village mixed groups
16. Schools
17. Hospitals
18. Security posts – police posts

There are many different actors and organisations that provide business services and other kinds of support to POs. Government ministries and agencies, donors, development NGOs, and specialist support agencies may all provide special support to POs as a means of achieving rural development objectives, while buyers, such as exporters and alternative trading organisations, may also provide special support to POs to improve the capacity of producers to supply the products they want to buy. (Penrose, 2006)

Why sustainable rural organizations?

For rural areas to develop, the efforts involving farmers' and or producer organizations have to last a long time. It is therefore important that we consider how to develop sustainable rural institutions and organizations.

What sustainability is: It is a characteristic of a process or state that can be maintained at a certain level indefinitely. Meeting the needs of the present without compromising the ability of future generations to meet their own needs. Of 3 dimensions: economic feasibility, environmental soundness and social equity

What rural development is: The actions and initiatives taken to improve the standard of living in non-urban locations. These locations can be exemplified with a low ratio of inhabitants to open space. Agricultural activities may be prominent in this case whereas economic activities would relate to the primary sector, production of foodstuffs and raw materials

Empowerment: Increasing the spiritual, political, social or economic strength of individuals and communities. It often involves the empowered developing confidence in their own capacities. Many efforts to develop rural institutions and organizations claim to ‘empower’ people, which is not always the case. They orient more to the ‘efficiency’ goal.

Many organizations are being formed at all levels, and extension professionals have a role both in guiding the development process as well as in guiding the sustenance or long term survival of the formed rural organizations. Organizations that are being formed will need to pay attention to issues of governance, policy and constitution development, leadership, management of people and resources, inclusiveness of all, conflict and problem solving, business development among others.

Institutions and organizations distinguished

Institutions exhibit both a formal nature (constitutions, rules, regulations, laws, rights, etc.) and an informal nature (sanctions, customs, mores, traditions, etc.). They are characterized as follows:

1. They are determined by society and govern social, political, cultural and economic exchanges and interactions.
2. They define the range of choices, regulate risk and uncertainty and determine transaction and production costs and hence the feasibility and profitability of engaging in economic activity.
3. They evolve incrementally, linking the past with the present and future.
4. They provide the incentive structure of an economy and set the tone of societal development.

An organization is a social unit of people that is structured and managed to meet a need or to pursue collective goals.

References

Adeleke Salami, Abdul B. Kamara and Zuzana Brixiova (2010)Brief 20: Smallholder agriculture in East Africa: trends, constraints and opportunities. African Development Bank, Working Paper No. 105

Lecture 2 Importance/justification for the need for organizations in rural development

Farmers who form organizations:

i) Have a stronger collective voice when demanding for services such as extension, finance, and market services.

ii) Have a strong bargaining voice due to increased volumes they would have collected for the market.

iii) They can access farm inputs cheaply due to increased amounts bought at once at a lower price.

iv) Are more empowered – for example youth organizations, women organizations, among others, and can be reached in their unique categories.

v) They can easily contribute to policy as a collective voice.

vi) They can engage in managing their natural resources better, water shades, common property resources among others.

vii) They gain cohesion and cooperation for the development of their communities.

viii) Provide their members with the advantages of economies of scale: By combining their resources, producers can obtain access to markets and to goods and services due to their combined effort.

ix) They provide a level of competition which is often missing in rural areas

x) Contribute to rural stability. Presence of these rural organizations helps provide services to the community for a long time.

Organizations such as producer organizations have a role in rural development. There are six main reasons:

i. Poverty reduction: through producer organization, small scale farmers can access markets and better prices thus increasing household income and thus move away from the poverty cycle.

ii. Empowerment and self-reliance: with increased resources from market access, these producers can trade their way out of poverty rather than relying on external assistance.

iii. Pro-poor economic growth: the more farmers engage in collective marketing through producer organizations, local rural economies will benefit as increased income leads to increased demand for labour, food, services, more jobs and consumer goods.

iv. Enhance the provision of services, when groups are found organized. Most public and private organizations such as NGOs prefer to work with organized groups.

v. A form of empowerment. Individuals in rural areas who lack the power and resources to improve them selves and access certain services, can easily do so when organized. For example women, youth, disabled and other unique groups. Organizations are thus important in empowering the weak in society.

vi. It is cost effective and economical to reach out to groups than to individuals. Reaching out to organized groups is economical and cost effective.

Benefits of belonging to rural organizations (Penrose, 2006)
The potential benefits of collective action
Lower costs
One of the main benefits of POs is lower marketing costs as a result of economies of scale. When small-scale producers combine their produce for sale it reduces the transaction costs for both the producers and the buyers. Instead of each producer spending time finding a buyer and negotiating a price, only one or two members do this on behalf of the whole group.

For buyers, instead of spending a lot of time negotiating with individual producers over small quantities, they can negotiate once for a large quantity. These lower transaction costs mean that small-scale producers can often negotiate higher prices for the products they sell and lower prices for inputs.

Improved market reach
It is often not easy for small-scale producers to get a good price for their produce because they are unable to access other markets that may be far away from them. Due to lack of choice, they have often been price takers merely accepting what the traders offer them locally. In such cases, collective action can enable small-scale producers to access other markets by combining their produce to reach the scale necessary to deal with buyers in other markets, or by processing their produce to access higher value markets at a later stage in the chain.

Increased bargaining power
Engaging through organization and collective action does increase small-scale producers' bargaining power. By bulking and improving the quality of their product or by spreading production between individual members over the whole season, producers can meet the precise demands of buyers and therefore negotiate better prices.

Improved access to services
POs can improve small-scale producers' access to services in two ways. Firstly, the lower transaction costs and economies of scale involved in providing services to groups rather than to individual producers makes it much cheaper and easier for businesses and service providers to work with small-scale producers.

Secondly, organised groups of producers, especially if they are legally registered, are likely to have greater credibility and a higher profile than individual producers. This makes it much easier for service providers to identify and work with producers and can also improve access to financial services, as rural banks are more likely to offer credit to a registered organisation than to individual farmers.

Large POs may also be able to provide services to their members, particularly in markets where access to appropriate services is limited or non-existent. Example of BAIDA in Bugiri.

Incentives and opportunities for value adding

When functioning successfully and making profits, POs can invest into value addition activities such as processing, transportation and diversifying their businesses.

Increased confidence

On their own, individual small-scale producers often lack the confidence, skills, and experience to engage successfully in the market. However, as a collective through their organizations, they producers no longer have to rely on their own skills and resources and do not have to face the risks of engaging in the market on their own. Working as a increases farmers' confidence to engage in markets and other services.

Lecture 3 Overview of Basic Theories Underpinning Rural and Agricultural Development

We are going to look at the following theories that have underpinned rural and agricultural development. These include:

- Modernization,
- Community development model,
- Community participation model,
- Self-help model, and
- The participatory development model.

Modernization

The theory of modernization is premised on the argument that a well-developed and vibrant agricultural sector would be a key factor in supporting industrial development and in promoting a rapid rate of growth for the entire national economy (*See PMA document*). According to its proponents, agriculture has "**five key roles**" to play to:

1. supply cheap foodstuffs and raw materials for the urban/industrial sector;
2. export farm products to earn foreign exchange which could be used to finance technological and material imports for urban and industrial development;
3. release labor to provide the work force for the industrial sector;
4. expand the domestic market for industrial products; and
5. Increase domestic savings to be used to finance industrial expansion.

This theory has been a centerpiece for agricultural and rural development since the 1950s, during the time when most African countries, including Uganda were still under colonial rule.

The central argument was that, with the end being industrial development (agricultural development treated as a means of achieving the desired end), it was assumed that the surplus generated by the industrial sector would 'trickle down' to rural areas and reduce the backlog of rural surplus labor to the benefit of the industrial sector. The model has failed largely because:

i. Accelerated per capita income alone in absolute terms could not minimize the gap between the poor and the rich.
ii. Further, in such a technocratic understanding of development, there was not much opportunity for participation of local organizations unless deliberate and well thought out strategies are put in place (*does this explain why farmers' groups under NAADS are not very effective? Elite capture?).*

Community Development Model

Unlike the modernization theory the community development model emphasized the development potentialities of rural communities. The central features of the community development approach were,

- Establishment of a coordination team at the local level;
- Training and assignment of local community development workers as ‘change agents’
- Regular contact and dialogue between the community development team and local people
- Formation of local groups

Unfortunately, the community development model promoted similar activities as those related to modernization. The approach did not provide much support to self-help activities for groups. Decisions were still centralized; It was the local elites who benefited most from development programs. The approach neglected social stratification and conflicts of interest as well as existing power structures in local communities.

Community Participation Model

This model emerged in the 1970s, as a response to criticisms of the 'community development' model. It was based on the CD model but avoiding bureaucracy and centralization. The basic thus was participation, aimed at strengthening the capacities of individuals and communities to mobilize and help themselves. In this way, dependence on the state was expected to be minimized such that local people rediscover their potential from cooperation and mutual endeavor.

However, a number of questions such as,

(i) who and what kind of community should participate?
(ii) what happens in a stratified society where the local power structure is biased?
(iii) how can local self-reliance be achieved in case of the state monopolizing development programmes (*even in case of non-monopolization, will the new arrangements be supportive of local organizations?*

Self-Help Model

Since 1980s, the development strategy focused on self-help, resulting from a reflective synthesis of earlier development models. The aspects of participation gained the greatest attention, with strategies of promoting participation a bit different. Key features of this model:

- Participation of the local population as the main factor
- Organizations formed under this model should are 'owned' and ‘controlled’ by the rural poor, working with but not for the local people.

- Local people cannot achieve much without external support and assistance largely because they have limited resources (five or seven assets as seen from the SL or CC frameworks). Hence, the scarce of resources need to be complemented by complemented support from outside.

However, the SH model has been criticized for being more of wishful thinking and being inadequately informed by past experience as to the investment in institutional innovation.

Participatory Development Model

In 1990s, coupled with new policy innovations such as decentralization, PDM was put forth, emphasizing active participation of rural people in decision-making and implementation. Development planners and policymakers are expected to focus more on micro-level needs and decisions after realizing their crucial role in local development. For this reason, building effective organization of the rural people at the local level has become an urgent thrust in development whereby locally identified priority needs and problems as well as resource mobilization are integrated in rural and agricultural development initiatives.

Organization theory

Organization theories are meant to assist us in understanding how organizations function, how they are arranged or structured, and what the key elements of characteristics of organizations are. We now explore how organization theory has developed over time.

Max Weber (1864 – 1930)

During the industrial revolution, in the late 19th century and in the early 20th century a German sociologist and researcher named Max Weber (1864 – 1930) argued that the most organizations were ideally very organized systems that operated as bureaucracies and run by bureaucrats.

