

**Sector Project “Agricultural Trade and Value Chains”**  
**GIZ Guest Lecture „Strengthening Farmer Based Organizations (FBOs)”**

**September 19, 2017, 12 – 14h**

**Bonn**

**Agenda**

1. Welcome (Gerd Fleischer, Heike Höffler)
2. GIZ Approaches in Strengthening Farmer Based Organizations (Katharina Schlemper)
3. Guest Lecture “Enabling Framework Conditions for FBOs: The Role of Organizational Governance and State Policy” (Karin Wedig, PhD, Assistant Professor Josef Korbel School of International Studies, University of Denver)
4. Discussion
5. Conclusion

**Annex**

- I. Recommended Literature
- II. List of Participants
- III. Presentations

**1. Welcome**

Gerd Fleischer and Heike Höffler welcomed all participants to the guest lecture by Karin Wedig in Bonn and stressed the importance of strengthening small-scale farmers and their organizations. Besides GIZ staff, there were also researchers, consultants, and representatives from the Center for Development and the Andreas Hermes Akademie participating in the lecture. Other participants also joined the event via Skype for Business.

**2. GIZ Approaches in Strengthening Farmer Based Organizations**

Katharina Schlemper presented GIZ’s recent work on Farmer Based Organizations by the Sector Project Agricultural Trade and Value Chains and the Global Program (SEWoH) (see PowerPoint Presentation in annex). The Global Program (SEWoH) “Strengthening Farmer Based Organizations for Sustainable Agricultural Development” is implemented by the Andreas Hermes Akademie in close cooperation with the Deutscher Bauernverband (DBV) in 6 pilot countries (Ethiopia, Uganda, Kenya, Tanzania, Burkina Faso, India).

She also presented the [SNRD publication “GIZ Approaches in Strengthening Farmer Based Organisations”](#), which summarizes the findings of an inquiry among 26 GIZ programs. The publication identifies and assesses existing GIZ approaches and tools in this field. Also, it presents the needs of projects and programs for the development of additional tools as well as lessons learned and examples for good practices.

Further, regional workshops in Benin and Kenya in 2016 showed that there is a strong demand for exchange and learning formats within GIZ for building and developing FBOs. Key factors for the development of a successful FBO are business orientation, the development of financing strategies and the improvement of service delivery. FBOs can only be sustainable if they have a functioning internal governance and management structures as well as common goals, visions and identity.

A working group on business orientation of FBOs, which was founded during the workshop in Benin, developed a training module for business orientation of FBOs complementing existing modules. The general objective is to assure the long-term economic viability and financial sustainability of FBOs through the development and scaling up of a training and coaching module for the business orientation of FBOs. A first version is expected by the end of 2017 and the implementation of test trainings is planned for the beginning of 2018 in Benin, Burkina Faso and Mali. After the test trainings, country-specific training and coaching manuals will also be available in French and English.

### **3. Guest Lecture “Enabling Framework Conditions for FBOs: The Role of Organizational Governance and State Policy”**

Karin Wedig, Assistant Professor at the Josef Korbel School of International Studies, University of Denver, presented the framework conditions for the sustainable development of FBOs with data from the Ugandan coffee sector (see PowerPoint presentation in annex). She argued that the revival – which has seen FBOs operate as private sector actors in competition with domestic and international firms – is significant for inclusive agricultural development in Sub-Saharan Africa, because FBOs are a vital organizational response to small farmers’ insufficient access to finances, technologies, skills, and supporting infrastructure. However, the success of FBOs is often limited by internal and external constraints.

**Internal constraints** are characterized by shortcomings of democratic governance in coffee cooperatives in Uganda. They often lack formal rotation of power and inequality between members and leaders prevents gradual displacement. Particularly poor farmers are pushed into internal side selling at below market prices, lack capacities to address power abuse and to make their voice heard and, in extreme cases, are unable to leave an FBO due to social pressure.

**External constraints** are identified in relations of FBOs with the state. There is only limited government support for financial services and storage facilities, despite the significant struggle of cooperatives to compete in liberalized agricultural markets. Also, economically viable coops are unwilling to engage in political lobbying on behalf of their members because of a lack of trust towards the government.

Moreover, in the Ugandan coffee sector, FBOs face high competition by transnational cooperations (TNCs). There are currently no initiatives to regulate relations of transnational agro-processing exporters with small farmers. TNCs investments in production infrastructure cannot be matched by coops; while governments provide incentives for such investments, cooperatives rarely have access to them.