Thus organizations were bureaucracies, and operated as machines. Below were Weber’s views of organizations

i) He saw organizations as places with legal and absolute authority, logic, and order.

ii) He saw organizations as places where the responsibilities of workers were clearly defined and behavior is tightly controlled by rules, policies, and procedures.

iii) He saw organizations arranged into specific functions, or parts, each of which worked in sync with the other parts to form a streamlined process.

iv) He saw organizations as places where personal aspects of human behavior and concern were irrelevant, and were detrimental to the efficiency of the system

v) He saw the people who worked in these organizations as merely a source of skills as inputs into a machine.

Weber's theories were later seen to be mechanistic, however, this bureaucratic view of organizations helped in understanding:

a) the process efficiency,

b) division of labor, and

c) hierarchy of authority within organizations

Henri Fayol

Henri Fayol also helped in understanding organization theory in the early 1900s. He helped identify the four basic managerial functions of successful organizations:

i. Planning—thinking before acting
ii. Organizing—setting up policies and procedures that regulate employee behavior
iii. Staffing—recruiting a suitable work force
iv. Controlling—motivating workers to pursue the goals of the organization

Frederick W. Taylor (1856-1915)

Taylor is basically remembered for his fronting the notion of *Scientific Management.* Taylor's theory of scientific management was likened to the four basic managerial functions identified by Fayol, and adopted the same basic attitudes about process efficiency championed by Weber.

He is remembered for helping to define the role of:

a) training,

b) wage incentives,

c) employee selection, and

d) work standards in organizational performance.

Lecture 4 Human-centered organizational approaches and theories

Elton Mayo: In the 1930s, organization researchers began to adopt a less mechanical view of organizations and to pay more attention to human influences. One of the researchers who helped bring about this perspective was known as Elton Mayo of Harvard University. He conducted the **Hawthorne Experiments** in the mid 1920s and 1930s at a Western Electric Company plant known as the Hawthorne Works. The company wanted to find out the extent to which working conditions affected output.

The findings showed that human behavior aspects such as individual motivation, inter and intra-group interaction, social relations at work influenced what goes on in organizations more than that mechanistic incentive systems such as having greater light, air conditioning, better sitting etc.

From Nugent -saylor.org:

Hawthorne Effect, where productivity went up as they had a sense of belonging and being part of a team

Four general conclusions that were drawn from the Hawthorne studies:

- The aptitudes of individuals are imperfect predictors of job performance. Although they give some indication of the physical and mental potential of the individual, the amount produced is strongly **influenced by social factors.**

- Informal organization affects productivity. The Hawthorne researchers discovered a group life among the workers. The studies also showed that the relations that supervisors develop with workers tend to influence the manner in which the workers carry out directives.

- Work-group norms affect productivity.

- The workplace is a social system. The Hawthorne researchers came to view the workplace as a social system made up of interdependent parts.

- Source URL: http://polt906f07.wikispaces.com/Hawthorne+Studies Saylor URL: http://www.saylor.org/courses/bus209/ Subunit 1.2
- Attributed to: F. Nugent www.saylor.org

Abraham Maslow: Abraham Maslow came up with the hierarchy of human needs. (Read about this). Maslow's theory was then related to organization functions and helped come up with the following implications:

a. people have different needs and are therefore motivated by different incentives to achieve organizational objectives; and

b. people's needs change predictably over time, meaning that as the needs of people lower in the hierarchy are met, new needs arise.

It was concluded that meeting people’s personal needs and understanding what motivates them to work is critical and not just monetary rewards.

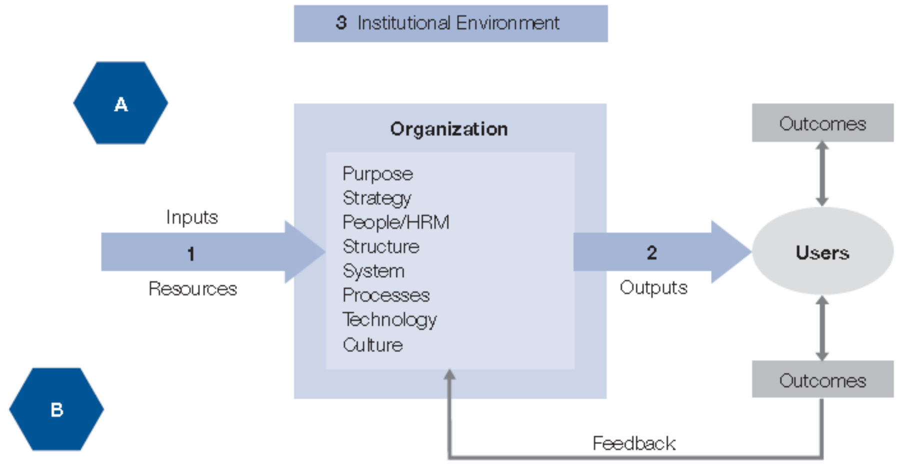
Douglas McGregor - Theory x and theory y: Douglas McGregor in the 1950s, offered what he called Theory X and Theory Y to explain the handling of workers in organizations. Theory X he explains represents the old, repressive, pessimistic view of workers. Here workers are considered lazy and have to be coerced to produce with tangible rewards. He argued that such workers preferred to be directed, wanted to avoid responsibility, and cherished financial security (i.e., jobs) above all else.

Theory Y represents a positive view of human nature. Arguing that:

i) humans can learn to accept and seek responsibility;
ii) most people possess a high degree of imaginative and problem-solving ability;
iii) employees will self govern, or direct themselves toward goals to which they are committed;
iv) satisfaction of ego and self-actualization are among the most important needs that have to be met by (profit-maximizing) organizations.

OPEN-SYSTEMS THEORY

Figure 1 Open Systems Model – an ecological approach



Legend:

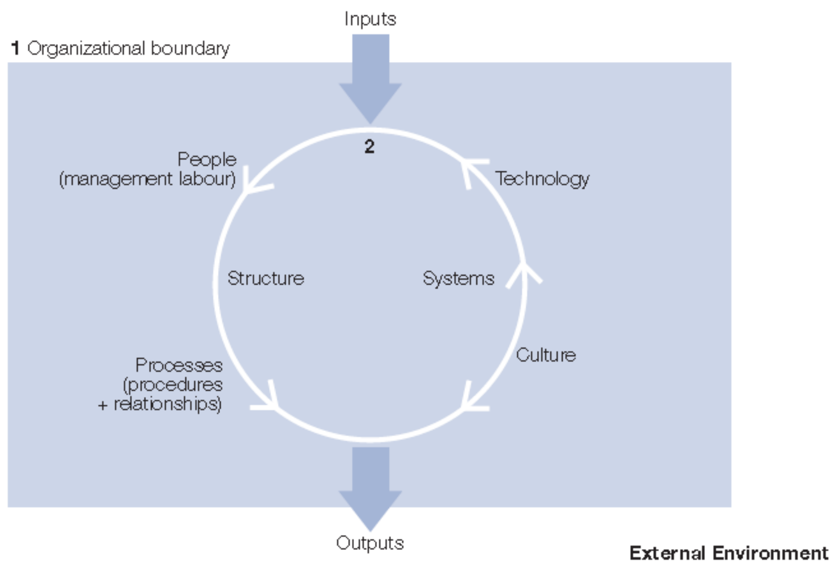
A, B = other organizations

1 Inputs come not only from the external environment, but also from within the organization itself in response to new insights, changes in internal and external stimuli, the incentive structure or perspective changes. Hence the input/resource arrow is a continuum through the 'organizational boundary', drawing attention to the fact that the two are closely interrelated, though not identical.

2 The process of converting inputs/resources into products and services results in outputs that are not only externally oriented (i.e. for outside users), but also impact the internal dynamics of the organization itself. Thus this may result in changes in management structure and processes, reallocation of personnel and adoption of new technologies for the purpose of increasing efficiency and cost-effectiveness. Hence the output arrow is a continuum beginning within the organization itself and extending through its boundary into the external environment, indicating close interrelationship, though the two are not identical.

3 The external institutional environment can range from local to global, including the various intermediate levels, depending upon the level of interest.

Figure 2 The organization as an open system



Legend:

1 The organizational boundary refers to that which defines an organization and sets it apart as a distinct entity. It consists of the instruments of incorporation, purpose, strategy, goals and objectives.

2 The circular representation underscores the fact that all these elements are dynamically interrelated and constantly influencing each other in terms of performance and substance – technology choice, reorganization, redundancy and reallocation, product mix, etc.

Traditional theories regarded organizations as closed systems—autonomous and isolated from the outside world. In the 1960s, these mechanistic organization theories, such as scientific management, were spurned in favor of more holistic and humanistic ideologies. Recognizing that traditional theory had failed to take into account many environmental influences that affected the efficiency of organizations, most theorists and researchers embraced an open-systems view of organizations.

The "open systems" perspective viewed all organizations as unique and needed to be looked at and structured to accommodate unique problems and opportunities.

Environmental influences organizations as open systems are either specific or general. The specific environment is a network of suppliers, distributors, government agencies, and competitors. An organization is simply one part of that network. The type of other specific actors an organization works with depends on the nature of the organization. However, for an organization to succeed it must interact with the other entities in its specific environment.

The general environment encompasses four influences that emanate from the geographic area in which the organization operates.

1) **CULTURAL INFLUENCES.**

   Cultural values help stipulate what is right or wrong, good or bad, and important or trivial. Regional and local values will affect organizations.

2) **ECONOMIC CONDITIONS.**

   Organizations will be affected by economic factors in their environment such as economic booms, recessions, unemployment, and high or fuel prices.

3) **POLITICAL CONDITIONS.**

   The legal/political environment, government policies and programs, societal laws and their enforcement mechanisms will affect organizations both positively or negatively. The talk of enabling political environment.

4) **EDUCATIONAL CONDITIONS.**

   The fourth general environmental influence on open systems is educational conditions. For example, businesses that operate in countries or regions with a high education level will have a better chance of staffing a complex organization that requires specialized skills and a precise division of labor.

Reference for Business » Encyclopedia of Business, 2nd ed. » Oli-Per » Organization

Theory

Read more: http://www.referenceforbusiness.com/encyclopedia/Oli-Per/Organization-Theory.html#ixzz3SYyPhJG9

Lecture 5 BASIC ORGANIZATIONAL CHARACTERISTICS

Organizations have a management structure which determined relationships between the different activities/roles and the members. It also helps to subdivide and assign roles, responsibilities and authority to different tasks. (www.businessdictionary .com).

Organizations differ greatly in size, function, and makeup. Three characteristics typify nearly all organizations including:

a. Division of labor; b. The decision-making structure; and c. Formal rules and policies.

a. Division of labor: In organizations labor is organized both vertically and horizontally.

Vertical divisions involve 3 basic levels—top, middle, and bottom. The top most is a position for the top managers or executives whose role is to plan long-term strategy and oversee the middle managers. Middle managers generally guide the day-to-day activities of the organization and administer top-level strategy.

Low-level managers and laborers put strategy into action and perform the specific tasks necessary to keep the organization operating.

The vertical structure is characterized by:

i. Specialized tasks

ii. Strict hierarchy and Many rules

iii. Vertical communication and reporting systems

iv. Few teams, and task forces

v. Centralized decision making

Horizontal divisions: Here organizations divide labor by defining task groups, or departments, and assigning workers with applicable skills to those groups. Line units perform the basic functions of the business, while staff units support line units with expertise and services. For instance, the marketing department (line unit) might be supported by the accounting department (staff unit). In general, line units focus on supply, production, and distribution, while staff units deal mostly with internal operations and controls or public relations efforts.

The Horizontal structure is characterized by:

i. Shared tasks, empowerment
ii. Relaxed hierarchy and few rules
iii. Face to face communication
iv. Many teams and task forces
v. Decentralized decision making

b. Decision-making structures

This is the second characteristic and it relates to how authority is organized. They vary in their degree of centralization and decentralization. Centralization means the concentration of management and decision making power at the top of the organization's hierarchy. Decisions usually come from a high level and are passed down through several channels until they reach the lower end of the hierarchy. Bosses at all levels have relatively few employees reporting directly to them. Centralized organizations are often tall organizations and mechanisitic.

Authority in an organization can be decentralized. Decentralization means the transfer of decision-making power to all levels of an organization. The idea behind is the empowerment of individuals to make decisions more independently. Decentralized organizations can easily meet the needs of its members, and yield faster responses to the internal and external influences faced by the organizations. Decentralized organizations can also considered flat organizations.

c. Formalized rules and policies

This relates to the rules and policies that run an organization. Rules, policies, and procedures assist managers by guiding him or her on how to run the organization. They stipulate the most efficient means of accomplishing a task, providing standards for rewarding workers.

Formal organizations are characterized by:

i) Top down in its decision making
ii) Linking of persons to specific roles

iii) Kept by rules, order and regulations

iv) Not easily changed

However, there are disadvantages of formal organizations. One key one is their sometimes stifling workers' creativity and autonomy, thereby reducing their satisfaction and effectiveness. Depending on the degree of formalization of rules, policies and procedures, organizations can be categorized as informal or formal. Informal organizations often have few written rules or policies.

Some characteristics of informal organizations include:

i) Ever changing

ii) A grass roots entity and Flat

iii) Highly cohesive between members

iv) Decisions are made collectively and more flexible

v) Can be found within formal organizations

But they may also diminish the ability of top managers to effect rapid change.

LECTURE 6 BASIC ORGANIZATIONAL STRUCTURES

There are two main types of organization structures: the functional and divisional. Most companies represent an amalgam of both, and many variations exist. **Functional organizational structures** are more traditional. They departmentalize the company based on key functions. For example, activities related to production, marketing, and finance might be grouped into three respective departments. Within each, moreover, activities would be departmentalized into sub-departments. Within the marketing department, for example, might be the sales, advertising, and promotions departments

Strengths and weaknesses of functional organization structures

Strengths	**Weaknesses**
Allows for economies of scale within the functional departments	Slow response to environmental changes
Enables in-depth knowledge and skill development	Cause decisions to pile on top a hierarchy overload
Enables for the accomplishment of	Poor horizontal coordination among

functional goals.	departments
Useful when the products are few	Less innovations
There is efficient specialization of labor	Strict view of organizational goals
Reduce replication	Conflict and friction between departments
Reduce duplication of work	

DIVISIONAL STRUCTURE. Companies that employ a more divisional structure break the organization down into semiautonomous units and profit centers based on activities related to products, customers, or geography. Regardless of the activity group used to segment the company, each unit operates as a separate business. For example, a company might be broken down into southern, western, and eastern divisions. Or, it might create separate divisions for consumer, industrial, and institutional products. Again, within each division are subdivisions.

Strengths	**Weaknesses**
Suitable to fast change in unstable environments	Eliminates economies of scale of functional departments
Leads to client satisfaction because product responsibility is clear	Leads to poor coordination and communication across product lines
Involves high coordination across functions	Efforts can easily be duplicated - For example, separate consumer and industrial divisions of the same air-conditioner company may both be trying to develop a better compressor.
Allows units to adapt to differences in products, regions, clients	Difficult to keep all the divisions focused on the overall organization goal
Good for large organizations with several products	Top management can also lose touch with the goals and inner work of each division
Can easily decentralize decision making	
Company can easily expand	

Lecture 7 Understanding the changing context and environment (internal and external) under which rural organizations operate

From their definition, organizations are comprised of coalitions of people who share values, goals and perspectives and who are organized to protect and advance their own interests. There are changes in the open system that are driving and influencing the formation of RPOs.

Key aspects in the changed business context

1. The focus on value chain approaches, demand that there are farmers' organizations or local institutions to participate in these fora. In value chains, suppliers and processing companies increasingly make contractual agreements with producers in order to reduce their risks and guarantee that the produce meets the necessary standards.

   > "A value chain refers to a strategic network of independent businesses that work together to ensure that what is produced, the production process, and the
   > quantity and timing meet the demands of retailers or processors, consumers" (Penrose, 2006).

2. The move away from emphasizing agricultural production and productivity for increased food security, to an emphasis on market oriented farming.

3. Market liberalisation since the 1980s marked the end of state provided services such as controlling market prices for farmers' produce and guaranteed markets, supporting cooperatives and marketing boards (Coffee marketing board) in order to supply materials to industries. Currently, under the liberalization policy, farmers have to face the risks and often weak, unpredictable and volatile markets. The emphasis here was market led growth and trade liberalization

4. Structural adjustment programs which were promoted by donor agencies such as the World Bank and International Monetary Fund, which saw state intervention in rural markets as an enemy of growth and argued that governments were poor business entities. In this era there was promotion of privatization in which government companies were turned over to be run by private entrepreneurs.

5. Globalization has led small farmers to compete with large commercial producers around the world. Globalization is also requiring farmers to produce and to meet tough quality and safety standards demanded by buyers and consumers. Consumer preferences now drive the market. With global markets, small-scale producers who already face
   constraints in their own markets have to contend with unfair competition in regional and world markets that are heavily biased in favour of producers in the North (Penrose, 2006).

Trade liberalization which involved the developing countries having to open up their markets to international trade by lowering trade barriers. Developing country markets are now open to international markets with which they cannot compete.

6. **Growth in staple food markets:** There is a growth in the staple food market especially domestically as populations rise, but also regionally in neighboring countries. A market opportunity exists as the demand for food staples maize, rice, and other cereals increases.

7. ***Challenges in traditional cash crop markets***: Traditional export crops such as coffee, tea, cocoa, rubber, and sugar have been the mainstay for many African countries and promoted rural development. However, the prices for these commodities has fallen significantly. The demand for these products has reduced and the global production is on the increase. The markets for these commodities is controlled by a few powerful buyers who can influence prices to be given to farmers.

   The producers of the cash crops who have mostly been small-scale farmers have to identify new strategies to increase their income either by adding value to the produce, specializing or diversify into new rural enterprises.

8. ***Growth in high-value product markets***: Changes in living standards, lifestyles, and working habits in Europe and North America and in large cities in developing countries have led to increased demand for:
   a. more healthy food such as fruit and vegetables;
   b. improved food quality and food safety, e.g. nuts that are the 'right' size
   c. and are free from any toxins; products that are produced in an environmentally sustainable or more
   d. ethical way, e.g. Fairtrade products or organic production that does not use chemicals
   e. speciality products with unique characteristics, e.g. high-altitude, shade-grown
   coffee.

Consumers in industrialised countries are more concerned about healthy eating and environmental and ethical issues, leading to rapid growth in demand for speciality products in 'niche' markets. "Speciality products are products that have special characteristics based on their quality, origin, or how the product or the production process benefits producers or the environment". Examples include Organic and Fairtrade products

9. Fairtrade products are sold carrying the Fairtrade Mark, which guarantees that: the market chain for the product is certified against the Fairtrade Labeling Organisation's international Fairtrade standards (covering social, economic, and environmental issues); and

a minimum price and premium for community-development projects
have been paid to the producers.

Supermarkets

10. Supermarkets' growing demand for products of high quality, guarantee food-safety, and traceability standards (traceability is the ability to identify exactly where, e.g. from which farm, a product has come from). They present a growing challenge and an important market opportunity for small-scale producers to supply such urban focused markets.

New product standards

11. In the past, grades and standards were established by public authorities to make trade easier. There has been a rise of private standards established by groups of retailers in the EU and increasingly also by individual supermarket chains and other large companies. Standards relate to quality, foodsafety, and traceability standards, the process of production rather than just the characteristics of the end product, because it is cheaper to control food quality and safety at the production stage rather than later in the value chain.

12. ***Contract farming***

In a contract farming arrangement, exporters or processing companies make an advance contract with producers in which they agree to supply a specified quantity and quality of produce at harvest time, for an agreed price. It works through groups of farmers, which are often set up by the commercial farm or company to reduce its transaction costs. Inputs are provided on credit and extension services to the producers and then deduct the cost of these services from their payment for the crop.

Producers however need to be able to negotiate and enforce fair contracts, contract farming arrangements to avoid being trapped into exploitative trade relationships that
can lead to rising indebtedness and dependency and unsustainable farming practices.

Lecture 8 Conditions for organizing rural organizations

The formation and operationalization of farmers' or producer organizations as well as their engagement in collective action, depends on certain conditions that must be in place

Condition necessary for producers/farmers to organize and operate
There are two general conditions that must be in place for the farmers to organize, the enabling environment, and the types of products and markets around which the organizing will take place.

1. Presence of an enabling environment: An enabling environment in terms of supportive policies, infrastructure, security, social cultural factors, the economic opportunities, standards, infrastructure and technology: roads, electricity supply, good telecommunication, the stability of the financial system and the political climate; the physical environment is crucial for successful business collaboration.

2. Product and Market:
The type of produce provides a lot of information about the type of organisation that is suitable and the capacities required from a producer and producer organisation. Agricultural products can be staple crops/livestock, cash crops, perishable crops and high value crops and niche market crops/livestock.

Different types of crops/livestock do demand different levels of cooperation and coordination between producers. For example perishable and potentially high-value products are more likely to offer sufficient returns that will warrant establishing organisation models.

The specifics of the market are important in determining the type of organisation model, because the market sets quality and quantity requirements. Local markets are the easiest to access but they also offer lower potential gains from organisation.

Markets with higher demands such as international markets, supermarkets, which offer higher returns but which involve higher transaction costs and have high concern in terms of quality control, quantity, transport and market risks. They require intensive information exchange and often rely on formal contracts. Formal farmers'/producer organization are critical here in order to arrange to meet the standards required with such markets. FOs/POs can follow up with their member farmers to ensure these standards are met.

The buyers of crops that are produced for a fair trade or organic market often demand of producers to be organized. These crops require auditing and individual auditing of small scale producers is too costly; thus, it requires an organization structure that is able to coordinate and execute a strict internal control system.

Conditions or incentives that encourage farmers to engage in producer organisations and collective action

Collective action

Collective action can be defined as voluntary action taken by a group to achieve common interests.