The goal of FBOs to strengthen bargaining power of disadvantaged groups requires organizational capacity building at the meso-level to improve the representation of members’ interests.

- Help poorer farmer-members to address local elite capture
- Allow national assemblies to stay well-informed about farmers’ needs

Policies to strengthen FBOs need to address TNCs as potential competitors in agricultural export markets and create a level playing field. Also, the development and strengthening of democratic state institutions extends to the success of FBOs as civil society, as well as economic organizations.

### **4. Discussion**

After the presentation participants discussed whether the situation of FBOs in the coffee sector can be compared to the fish and seafood sector. However, in contrast to the fish and seafood sector, the coffee sector is much more export-oriented. In Uganda, the export of coffee is dominated by a small number of transnational cooperations. This leads to more political influence, for example with regard

to investments in infrastructure and storage facilities. In the fish and seafood sector, FBOs only face internal constraints because they mostly produce for the local market.

Also, members of FBOs often lack trust in state institutions and government representatives. A re-politicization is necessary to strengthen FBOs by increasing their ability to negotiate better prices through improving their bargaining power. In addition, processing and export capacities have to be increased. Improving their economic viability is mainly a political process.

Moreover, it was discussed that a more inclusive approach to strengthen FBOs should be considered. Not every FBO can build up export capacities. The competition in the export market is very high and TNCs are acting almost as monopolists. However, TNCs could also act as partners for contract farming and be a fair exporter for FBOs. In Uganda's coffee sector, roasters play a great role, but they often make use of unethical business practices. Strengthening the FBOs could create pressure to change business practices of transnational cooperations and roasters.

Further, participants found it useful to understand the motivation of FBOs. For example, medium-sized cooperations are usually very business-oriented. External actors could help in strengthening their independence from local politics and successfully lobby at the national level to make sure that the interests of FBO members are represented.

The role of FBOs has to be assessed further. There is no robust time-series data on self-selection and restricted access to FBOs, however, some say they are "too poor to organize themselves". There is unequal access to FBOs as well as inequality between members and non-members. Also, there is a big difference between certified and non-certified FBOs especially in prices and production practices. Fairtrade and organic usually come together which leads to significant price premiums for certified farmers.

Development cooperation could include the support of top performers (exporters) as well as local producers. Many farmers are left behind if the focus only lies on export oriented FBOs, therefore, a more inclusive approach is needed. However, not every farmer can stay in agriculture in the long run if they cannot keep up with competitors. What remains is the challenge of how to deal with especially vulnerable farmers (see Annex for related literature).

## **5. Conclusion**

For the participants, it was interesting to have an insight into the development of FBOs from a scientific point of view. It was discussed how FBOs can be strengthened, how organizational capacities can be build, how they can move up the value chain and develop export capacities and which constraints they face.

Overall, there has to be a more inclusive approach in strengthening FBOs. On the one side, those who are able to build up export capacities have to be supported. On the other side, one should not neglect those who produce only for the local market. Each FBO should focus on what they are good at and improve it. Further, those who cannot afford to organize themselves at all should also be considered.

## Annex

### I. Recommended Literature

Bernard, T., Spielman, D.J. (2009). Reaching the rural poor through rural producer organizations? A study of agricultural marketing cooperatives in Ethiopia, Food Policy 34 (2009) 60-69

Fischer,E.; Qaim,M. (2011). Linking Smallholders to Markets: Determinants and Impacts of Farmer Collective Action in Kenya. World Development Vol.40, No.6, pp. 1255-1268, 2012

Fischer,E.; Qaim,M. (2012). Gender, agricultural commercialization, and collective action in Kenya, Food Sec. (2012)4:441-453

Ito,J. ; Bao,Z. ; Su,Q. (2012). Distributional effects of agricultural cooperatives in China: Exclusion of smallholders and potential gains on participation in Food Policy 37 (2012) p.700-709

Verhofstadt, E.; Maertens, M. (2014). Smallholder cooperatives and agricultural performance in Rwanda: do organizational differences matter? Agricultural Economics 45 (2014) supplement 3952

Verhofstadt,E.; Maertens, M. (2015). Can Agricultural Cooperatives Reduce Poverty? Heterogeneous Impact of Cooperative Membership on Farmers' Welfare in Rwanda Agricultural Economics 45 supplement 39–52

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### III. Slides

#### GIZ Approaches in Strengthening Farmer Based Organisations



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Guest Lecture „Strengthening Farmer Based Organisations“