Conditions that encourage members to engage in collective action such as marketing include:

1. More opportunities of obtaining support for producing a marketable surplus through access to technology and extension services,
2. Access to financial support,
3. Reduction of input and output marketing costs
4. Assistance in bargaining for better prices
5. Access to markets
6. Access to agricultural insurance

Characteristics of groups of producers that enable and support collective action

Group characteristics that support collective action include:

- Small group size provides for strong internal cohesion and makes it easier to know and monitor other members.
- A level of homogeneity, or similarity in education, income levels, location, socio-economic status and values of group members.
- Committed leaders, trusted, able to motivate the members, possessing business and network skills.
- Clear rules that can be easily enforced
- Having a base of existing social groups, which have already generated solid social capital
- Social capital is crucial for all forms of collective action and is distinguished by trust, reciprocity, exchanges and common rules and actions.

Lecture 9 Preliminaries before the formation of farmers' producer organization

The role of a group promoter
Helping farmers form groups is one of your most important tasks as a field agent. Your goal is to help farmers to build strong groups that can:

- Run themselves and work on their own
- Develop their own initiatives, such as enterprises, savings schemes and conservation measures
- Be a strong basis for improving the livelihoods of people in the community.

Your role is not to do the work for the local people, but to act as a guide or facilitator. You should not treat the poor as passive recipients of assistance. Instead, you must work side-by-side with them, building up their confidence in their own abilities and promoting their self-reliance.

DUTIES OF A GROUP PROMOTER
Here are some things you will need to do for all types of groups.

i. Facilitate, not dictate
ii. Build trust
iii. Encourage learning and involvement
iv. Attend group meetings
v. Organize training workshops
vi. Help the group plan and implement activities, and solve problems that arise
vii. Visit and talk to group leaders, individual members and other people in the community
viii. Monitor and evaluate the group's progress
ix. Follow up on items discussed and decisions made.

WITHDRAWAL OF THE GROUP PROMOTER
Dis-engaging from a group as a group promoter is a delicate process and depends on how fast each group develops. It takes 3–5 years for groups to achieve complete **self-reliance**. Withdraw once a group is:

1. Capable of gaining access to government and NGO services,
2. Can negotiate with input suppliers and buyers, and
3. Can take initiatives without the promoters assistance

You may need to make only occasional return visits to ensure that progress continues.

Forming a group *See Organizing and managing farmers' groups pages 48 – 54*

Where possible rather than trying to form new groups, you should try to work with groups that already exist. Working with existing groups saves time and builds on local skills. If there are no groups in the community (or if the existing groups are not suitable), then you will need to help local people start a new one.

There are five principles to follow in forming a new group:

a. **The group should be small if it is a production group it** should have between eight and 15 members. If it is a marketing group it can be between 15 and 30 members. Small groups allow everyone a chance to speak and contribute.

b. **The group should be homogeneous.** Members should face similar economic conditions and have close social affinity. This reduces conflict within the group: members with similar backgrounds are more likely to trust each other, work together, and accept joint responsibility for their activities.

c. **The group should have a common interest.** All the members should be interested in the same thing: marketing rice, for example, or raising and selling chickens.

d. **The group should have clear objectives.** The group should agree on a limited set of achievable objectives – such as marketing rice or chickens, stopping erosion on a hillside, or managing an irrigation scheme. These objectives often include making money from a specific type of activity. Earning money means success and builds the group's self-reliance.

e. **The groups should be voluntary and democratic.** Members should decide who can join their group, who will lead them, what rules they will follow, and what activities they will undertake. Decisions should be taken by consensus or a majority vote.

Lecture 10 Steps in group formation

Steps in forming groups can vary from one organization to the other. We share some generic steps

1. *IDENTIFY AN APPROPRIATE ENTRY POINT AND RAISE AWARENESS*

The entry point can be a project proposal document, local conditions and the wishes of the community.

Raising awareness: ideally, producers will already have expressed an interest in forming a PO and may even have taken the first step to bring a group of interested producers together. Build on members' willingness to contribute their own resources to start the first collective activities provides as this is a good test of their ownership of the new PO.

2. *CALL A MEETING OF POTENTIAL GROUP MEMBERS*

Invite people in your target category to discuss their situation and expectations, and to explain what you can do to assist them. Ask the people about their problems and needs and how they have been solving them.

Tell the participants how you can help, your aims, the focus on participation and the methods you will use. Be sure to tell what you can do and what you cannot do, so that you manage expectations.

3. *DISCUSS THE GROUP APPROACH*

Explain to the audience the reasons for forming a self-help group – specifically explain to the group include:

i. What a self-help group is i.e. a self-help group is made up of like-minded people who work together for a common purpose.
ii. All members should be involved in the group's decisions and activities.
iii. Participatory self-help group, all members benefit from their combined skills and resources.

4. *HELP PARTICIPANTS SELECT A FOCUS*

Invite the people at the meeting to select one or more areas that they wish to focus on. This may be in marketing their produce, overcoming natural resource problems, saving money, or finding solutions to technical problems in farming. Let the selection be as specific and as realistic as possible e.g. the type of produce to sell, or the problem with natural resources (soil erosion, low soil fertility, lack of water, lack of firewood…).

A new group needs to follow a simplified business planning process, starting with an assessment of market opportunities before defining the group's objective and developing a very simple marketing strategy. It is also important at this stage to define how the group will divide any proceeds from their collective activities.

5. *VISIONING*

One way to help people select a focus is through a process called **visioning**. This involves asking them to imagine what their group (or village or enterprise) will look like in the long term (say, in 10 years' time). Then ask them what they need to do to reach this long-term vision. You then repeat the exercise for activities in the medium term (5 years), and then the short term (next year).

6. *SETTING PRIORITIES*

Get them to put the problems in order of priority. If everyone agrees on a single priority, that becomes the goal of the group. If different people have different priorities, consider helping them to form two or more separate groups.

7. *IDENTIFY GROUP MEMBERS AND CONSIDER GROUP SIZE*

Identify those who would like to become founding members of a group that aims to reach the goals they have just defined. If too many people want to join, suggest they form two or more groups, focusing on different goals (maize, livestock raising, etc.), or people living or farming in different areas.

Group size: group size should be kept small, ideally between 15 and 30 members, to facilitate good communication and regular interactions between all group members.

8. *CHOOSE A NAME FOR THE GROUP*

The members should choose a name for the group, ideally in the local language. Some ideas:

9. *FORMALLY CREATE THE GROUP*

Once these things have been discussed and agreed on, it is time to formally create the group. Write the names of the founder members in a list, and ask them to add their signatures. Get the village chief or local leader to witness the event.

Lecture 11 CONSIDERATIONS FOR A NEWLY FORMED GROUP

The common features of successful groups which are:

- Members have **common interests**.
- Members decide on their **objectives**, then work together to achieve them.
- The group writes the **constitution** and agrees to abide by it.
- The members elect a **committee of leaders** to manage the group.
- The members hold **regular meetings**, take part in discussions and make decisions.
- They take part in activities, save money as a group,
- The group must keep records.
- All members share the **benefits** of belonging to the group.

Key aspects to consider for a newly formed group

(ii) ***Pilot activities:*** Before full scale activities are initiated, it is a good idea for the group to gain experience and test its marketing strategy through various pilot activities. New POs should focus on very simple collective activities and services for members, based on participants' existing livelihood activities.

(iii) ***Consolidation:*** if the pilot activities are successful, the group can begin to invest and expand its activities and gradually develop a simple decision-making structure. The focus should be on financially sustainable PO services and activities.

(iv) ***Financing:*** POs should be assisted to access funds and to generate their own funds eventually.

(v) ***Shared assets****:* managing shared assets requires considerable social capital and management skills. Arrangements have to be made between parties concerning this matter.

(vi) ***Transforming community-based groups into POs:*** existing community based groups may already have significant social capital. Such groups would now need to transition to independent business and that they are prepared to take ownership of the business, including the risks involved.

THE BUILDING BLOCKS OF A SELF-HELP GROUP

There are six elements or building blocks of a successful group. These are:

1. **Participation.** A group relies heavily on its members' commitment and active participation.
2. **Leadership.** A group needs good leaders who are chosen by the members, and are accountable to the members for their actions.
3. **Governance.** The group needs to decide how it will govern itself often through a written constitution, along with bylaws or rules that govern day-to-day procedures. These rules help the group avoid internal conflicts and make the responsibilities of each member clear.
4. **Regular meetings.** The group will hold regular meetings of members to make decisions, elect officers and check on progress. The meetings should follow a set procedure, and should give a chance for everyone to make their opinions heard.
5. **Record-keeping**. Records help everyone remember what has been decided. They are very important in monitoring and evaluation of the group activities.
6. **Financial management.** The group will have to manage money – membership fees, income from savings schemes and marketing activities, and grants or loans. The management must be accurate, transparent and credible to retain the members' trust.

LECTURE 12: COOPERATIVES AND STEPS IN FORMING THEM

Cooperatives
A cooperative is an 'autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically-controlled enterprise' (ICA 2010).

Key features of cooperatives

i) Cooperative is characterised by three principles: user benefit, user control and user ownership (Barton, 1989).
ii) The purpose of a cooperative is to provide services to its members with regard to inputs, outputs and marketing.
iii) Cooperatives have an open membership and are democratic whereby each member has one vote.
iv) Members do pay contribution but also own the cooperative (van Dijk and Klep, 2005).
v) Economic benefits are distributed according to the members' level of economic activity in the cooperative not according to his capital equity (IFAD, 2007).
vi) Traditional cooperatives are producer oriented and work on securing outlets for the producers produce, without taking much stock of market demand.

Cooperatives have two or three levels administrative levels.
i) The primary level is the members who exercise decision-making power on profits and major issues.
ii) The secondary level is composed of the leaders who represent the members; they are the board of directors.

Associations: An association is an organisation that joins individuals who have a shared interest, activity, or purpose. Contrary to a cooperative, an association is a flexible form of organisation. Members decide on the structure and the rules of the organisation.

Registered producer groups: These are member owned farmers' groups that are formally registered.

Informal producer organisations: Informal producer organisations are all producer organisations that are not formally registered. Most producer organisations start informally and only register when the perceived benefits of formal registration are higher than the associated costs (Oxfam, 2007).

References

*Source: Boas, A.V, and P. Goldey, ( ). A comparison on farmers' participation in farmers' Organizations and implications for rural Extension in minas gerais**

IFAD, 2003. Transforming Rural institutions In order to reach the millennium Development goals Roundtable discussion paper for the Twenty-fifth anniversary session of IFAD's governing council

<u>Main steps and activities in forming a cooperative</u> (Adapted from DGRV 1990:35)

Step 1: ***Hold an initial discussion meeting***
An informal meeting of those interested in forming a cooperative first needs to be held **to discuss** the following (non-exhaustive) list of points:

i Interests of members and prospective members

- the purpose, scope, common interests of members, the needs and interests of members for supply, processing and marketing

ii Regulations

- what permission is needed to set up and run a cooperative business?
- what internal regulations ('statutes' or 'by-laws') need to be agreed by the founding members in order to get a clear understanding of the cooperative group and its activities?

iii Finance

- how much finance will be needed and for what activities?
- how will it be raised?
- how many members are expected?
- how much will each member contribute?

iv Facilities

- Which facilities are needed: offices, storage rooms?
- How will they accessed - rented, bought, built?
- What equipment is needed: transport facilities, office equipment, storage facilities, packaging and handling equipment?
- what staff are needed (office clerks, accountants, technical training staff, labourers to receive the products, pack and deliver them etc.)?

v Marketing

- identification of customers,
- outlets for selling produce,
- contract issues with suppliers and customers

vi Management

- who will run the activities of the marketing cooperative?
- how will they be chosen?
- are the persons elected trustworthy and honest?
- do they have conflicting interests while performing other activities of their own?
- do they have the knowledge, skills and experience needed?