## Farmer Based Organisations (FBOs)

### Sector Project “Agricultural Trade and Value Chains”

Katharina Schlemper, GIZ  
Bonn, Germany  
19<sup>th</sup> September 2017



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### Role of the Sector Project „Agricultural Trade and Value Chains“

- **Strengthening FBOs** as one of five fields of activities (agricultural trade, value chains, private sector cooperation, agricultural finance/risk management)
- **Advisor position shared with SEWOH Global Programme** (since April 2015)
- Following main tasks:
  - **Knowledge management** and facilitating a **systematic exchange** between GIZ programmes and other actors
  - **Consultation** for BMZ and other GIZ programmes
  - **Conceptual onward development** for BMZ and other GIZ programmes
  - Since 2017: cooperation with SV APES on **contract farming**

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### SNRD Inquiry: GIZ Approaches to Strengthening FBOs

- Identification, systematization, documentation and assessment of **existing GIZ approaches and tools**
- Identification of the needs of programmes and projects for the development of **additional tools and approaches**
- Identification and documentation of **experiences, lessons learnt and good practices** and their outcomes

### Recommendations for GIZ:

- **compile and review existing tools** for diagnostics, organizational development and service management
- **invest into coaching tools** for business and entrepreneurial orientation
- **develop innovative tools and approaches, document experiences** with strengthening support structures and framework conditions
- **discuss which programme indicators and objectives** are conducive.

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### Regional workshops in Benin and Kenya in 2016 – key findings

- Strong demand for **exchange and learning formats** within GIZ for building and developing FBOs
- When developing approaches, it is **not necessary to reinvent the wheel** (e.g. training modules of ProAgri, SSAB, contract farming etc.)
- Approaches for promotion of **business orientation, the development of financing strategies and the improvement of service delivery** are key
- **Necessary basic conditions** for developing sustainable FBOs are:
  - functioning internal governance and management structures
  - common goals, visions and identity

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## Working group on business orientation of FBOs

- **Meetings in Benin and Burkina Faso** with representatives of:
  - ProCIVA and ProDRA Togo
  - ProAgri, ProCIVA, ProFIN Benin
  - ProCIV and PDA Burkina Faso
  - PASSIP Mali
  - SSAB in Western and Central Africa
- Outline of a **training module for business orientation of FBOs** complementing existing modules (cf. following slides)
- **Development of the training module:**  
first version expected to be finalised by end 2017
- **Implementation of test trainings:**  
planned for beginning of 2018 in Benin, Burkina Faso and Mali



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## Complementing existing modules

- ✓ **GIZ Promotion of Agriculture (ProAGRI), Benin:**  
24 modules: training for base organisations (18 modules) up to umbrella FBOs (6)
- ✓ **GIZ Project Innovation Centres (ProCIVA), Benin:**  
SME Business Training and Coaching Loop
- ✓ **GIZ Sustainable Smallholder Agribusiness in Western and Central Africa (SSAB):**  
Cooperative Business School
- ✓ **Former programme Private Sector Development in Agriculture (PSDA), Kenya:**  
Training manual for trainers: Organizational development
- ✓ **Market Oriented Agriculture Programme (MOAP), Ghana:**  
Facilitator manual: Strengthening Farmer Based Organizations for Agribusiness
- ✓ **Food and Agriculture Organisation (FAO):**  
4 modules: Management of enterprises of rural associations
- ✓ **Others**



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## **Training and coaching module for business orientation of FBOs (under development)**

### **General objective:**

Assure the **long-term economic viability and financial sustainability of FBOs** through the development and scaling up of a training and coaching module for the business orientation of FBOs.

### **Specific objectives:**

- ✓ Strengthen the **organisational and governance capacities** of FBOs (elements that are not yet covered by other existing modules)
- ✓ Design strategies for developing **income-generating activities** of FBOs
- ✓ Strengthen the **business management capacities** of FBOs
- ✓ Develop the capacities of FBOs in **marketing and commercialisation**
- ✓ Integrate **sustainable development objectives** into FBO strategies



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## **Products to be developed**

### **Generic training and coaching manual**

Presentation of the training units specifying:  
subjects, didactical methodologies, duration and the content.

The first version of the manual will be available **in French by the end of 2017**

### **Country-specific training and coaching manuals**

presentation of the training units specifying:  
subjects, didactical methodologies, duration and the content adapted to country-specific needs including case studies.

Documents will be available after the test trainings **in French latest mid 2018**

It is intended to **translate the generic manual into English**, adapt it to country-specific needs.