LECTURE 13: COOPERATIVE FORMATION STEPS CONTINUED

Step 2: *Prepare the cooperative statutes/by-laws* (Adapted from Gachanja 1989: 11)

- The results of the discussions on the above points need to be written into cooperative statutes or by laws or constitution which are the interpretation of the cooperative law for that particular cooperative.

- Statutes regulate the existence of a cooperative, and direct relationship between the cooperative society and its members.

- Statutes are the internal legislation of the cooperative.

- It is important that thorough discussion of the statutes is critical to ensure inclusive and members ownership.

- It may be more practical for a sub group to be formed to gather the information needed & draft the statutes, for discussion by all the founder members.

Step 3: *Hold a conference to establish the marketing cooperative*

- After thoroughly discussing the aspects in step 2, and ensuring that all those wishing to form the cooperative have understood them, then a general assembly or conference needs to be arranged to agree to or amend the statues and formally agree to establish the cooperative.

- Select the leaders of the cooperative through voting

- Task the leaders of the cooperative to apply for the registration certificate with the appropriate authority.

Components of a cooperative statute or constitution

The statutes should be divided into following main headings:

i. Firm (name) & Location of business (residence)

- Identify the economic function in the name, e.g. marketing, purchasing, production, multi-purpose, integrated agricultural cooperative etc.
- Indicate the location and make the name short e.g. 'Agago district agricultural marketing cooperative'.

<u>ii. The Objective</u>

This section should include a general statement showing the purpose of the cooperative, e.g. "to market the farm produce of its members". Specific objectives should also be given as long as they fulfill the cooperatives purpose.

Examples of specific objectives:

- investigating the markets to determine what products of what quality and quantity
- customers want.
- building and maintaining storage facilities;
- maintaining a system for collecting the produce from the farms;
- processing and packaging the produce before sale as needed;

- marketing the produce to gain the best price possible, and
- advising the members on how to improve their produce and grow different products to suit the market.

iii. Membership

Cooperatives are only as strong as their members make them. Members need to be aware of their dual role, as both owners and customers of the cooperative. Members need to understand the rules governing operations of a cooperative if they are to play these two roles successfully.

The main points that should be included in the statutes concerning membership are:

- Acquisition of membership - who can become a member
- Termination of membership - when can a membership be ended
- Transfer of member's share capital
- Death of a member
- Exclusion of a member
- Arrangements between member and cooperative
- Rights of the members
- Obligations of the members

Indicate if necessary where non-members come in, e.g. in using some or all of the services of the cooperative. This too should be specified in writing.

LECTURE 14 COOPERATIVE FORMATION STEPS CONTINUED

iv. Organs of the cooperative (adapted from Gachanja 1989:71)

a. The General Meeting of members or General Assembly

This is the supreme organ of the cooperative. It makes all basic decisions regarding the structure and operation of the cooperative and any decisions made at a general meeting override decisions made in any other forum.

To ensure active member participation in meetings and making of effective and informed contributions, it is suggested that the cooperative organises discussion seminars prior to the general meeting.

In these seminars "resource persons" such as bank officials and local decision-makers, who are in a position to analyse issues from all sides can be invited.

b. The Management Board

The management board (management committee) is responsible for running the cooperative. Their work can be full time work, as a part time job, or as an honorary occupation depending on the size of the cooperative and amount of work involved. The following aspects of the management committee of the cooperative organisation may be defined in the by-laws:

- Who is responsible for the management of the cooperative organisation
- Who represents the cooperative organization in outside forums
- What are the tasks and obligations of the management committee
- Who reports to the control board. (see below)

• What is the composition, duties, obligations and service regulations of the management committee?
• Which decisions need the approval of the control board?
• When should the management committee participate in meetings of the control board?

c. The Control Board
While the management board is responsible for running the cooperative, the purpose of the control board/board of governors is to exercise the members' control over the decisions made by the Management Board. The functions of the control board also, should be laid down in the statutes.

v. Equity capital and joint liability
The statutes must stipulate the equity capital (ownership capital) and make provisions for any statutory reserves required by law.

The joint liability beyond equity should at least be as high as share equity which increases the credit worthiness of the cooperative.

Distribution of any net surplus needs to be decided by the general meeting. Surplus should be distributed according to the transactions with the cooperative and may be according to the paidup shares of the members.

The statutes should clearly define:

- which members' money form a part of the cooperative's self-financing;
- the treatment of any extra money, e.g. as form of borrowed capital (loans from the members) on which an interest must be paid, or as deposits etc., and
- how to calculate the value of non-peculiar contributions -such as labour- from the members.

Borrowed funds form another source of cooperative's financing. The statutes need to clarify matters such as:

- any extra liability which may be imposed on the members when the cooperative borrows money externally;
- who gives the authority to borrow and to whom this authority should be granted;
- the purpose of such borrowed funds and which sources of funds are acceptable.

vi. Proceedings and regulations
To avoid misinterpretations, the statutes should make provisions for details such:

i. as invitations, calling and chairing of meetings, the establishment of sub-committees and rules for voting.

ii. Record books and record keeping should be mentioned in the statutes when it comes to setting formalities as regards:
    a. which books should be made available to those entrusted with the supervision and any other supervising body

b. which books the general membership has access to, and
c. which bodies or persons can make entries into the books or make alterations

iii. Accountancy regulations such as the dates of the financial year, annual balance sheet and situation report, loss coverage etc.

iv. The liquidation, merger, dissolution and splitting of cooperative organisations need to be regulated as well.

v. Dealing with violations and grievances should be made.

LECTURE 15 WHY GROUPS FAIL

REASONS GROUPS FAIL

a. **Groups fail around matters of goals such as:**
- Failure to agree on goals
- Uncertain goals
- Too many goals
- Group goals not reflecting the members' individual goals
- Goals change too often
- Unrealistic goals
- Inadequate progress towards goals

b. **Procedures: Groups also fail due to lack of clear procedures of work**
- Flawed procedures
- Long meetings
- Poor record keeping and group memory
- Lack of confidentiality

c. **Facilitator: Groups fail due to matters related with the facilitator**
- Facilitator could be too dominant
- Facilitator mishandles group coordination

d. **Leadership: Groups also fail due to leadership issues such as:**
- Lack of transparency
- Leaders too dictatorial
- Leaders weak and indecisive
- Mismanagement of resources and funds
- Disputes among leaders
- Corruption

e. **Management: Groups also fail due to management issues like:**
    - Membership too big or diverse
    - A few people dominate and make all the decisions – but their wishes do not reflect what the rest of the members want
    - The management allows conflicts to get out of hand
    - Unfair distribution of group profits
    - Favoritism

f: Membership: Groups also fail due to membership issues like

- Members attend only because they think they can get something for free
- Members feel forced to take part
- Unfair burden of work
- Unfair allocation of benefits
- Weak communication and literacy skills
- Discourtesy, lack of tolerance, jealousy and backbiting
- Failure of some group members to follow norms
- Lazy members
- Power-hungry members
- Big power differences
- Outside conflicts spill over into group

The costs of membership

When a person joins a group, there is a cost to it. Belonging to a group costs:

1. Time
2. Effort and perhaps such as attending meetings and doing extra work
3. Money e.g. paying membership fees
4. Resource e.g. contribute materials
5. Making long-term commitments
6. Submitting to the decisions of others

LECTURE 16 PO ACTIVITIES AND SERVICES & HOW TO SUPPORT POS TO DELIVER ON THEIR SERVICES

Farmers join farmers' organizations and or producer marketing organizations to receive certain services. Some of the main activities and business oriented services provided by POs to their members include:

i) *Input supply through a bulk purchase arrangement*

ii) *Production services:* specifically, extension services, encouraging the use of better production practices, and access to equipment, such as tractors, to help members increase their productivity and improve the quality of their produce.

iii) *Financial services: Through savings and credit schemes, members can* access to cash loans and input credit

iv) *Training: Members can also receive training in aspects such as* literacy, numeracy, basic accounting, and report keeping.

v) *Quality control, PO can provide* quality and food-safety standards of some markets for members and help members comply with these standards.

vi) *Co-ordinating production:* POs have to coordinate the individual production of their members.

vii) *Output marketing:* POs assist members to have access to produce markets. Bulk marketing is one of the activities of the PO. The PO helps in analysing market information, identifying market opportunities, negotiating sales, collecting, storing and transporting produce, and, of course, paying members.

viii) *Processing:* some POs engage in processing activities in order to add value to their produce and access markets further along the market or value chain.

ix) *Trading:* some POs become traders, buying and selling produce from producers other than just their own members, in order to meet the quantity, variety, or consistency of supply demanded by certain markets.

x) *Retailing:* occasionally, some POs get involved in retailing activities.

Lecture 17 How to Support POs to provide their services

POs need specific support particularly from the higher level associations in 8 specific areas:

Area I. Empowering grassroots members

POs can only become successful producer-owned and producer-controlled businesses if individual members have the capacity to exercise ownership and control over the business. Areas of empowerment and capacity building can include:

a. Members' capacity to exercise ownership and control

In order to exercise ownership and control of the PO members need training in:

i. *Basic numeracy and literacy:* Training members in basic numeracy and literacy (ability to read and write).
ii. *Business and market literacy:* PO members need to have a basic understanding of markets and their business if they are to participate meaningfully in discussions and decisions about the PO's activities and ensure that the PO's managers are acting in their interest.
iii. *Building confidence:* a lack of confidence can prevent members, especially women, from participating in decision-making and contributing their knowledge and insights to the PO. One way to build confidence is to give members the opportunity to visit other producers in a different context and see how other producers have overcome similar challenges.
iv. *Changing business attitudes:* members' sense of ownership and initiative can be weakened by unhealthy attitudes towards the business. Such attitudes might include:
    a. the expectation that the FA will solve all business problems, or
    b. a continued focus on production rather than on the demands of the market.
v. *Basic management and accounting skills:* Training members in basic management and accounting skills can enhance member loyalty leading to greater grassroots ownership and control.

b. Influencing gender attitudes

POs need to support women's ability to participate equally in POs. This can be through:

i. Conducting an in-depth understanding of the capacity, needs, and priorities of women within local communities and the PO.
ii. Targeting specific support at women or other marginalised groups that

are disadvantaged and excluded e.g. baby care services, medical services,…

iii. *Promoting greater involvement of both husbands and wives*
iv. *Supporting women-only POs:* women may need to form their own POs or create separate first-level organisations within a larger PO to feel comfortable participating in the PO and voicing their opinions.
v. *Building on trust:* in some cultures women are more trusted with managing money than men so encouraging POs to give women more responsibility in managing finances and by providing accountancy training specifically for women can contribute to trust building.