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## Global Programme (SEWOH): Strengthening of Farmers' Organisations for Sustainable Agricultural Development

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für Internationale  
Zusammenarbeit (GIZ) GmbH

- Implemented by the Andreas Hermes Akademie in close cooperation with Deutscher Bauernverband (DBV), since February 2015
- 6 pilot countries (Ethiopia, Uganda, Kenya, Tanzania, Burkina Faso, India)



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**Thank you for  
your attention!**



# Enabling Framework Conditions for FBOs: The Role of Organizational Governance and State Policy

Karin Wedig, PhD, Assistant Professor  
Josef Korbel School of International Studies, University of Denver

## Overview

### *Situation*

Revival of FBOs in Sub-Saharan Africa since the late 1990s

### *Analysis of constraints*

Widespread organizational governance shortcomings in FBOs

State responses to FBOs' role as potential agents of change

### *Conclusion*

A re-politicized understanding of FBOs and their economic environment

## Revival of FBOs in SSA's liberalized agricultural markets creates net benefits for small farmers

1980s and '90s collapse of monopolist coops created opportunities and risks for small farmers

Misled assumption that non-price factors are relatively unimportant for agri growth in Africa

Revival of FBOs starts late 1990s: organizational response of small farmers to insufficient access to production and marketing resources

Today, new (and some old) FBOs allow small farmers to increase productivity, enter secondary processing and export crops directly



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## Unequal access to coffee cooperatives in Uganda indicates that the poorest are least likely to benefit

Non-organized farmers...

- are twice as likely than cooperative members to have no formal schooling
- have lower general educational attainment levels
- and own less land

Education levels and est. land ownership	Non-organized farmers	Cooperative members
No formal schooling	16 %	8 %
Primary drop out	40 %	31 %
Primary completed	29 %	38 %
< 1 acre (< 0.5)	29 (13) %	18 (7) %
>1 to < 5 acres	42 %	50 %
> 5 to < 10 acres	5 %	15 %

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## In Uganda's coffee sector, CBOs lack intermediate organizational level to oversee local resource distribution

Common organizational structure of large and medium-sized coops



Common organizational structure of CBOs



5

## Shortcomings in democratic governance of cooperatives allow for local elite capture – and are most likely in CBOs

CBOs often lack formal rotation of power – and inequality between members and leaders prevents gradual displacement

Local elite capture of resources occurs in different forms. Particularly poor farmers:

- are pushed into internal side selling at below market prices
- lack capacities to address power abuse and make their voice heard
- in extreme cases, are unable to leave due to social pressure

Threats of defection (external side-selling) and exit cannot be used by members if mobility is low and no other cooperatives operate nearby.

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## Effects of Uganda's cooperative policy limited by reluctance to support FBOs as agents of change

Reports of:

- Intimidation of small farmers who organize in cooperatives
- Political strategies to prevent formerly monopolist coops to successfully re-enter agricultural markets

Limited government support to financial services and storage facilities, despite significant struggle of cooperatives to compete in liberalized agri markets

Economically viable coops unwilling to engage in political lobbying on behalf of their members – lack of trust that state delivers impartial support

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## Competition between FBOs and larger players met by failure to create level economic playing field

Lack of initiatives to regulate relations of transnational agro-processing exporters with small farmers:

- Widespread takeover of existing (formerly coop-owned) infrastructure by TNCs – coops frequently rent infrastructure they previously owned
  - Some TNCs seek to limit FBO growth by promoting replicas of primary coops (“members” commit to selling unprocessed commodities)
  - Reliance on local traders who pursue unethical business practices that directly harm cooperatives
- Incentives for investments in infrastructure that coops rarely have access to

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## Concluding thoughts: A re-politicized understanding of FBOs

FBO's goal to strengthen bargaining power of disadvantaged groups requires organizational capacity building at the meso-level to improve representation of members' interests.

- Help poorer farmer-members to address local elite capture
- Allow national assemblies to stay well-informed about farmers' needs

Policies to strengthen FBOs need to address TNCs as potential competitors in agricultural export markets and create a level playing field

Development and strengthening of democratic state institutions extends to the success of FBOs as civil society, as well as economic organizations.

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**Thank you for your attention!**

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## Data generation

### **2008-2009:**

- 461 face-to-face survey interviews
- 65 face-to-face semi-structured interviews with small farmers, cooperative managers, extension workers, coffee buyers, government officials and training providers
- 18 focus group discussions with farmers' groups

### **2013:**

- 30 follow-up interviews with small farmers, cooperative managers and coffee buyers

### **2014-2015**

- Follow-up secondary research on development of vertical integration strategies pursued by multinational coffee buyers

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