LECTURE 18 HOW TO SUPPORT POS TO DELIVER ON THEIR SERVICES – Part B

Area 2 Strengthening governance and leadership

There are three critical areas that can be useful in strengthening POs' governance and leadership:

a. Formal structures and rules

PO's need to have a clear vision and mission, clear formal structures and rules of governance and decision-making.

Formal structures and rules of POs give all members the right to participate on an equal basis within the PO.

Important aspects of the formal structures and rules include:

i. *Membership rules: who is a member and what are they expected to do.*
ii. *Voting system: How voting is supposed to be done, by show of hands or by secret ballot box*
iii. *Political office: baring of PO leaders holding political office*
iv. *Disciplinary procedures:* presence of clear rules governing the behavior of members, leaders, and managers, including effective monitoring systems and disciplinary procedures.
v. *Quotas: setting apart quotas* for special categories of members
vi. *Leadership rotation:* POs need to find the right balance between leadership continuity, ensuring effective management; and leadership rotation, an important function of accountability and grassroots control. Most PO constitutions require leadership rotation by limiting the number of years that leaders can hold their position.

b. Social capital

Effective governance and leadership depends on the level of social capital within the PO. Bonding social capital, bridging and linking type of social capital.

c. Leadership

Strong leadership is critical to the success of any PO and can help smooth tensions and build trust and confidence among members.

Area 3 Supporting effective market research

To compete in the market, POs have to base their production and marketing activities on the demands of the target market. Key skills needed here include business planning, market research and market opportunities identification.

Area 4 Strengthening business management
Managing a PO business involves managing people, finances, facilities, operations, and different management activities including planning, organising, and monitoring. Financial management often presents the greatest challenge to POs, their managers, and leaders. Key areas for strengthening POs in business management include

i) **Business planning**

   This entails the determination of the enterprise's goals, objectives, strategies, and actions that will lead to business survival, prosperity, and growth over a specific time period. It focuses on making profits and how to deal with the risks that can negatively affect the business. Read more: http://www.businessdictionary.com/definition/business-planning.html

ii) analyzing business costs,

iii) cash flow management and

iv) financing and investment.

LECTURE 19: HOW TO SUPPORT POS TO DELIVER ON THEIR SERVICES – Part C

Area 5 Supporting improved production among individual member farmers
POs are member organizations through which members supply produce that is bulk marketing. Members are expected to provide products that meet the demands of the market, in terms of quantity, quality, and continuity.

PO's thus have important roles in the following:

a. ***Co-ordinating production:*** Co-ordinating the production of individual members so as to meet supply contracts, *increase the range and seasonal coverage of production, and reduce business costs.*

b. ***Increasing output. In order to*** increase their total output, i.e. the total quantity they are able to market, and also reduce business costs (per unit sold), POs need to do this by:

- *Increasing the number of members*
- *Increasing the productivity of individual members*
- *Buying produce from non-members*

c. ***Quality management. PO's need to focus on product quality*** if they are to access higher value markets and increase their bargaining power. Meeting of buyers can help determine their preferences and the relevant quality standards. POs need to:
   - develop the capacity of their members to improve the quality of their produce;
   - create appropriate incentive systems that reward members for quality products;
   - develop a quality-management system to ensure standards are met.

d. Independent certification
Supermarkets and their suppliers usually require a PO's quality management system to be approved by an independent agency to ensure it meets the necessary standard. For example The Fairtrade Labelling Organisation (FLO) requires POs to be certified by FLO-Cert against FLO standards before they can sell products under the Fairtrade system.

Area 6 Supporting appropriate producer organization structures
Higher level organizations can support the grassroots POs by helping them to:
a. access advice from local legal experts
b. negotiate the actual registration process and renewal processes
c. get leverage from appropriate and supportive policies through advocacy. This provides for a favorable environment for business.

Area 7 Facilitating trade linkages
In order to successfully engage in trade linkages, POs need bargaining power. Bargaining power is critical to negotiate good deals. In order to take full advantage of any bargaining power, POs need to develop capacity in the following areas:

i. *Business understanding and judgement*
ii. *Negotiation skills and confidence*
iii. *How to access and use market information* - market prices and conditions.
iv. Reputation – so that the POs are seen as reliable partners both by the members and by the partners

If POs have the resources then can hire professional managers with commercial experience to take on the responsibility of identifying buyers and negotiating sales. If they do not have the resources and the expertize, they can be supported by the facilitating agencies through the following ways:

a. Identifying buyers and negotiating sales on behalf of the PO. This should not be done for long and end up weakening the PO's ability to do this on its own.
b. FAs can be a co-ordinator and adviser for POs' trade linkages.
c. FAs can build the capacity of POs to identify buyers and negotiate sales.

Area 8: Facilitating access to market services

Access to appropriate market services is critical for POs to conduct and develop their business. To become sustainable businesses in the long run POs have to be able to:

• access the necessary market services;
• pay for essential market services;
• identify and negotiate service contracts with any type of service provider.

Facilitating agency role and approach

FAs can play in helping POs access the necessary services.
FAs can be market service providers

a. Market service manager *Identifies the service providers and manages the service contracts, and pays for the costs*
b. Market service coordinator *Helps the PO to identify the service providers while the PO pays for the costs, FA mediates the partnership*
c. Market service developer or mobilizer *FA builds the capacity of service* providers

LECTURE 20 CHARACTERISTICS OF EFFECTIVE AND SUSTAINABLE ORGANIZATIONS

In order for rural organizations to be effective they have to be thriving in a conducive policy and legal framework. Within a conducive policy environment,

- *Rural people should be free to organize* their own group businesses and concerns
- *The government should encourage* the development of rural communication systems that facilitate information exchange & networking

A policy is a course or principle of action adopted or proposed by an organization or individual. A policy is a deliberate system of principles to guide decisions and achieve rational outcomes. A policy is a statement of intent, and is implemented as a procedure or protocol. Policies are generally adopted by a governance body within an organization. (Wikipedia)

The following internal constraints in rural organizations need to be dealt with in order to make them effective:

i. Low levels of member participation, which is due to their inadequate knowledge of the operations of the business enterprise, their rights as members. Leaders take advantage of this and mismanage the cooperative.
ii. Under capitalization and insufficient share capital
iii. Poor accounting and internal control systems
iv. Lack of business experience
v. Lack of technical and administrative experience

Characteristics of genuine efficient and sustainable cooperative organizations

i. Should be based on a felt need of its members
ii. Member contribution and participation should be at it's a maximum
iii. Presence of adequate share capital
iv. Having strong business competitiveness
v. Have effective problem-solving skills.
   Problem solving is the process of identifying, specifying, analyzing problems, developing and evaluating alternative solutions, selecting the "best" alternative, making a decision, monitoring the result, and evaluating the outcome
vi. Have effective decision making (DM) procedures
   DM is the process of defining & choosing a course of action to solve a particular problem. (Sims, 2002)
   - It involves setting alternative choices of action
   - Assemble relevant information
   - Develop decision criteria
   - Identify concrete alternatives
   - Choose the best among alternatives

LECTURE 21 THE DIFFERENT SOCIAL CAPITALS

The effectiveness and sustainability of small-producer organizations rely both on the quality of their bonding, bridging and linking relationships and on the extent of their interactions.

Thus there are three types of relationships developed by small producers that form the basis of their social capital.

i) Bonding social capital, which are the relations among small producers, or horizontal intragroup ties among individuals. Examples of these are formal and informal grassroots groups, self-help groups, farmer field schools and some cooperatives

ii) Bridging social capital, which are relations among small producer organizations, or horizontal intergroup ties between similar types of groups with common interest. Examples include unions, federations of producer organizations, peer-to-peer cooperation.

iii) Linking social capital, which are relations with other organizational entities. Vertical extra group ties between small-producer groups of organizations with different interests and levels of power. Examples include advocacy coalitions, inter-professional associations, contract farming, commodity exchanges, public private partnerships, policy platforms and multi-stakeholder platforms.

How to create close bonding relations among small producers
Bonding relations are important in laying the foundations for successful institution building.

Building bonding relations involves two steps:

i. Mobilizing small holders around a common need or concern. This can be done by small holders themselves, or with the help of government, NGO or an International agency, or even a charismatic leader.

ii. Developing capacities to make informed choices and to act collaboratively. This involves building the groups capacity to pursue a common goal and develop an action plan and follow it. This gives the group the opportunity to plan and work together to solve problems. This increases their capacity to design and implement solutions.

   The joint activities are useful through trial and error experimentation done by the members to improve their understanding on how these work. Their competences are developed, so is their self-confidence and control over their organization.

Conditions for successful bonding relations

Aspects that make small producers develop strong bonds among themselves to create sustainable organizations include:

a. Having a shared mission with mutual benefits
   An organization will be successful if it serves its members and or clients needs, and if those are actively committed to the joint achievement of agreed objectives.

b. Common identity, shared rules and values
   Having a common identity is important in motivating small producers to cooperate with members in the group. Group identity is often based on common values, shared behaviors and adherence to agreed rules.
   Developing and agreeing on common rules and procedures and adapting these to local cultural and social contexts increases chances of the rules being respected and the success of those rules.

c. Members' commitment
   It is critical that members show commitment not only in form of attendance, accomplishing of assigned roles, but also in form of financial contributions.

   Small producers who invest their own resources into an organization tend to be more motivated to manage and monitor these investments carefully, and to engage in activities consistent with their own aspirations. A sense of involvement and ownership including a reason to demand for accountability from the leaders is achieved.

Lecture 22 Developing bridges between small producer organizations

Besides establishing and maintaining strong bonds among individuals in grass root organizations, it is important that relationships be established with other similar organizations. This is bridging social capital – a type of intergroup horizontal tie or relationship. This connects producer organizations at the local, national and regional levels.

Small producer organizations face challenges, that are often solved by the bridging relationships they develop. The challenges include:

a) Having limited access to markets of both inputs and outputs
b) Lack of voice in the policy-making processes
c) Difficulty in communicating smallholder farmers' needs and interests
d) Difficulty in providing the necessary services to their members
e) Difficulty in pooling resources, assets and competency
f) High transaction costs in marketing of their produce and procuring inputs

The above underscore the need for the grassroots organizations to bridge with other organizations.

Developing linkages with market actors, policy makers, non-government organizations, development and government agencies

Bonding and bridging relations are important in preparing rural small producers to connect with national and global markets. Linking relationships help small-producer organizations to connect vertically with actors in **socially, politically and economically influential positions.**

Through their apex organizations, small producer organizations can vertically link with the following organizations:

a) Commercial/marketing agencies enterprises to market their produce
b) Financial institutions to finance their activities
c) Legal organizations to help in registering their organizations
d) Government ministries to guide in their operations
e) Non-government organizations usually for capacity building in issues of:
    - partnerships management,
    - networking,
    - policy advocacy,
    - leadership,
    - governance among others
f) media organizations to assist with popularizing their activities

All the above is an excerpt from FAO/IFAD (2012). Good practices in building. Innovative Rural Institutions to increased food security.

LECTURE 23. CRITICAL SUCCESS AND FAILURE FACTORS FOR SUSTAINABILITY OF RURAL INSTITUTIONS/ORGANIZATIONS (RIOS)

Rural institutions and organizations (RIOs) have enormous potential to contribute to improved farmers' livelihoods in Sub-Saharan Africa (SSA). They are attractive mechanisms for locating and mobilizing information, resources and influence necessary to advance better livelihoods. Their sustainability depends on a number of factors.

One of the key and probably most important dimensions of RIO sustainability is being effective overtime.

An effective RIO is *measured by its capacity to generate benefits for members in relation to the set goals and targets,* it is disaggregated into three forms:
(1) Task effectiveness or goal attainment, including outputs, results, and efficiency;
(2) Appropriate organizational systems, structure and process, including organizational characteristics (management in general), membership satisfaction and motivation, communication links, internal conflict resolution, and absence of strain between subgroups, and
(3) Environmental adaptation, which includes flexibility in the face of change, resource acquisition and survival.

Underlying achievement of RIO effectiveness are two major factors: (i) participation and (ii) partnerships.

(i) **Local organization and participation**: A number of organizational arrangements propel realization of sustainable RIOs (groups, committees, councils, etc). Their composition and structure directly affects members' participation levels in rural livelihoods improvement – the capacity of members to influence and share in the decision making processes in the group, as well as taking part in activities.

Active participation is an important factor for effective RIOs because:

- Members are able to contribute knowledge and ideas which reflect their needs and demands.
- It promotes a sense of ownership and
- Gives members a greater sense of self-worth. Active participation also
- It has the potential to shift power dynamics since the participant has the potential to contribute to the direction of livelihoods activities.

Since participation and Rural Institutional Organization composition are interdependent, the level of member participation is affected by factors such as social status (e.g. education, gender, age, and wealth level), mutual trust and respect among the members and leadership style in the group plus other management factors.

(ii) **Partnerships:** A partnership involves members' collaboration and combination of strengths with other actors in development to achieve development goals. Examples of potential partners include other POs and communities, local governments, state/national government, NGOs, funding agencies, marketing agencies, retail food outlets, research institutions, universities and credit institutions. These partners help RIO efforts through enhanced access to knowledge, technologies, managerial efficiency, finance, entrepreneurial skills, lobbying and advocacy and access to markets. Public sector partners can additionally help the RIO to benefit from appropriate policies, regulation, ensuring equity, preventing discrimination or exploitation, ensuring continuity of services, and ensuring social cohesion. Partnerships are assumed to be important for RIO effectiveness because of synergistic outcomes whereby the whole is greater than the sum of individual parts.

However, a number of issues may render the partnerships detrimental to RIO sustainability unless they are addressed. The main ones include:

(1) Capacity building for POs,
(2) Establishment of mutual trusting relationships among the partners,
(3) Communication, and
(4) Addressing potential power inequities between the different partners

LECTURE 24 CASE STUDIES

CASE STUDY 1 MAAIF/UCA (2017). *Capacity Assessment Report of Farmer Groups and Higher Level Farmers Organizations in Uganda, August 2017*

EXECUTIVE SUMMARY

Background

In order to achieve the broader policy goals and strategic objectives, the Ministry of Agriculture Animal Industry and Fisheries with funding from the World Bank contracted the Uganda Cooperative Alliance to conduct a capacity needs assessment of farmer groups (FGs) and higher-level producer organizations (HLFOs) in the country. Specifically, to determine the inherent capacities of the farmers' organizations and their capacity gaps. A study was therefore conducted to determine the structural capacity gaps and identify areas for capacity building. The assessment would then be used to inform the training manual to be used in addressing the capacity gaps

Study methodology

A cross-sectional sample survey of the capacity of 348 farmers' organizations both at the lower farmer group and the higher-level farmers' organizations level was conducted. The focus was to determine the capacity of the farmers' organizations in dimensions of: (i) Membership loyalty, (ii) Governance, (iii) Leadership, (iv) Management, (v) Financial health, (vi) Business management, (vii) Financial management, (viii); Financial systems and communication facilities, (ix) production and storage capacity, (x) Access to business services, (xi) Relationship with external environment. A scoring index was developed to determine the level of capacity from each of the above dimension. A dimension also had its subset aspects that were assessed. Final aggregate scores per dimension would place the farmers' organizations either in the category of 75% and above - being 'very strong', 50 – 74% being 'moderately strong', 30 – 49% being 'weak', and less than 29% being 'very weak'. Areas of strength and weakness would arise and point to a training needs gap for the farmers' organizations.

Findings

Approximately 348 farmers' organizations were interviewed from a total of 97 districts. Seventy percent (70%) of the lower and 61% of higher level farmers' organizations were self-initiated. The capacity situation for the surveyed farmers' organizations for each of the 12 dimensions is presented.

Membership loyalty: The overall membership loyalty capacity revealed that both lower level and higher level farmers' organizations stood at 44% a score that depicts them as generally weak in terms commitment to their organizations.

Governance: Ten aspects measured governance capacity and results show that lower and higher level farmers' organizations scored up to 90% on governance, a measure of 'very strong' capacity in this dimension. We however, have reservations about this result because governance problems are always a result of the poor leaders and its these leaders who were interviewed. It is possible that they could have held back some vital information thus the high score.

Leadership: Leadership was measured using 6 aspects including: Lower level farmers' organizations turned up with a leadership capacity score of 91%, while HLFOs' was 93%, revealing the in terms of leadership the FOs were 'very strong'.
Management: The FO management capacity was measured using various variables e.g. staff turnover in the last 12 months. Results show that Lower level farmers' organizations turned up with a management capacity score of 31%, while HLFOs' was 37%, revealing that management capacities within most FOs are glaringly 'weak'.
Financial health: Capacity of the FOs Financial health was assessed using 4 parameters. Results indicated that both lower level and higher level farmers' organizations as being moderately strong in this area with a score of 58%.
Business management: Similarly, FOs business management capacity was assessed on aspects like "whether group has a written and running business plan with clear activities, targets and budgets" among others. Lower level FOs scored of 45%, while HLFOs' scored 49% which intimated that FOs are 'weak in business management.
Financial management: For financial management the aspects assessed included: current leaders trained in financial management, FOs having written annual budgets, access to external funding by FOs for their business operations, production of annual financial reports by the FOs, whether recent financial report was presented and discussed during the last annual general meeting, FOs having written payment guidelines and lastly whether FOs have a system of sharing out profits that is known to all members. Lower level farmers' organizations turned up with a financial management capacity score of 62%, while HLFOs' was 63%, revealing that in this dimension FOs are 'moderately strong'.
Financial systems: Farmer organizations' capacity on financial systems was analyzed using 6 aspects: FOs with trained accounting staff, FOs' last audit of books of accounts by an independent and certified auditor, FOs with at least one computer loaded with any financial/accounting package etc. Lower level farmers' organizations turned up with a financial systems capacity score of 38%, while HLFOs' was 48%, revealing that in this dimension FOs are 'weak'.
Production and storage capacity: Farmer organization capacity on production and storage was assessed using three aspects. Lower level farmers' organizations turned up with a production and storage capacity score of 62%, while HLFOs' was 63%, revealing that in this dimension FOs are 'moderately strong'.
Access to business services: With regard to FOs capacity on access to business services, the four aspects assessed showed that lower level and higher level farmer organizations are relatively weak with a score of 30% and 37% respectively.
Relationship with external environment: An assessment of the relations between the FOs and the external environment revealed that FOs have some moderate capacities to engage with a score of 54% for the lower level and 58% for the HLFOs.

In conclusion, from the findings the key dimensions where the FOs both farmer groups and higher level farmers' organizations seem to have capacity strength include: governance, leadership, financial health, business management, financial management and production and storage capacity. The key dimensions of capacity that farmer groups and HLFOs had weakness include: membership loyalty, management of the organization, financial systems, and access to business services. These weak aspects are the key capacity gaps that these FOs have, and for which the Ministry of Agriculture Animal Industry and Fisheries need to retool its staff members to be able to support the farmers' organizations in the country. However, even the areas where FOs were found to be strong, there are likely some FOs which will need capacity building. Mechanisms to identify these can be obtained by revisiting the data set to determine the tailored capacity needs and capacity development strategies.

CASE STUDY NO. 2

Executive Summary USAID/Technoserve (2016). The Status of Producer Organizations in Uganda: Insights from USAID –Uganda -Feed the Future Producer Organizations Activity. Report March –April, 2016

Well managed POs play a critical role in boosting smallholder productivity and income. However, the extent to which POs in Uganda meet this objective remains undocumented. In view of this, Technoserve Inc.Uganda (TNS) conducted an assessment of the status of POs in Uganda by use of some of its business assessment tools; the Assessment of Institutional Maturity (AIM) and Producer Organizations Sustainability Assessment (POSA to identify the POs strengths and weaknesses and inform the Producer Organization Activity interventions targeted at increasing the POs long-term business viability and sustainability. The assessment was undertaken in 12 purposively selected districts in four regions of Uganda projected to have the greatest impact from the Feed the Future (FTF) Activities.

POs status was assessed along six key dimensions considered critical for the success of a producer organization, including; effective and transparent PO leadership and management, financial health, PO engagement with output markets, access to production inputs and services, PO relationship with external environment, and PO member loyalty. Each PO was scored against each of the dimensions with a maximum score of 100%.

For effective and transparent PO leadership and management, only POs in the Western region scored above average, with the rest in the Central, Northern and Eastern regions performing poorly with mean scores of 51%, 46.7%, 16% and 42.8% respectively. For PPOs much as 49.3% of the members market their produce through the PPOs , only a paltry 4.3% have written marketing plans and only 24.1% have marketing committees to negotiate on behalf of the farmers. The leadership of most POs has limited professional and management skills required to effectively manage POs. Women and youth participation in the management and activities is very low.

A few POs were found to be profitable with a good equity structure and ratio of current assets to liabilities. However, most SPOs were weak in financial management and many lacked the requisite financial documentation (financial statements) because they lack the technical competence and professional staff to prepare them. POs in the Western region performed best in this area, with a mean score of 45%, compared to 34% for the Central region, 29% for the Eastern region, and 15% for the Northern region.

Regarding engagement with output markets, most POs have very few members marketing produce through them because farmers prefer selling their produce to middlemen for quick money. Most POs do not have reliable output markets and all POs scoring below average with the Western, Central and Eastern regions obtaining mean scores of 46%, 49% and 41.6% respectively on this dimension.

In terms of services provision to members,SPOs in the Western and Central regions performed best with mean scores of 53% and 52.5% respectively. Among the PPOs, 53.5% procure some of the key inputs for the members to access, though not done on a regular basis. However, 56.6% of the PPOs are not aware of the right quality of different inputs demanded by farmers. Noteworthy, 65%of the PPOs reported that members access extension services especially from the government at sub-county level and NGOs operating within the vicinity of the respective PPOs.

All the POs in the four regions had mean scores below 50% in the relationship with external environment and other actors' pillar; gannering 46% for the Western region, 42% for the Central region, 38.5% for the Eastern region, and 35% in the Northern region. POs seem to be struggling in their effort to offer loyalty programs to the members. The mean scores in this dimension for the Central and Western regions stood at 45% and 38.3%,respectively,and 30% for both the Northern and Eastern regions. Most POs do not operate member loyalty schemes beyond providing funeral support to bereaved members. Few members buy shares from producer organizations, with a very small proportion of women and youth shareholders participating. Shareholding for the majority of the POs was taking place at the PPOs level only. Overall women and youths are poorly represented in terms of member investment in POs. Use of the check off system by POs for their membership isstill weak.

Based on these findings, the following recommendations for the Producer Organizations Activity are proposed:

1. Streamlining POs leadership by facilitating the process of electing competent and transparent leadership to enable the POs membership tap the full benefits accruing from POs.

2. Improving Information and Financial Management Systems of the POs and linking them to business development services providers.

3. Increase advocacy programs by POs to help them build capacity for both local level advocacy and engagement with the external environment.

4. Facilitate the process of raising awareness among the PO leadership for the need to design effective member loyalty programs such as implementing the check off system, concrete livelihood projects, timely provision of financial and extension services to their membership

LECTURE 25 CAPACITY OF ORGANISATIONS

Components of Capacity

The capacity of an organisation can be assessed based on the overall result: its performance.

Performance of an organisation can be measured by four/five things:

i. its effectiveness,
ii. its efficiency,
iii. its financial viability and
iv. its relevance.
v. Sustainability

Effectiveness is the extent to which an organisation is able to fulfil its goals. For a producer organisation that provides services to producers, indicators can be: the quality of the services or the number of producers served, volumes of trade, quality of produce, etc.

Indicators are from FAO (2013). ORGANIZATION ANALYSIS AND DEVELOPMENT Mariagrazia Rocchigiani Office of Partnerships, Advocacy and Capacity Development (OPC) – FAO Denis Herbel Social Protection Division (ESP) – FAO Food and Agriculture Organization.

Indicators of organization effectiveness

> Achievement of goals (quantitative or qualitative)
> Number (or percentage) of clients served
> Quality of services and products through users'perceptions
> Service access and usage
> Knowledge generation and utilization
> Quality of life changes (quantitative or qualitative)
> Demand for services and products
> Increase in coverage of programmes, number and types of services, number of clients (and level of funding)

Efficiency is the ratio of the outputs vs. incurred costs in delivering these outputs. Being able to spend less but achieve much in a given time, possibly short time.

Indicators of organization efficiency

> Cost per service or programme provided (and change in cost over time)
> Total service or programme cost
> Outputs per staff
> Cost per client served
> Timeliness of service delivery
> Program completion rate
> Turnover rate
> Absenteeism rate

A financially viable organisation is able to raise funds for its functioning in the short as well as in the long run. Financial viability refers to an organization’s ability to generate the resources it requires to cover its costs and reinvest in the medium and long term.

Relevance to its members is another prerequisite for survival. An organisation can continue functioning as long as it has the support and meets the requirements of its stakeholders.

Sustainability: Sustainability refers to an organization’s ability to continue its operational activities over time by adapting to a changing and evolving context.

Indicators of sustainability and financial viability

> Number of new programmes and services responding to emerging client/member needs
> Level of innovation
> Regular reviews/approval of strategic documents, operational plans
> Managerial turnover rate
> Number of years the organization has survived after the phase out of donor/external support
> Ratio of internal funding to external budget support (for producer organizations)
> Changes over three years to net operating capital
> Ratio of largest funder to overall revenues
> Ratio of cash to deferred revenue
> Ratio of total assets to total liabilities
> Ratio of current assets to current liabilities
> Increase in number of funders, amount of resources mobilized, assets, capital and revenues
> Level of diversification of funding
> Partners hired to provide services on a regular basis

LECTURE 26 CASE STUDY FROM THE EAST AFRICAN FARMERS FEDERATION SHOWING HOW CAPACITY SUGGESTIONS ARE RAISED AFTER IDENTIFYING THE TRAINING NEEDS

The Organizational Capacity Assessment

This report contains the findings and recommendations of an organizational capacity assessment (OCA) for the Eastern Africa Farmers' Federation (EAFF) membership. The OCA was undertaken through a guided self-assessment at workshops held in Rwanda, Uganda, Kenya and Tanzania. The workshop participants comprised of four participants from each of the 16 member organizations comprising of finance officers, administration officers/HR officer, Programme Officers and Leaders/CEOs. In some cases we there were Monitoring and Evaluation officers represented. The training comprised of 23 women and 36 men. The workshops were facilitated by the EAFF secretariat (finance officer, Administration officer, programs & gender officer and monitoring and evaluation in house consultant).

The organizational Capacity Assessment exercise was based on the EAFF strategic plan majorly focusing on the pillar EAFF vibrant, self-sustained, Efficient and Effective. The trainings stressed that it was important for the next 8 years to focus on the EAFF strategic plan 2012-2020 for economic service delivery to members and also achieve the 80:20 approach for sustainability. This was heavily guided by the ongoing initiative on strengthening farmer organizations through Knowledge Management and Learning strategy where one of the pillars focuses on sustainable funding and professional Farmer organizations.

The objectives of the assessment was to

- determine the current status of EAFF's membership organizational capacity and identify areas of that need strengthening
- identify appropriate interventions for the capacity gaps and develop an action plan to implement the interventions, and
- generate data for use in monitoring and evaluating the progress of an organization in its journey to excellence and sustainability.
- Collect baseline data on gender mainstreaming at membership level in terms of addressing inequality.

Methodology

The assessment was done in a five step methodology as outlined below

- Step I Individual assessment: Each participant scored all capacity areas with justification of their scores
- Step II Group assessment on dynamics of an ideal farmer organization: Participants were clustered into 4 groups leadership, finance, programs/monitoring and evaluation and Administration/HR to discuss the key indicators of an ideal farmer organization.
- Step III Group Assessment: Based on the indicators of an ideal farmer organization, participants worked in organizational groups to score the current status of their organization with justification.
- Step IV Group institutional plan development: At organizational level, the participants developed action plans that identified priority areas for change, corrective measures to be

implemented by NFO, capacity support areas for EAFF intervention, responsible staff and estimated completion dates.

- Step V EAFF Board: The final report will be presented to EAFF CEO and thereafter to the Board for approval.

Areas of assessment

1. Governance and Legal structure: The indicators being assessed were issues on vision and mission, legal requirements, organizational structure, board composition and responsibility and succession planning.
2. Financial Management and internal control systems: The indicators being assessed were; financial systems, financial controls, financial documentation, financial reporting, audit expenditure and cost sharing
3. Program management: The indicators under assessment were; donor compliance requirements, sub award management (optional), technical reporting, stakeholder involvement and culture and gender.
4. Project performance management: The indicators being assessed were; monitoring, evaluation, standards, supervision and field oversight and support
5. Organizational Management: The indicators being assessed were strategic planning, workplan development, change management, knowledge management and learning, opportunity development and internal communications.
6. Human resource systems: The indicators being assessed were staff job descriptions, recruitment and retention, staffing levels, personnel policies, staff time management, staff and consultant history, staff and salary benefits policy, staff performance management, management and staff diversity, policy on volunteers (optional) and Branding and Marking (optional).
7. Administration and procurement systems: The indicators being assessed were Operational policies and procedures, travel policies and procedures, procurement and fixed asset controls

Scoring

The areas of assessment were scored from 1-4 where: Score

1:	basic capacity
score 2:	moderate capacity
Score 3:	high capacity

Score 4: Excellent Capacity (ranking only used under governance and financial management)

LECTURE 27 – CASE STUDY
THE INDICATORS OF AN IDEAL FARMER ORGANIZATION

<u>Introduction</u>

As part of the OCA process, one key objective was to come up with the indicators of an ideal farmer organization which would serve as a bench mark for the EAFF members who can in turn adopt the same for their national members.

<u>Methodology</u>

The participants were grouped in their areas of specialization i.e. Finance, Human Resource and Administration, Program and performance management and Governance & legal structure.

COMPONENT	STANDARDS FOR IDEAL FARMER ORGANIZATIONS
	FINANCE
Financial management and internal controls	**Controls** • Internal checks • Properly documented procedures that are adhered to • Accounting and finance management manuals should be in compliance with internationally accepted standards • Proper segregation of duties **Financial documentation** • Good standard filing system: accessible, adhered to, known by all **Financial reporting** • Functional financial reporting system • Proper data entry • Segregation of duties • Shared with decision makers quarterly **Audit** • Change external auditors every five years • Annual audits • Follow accepted international accounting standards All staff should know about relevant financial systems
Administration	**Operational policies, systems and procedures** • Reviewed and updated regularly at least once every 3 years • Well documented and communicated to all staff

Procurement	The procurement procedures adopted should be benchmarked against internationally accepted standards but tailor made to suit individual organizations. Proper checks, controls and well documented processes

	Procurement committee in place
Fixed assets control	Asset register updated at least every 3 months. Clearly documented policies on use of assets
HUMAN RESOURCE SYSTEMS	
Job description	Documented roles and responsibilities of staff Documented reporting and supervision channels
Recruitment and retention	Documented guidelines for recruitment Guidelines on motivation, rewards, promotions
Personnel policies	Documented clearly and appropriate Known by all staff Reviewed and updated
Staff records	Certified qualification documents Certified legal documents (ID, PIN, NSSF, NHIF, etc) Staff references and next of kin Contracts and job description Performance review reports Leaves, insurance, payroll, pay slip
Staff salaries and benefit policies	Written policies
GOVERNANCE & LEGAL STRUCTURE	
Vision & Mission	Vision and mission that is understood by all members and guides the organization
Legal Structure	Should meet legal requirements such as registration, permits, taxes and regulatory requirements
Organizational Structure	Documented organizational structure Documented communication mechanisms at all levels of the organization
Leadership structure	Fair representation by gender, age, socio economic status and geographic coverage. Documented leadership roles and responsibilities Documented succession and change management plan Gender Policy
PROGRAM MANAGEMENT	
Technical reporting	A standardized reporting format for farmers organization- guided by output, impact, indicators and strategic plan

Monitoring & evaluation	Documented M & E strategy aligned and measured against strategic plan
Standards	Benchmark auditing, financial systems and reporting, human resource management, procurement against international standards
Strategic planning	Strategic plan Should have an M & E plan to track implementation of strategic objectives
Opportunity development for sustainability	Organizational should have business/fundraising plans with set target Exit strategy/sustainability plan for projects