



**The Organization and Development of
Farmer Groups for Agroenterprise:
Conclusions from a CRS & RII-CIAT
Study Tour in
Asia, Africa and Latin America**

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EXECUTIVE SUMMARY

This paper is a product of a Study Tour organized in 2005 by staff of CRS and RII-CIAT that visited five contrasting types of farmer groups in Uganda, Bolivia and India to improve understanding of how to form and develop groups of poor farmers and link them to markets. In all, the team interviewed 40 groups that included over 900 farmers. The paper is intended to share the main insights obtained from the Study Tour and can be read in conjunction with the *Guidelines* or field manual, produced by the Study Tour, that provides suggestions for field practice.

The Study Tour concluded that the chances of a successful climb out of rural poverty can be improved by combining the organization of poor farmers into small groups with the formation of five key skill sets. Independent of the country, the cultural setting or the group formation methodology used, over 70 percent of the groups of poor farmers visited were proactively trying to acquire three or more of the five skill sets, sometimes without the knowledge of their facilitators, although none had achieved all five. A skill set is defined as knowing *how to* undertake a specific activity. The five key skill sets identified during the study tour were:

- group organization and management;
- internal savings and lending;
- sustainable production (including improved natural resource management);
- experimentation and innovation (knowing how to access and apply new technology); and
- basic market skills.

Although no single skill set is new in and of itself, the novel discovery was the expressed demand by farmer groups to combine several skill sets. Various combinations of between two and four of the five skill sets were observed but no group was receiving facilitation in all five. Most of the groups developed new activities requiring one or more of the five skill sets and, most often, their new primary activity was marketing. In many cases, farmer groups expressed the difficulty they have of making progress into market engagement, unless they acquire several of these key skill sets. It appears that even the poorest farmers can incorporate any one of five basic skill sets when organized in groups and that doing so will significantly increase their likelihood of success in marketing, as one route out of poverty. The Study Tour concluded that there is an important opportunity to improve the chances of market success for large numbers of the very poor by facilitating the development of the five skill sets in farmer groups.

INTRODUCTION

In 2002, Catholic Relief Services (CRS) and the Rural Innovation Institute (RII) of the *Centro Internacional de Agricultura Tropical* (CIAT) formed an Agroenterprise Learning Alliance. This new relationship between a development organization and a research organization emerged from a general dissatisfaction at RII-CIAT with short term training and their inability to validate new methodologies on a large scale. This coincided with a shift at CRS from a focus on sustainable food production and direct distributions for agricultural recovery from disaster, to a stronger focus on market-based developmental relief and agroenterprise. The goal of the learning alliance was to share knowledge about the RII-CIAT Agroenterprise Territorial Approach, put that knowledge into practice through the CRS network of partners, assess the performance of the approach in the field and make iterative changes over time. While many different group formation approaches are being applied by CRS programs and partners across the globe, with considerable variation in success, CRS has not yet developed best practice guidelines on the most effective platforms for engaging such groups in agroenterprise. And while RII-CIAT has a “roadmap” for agroenterprise development, this does not include guidelines on the formation and strengthening of farmer groups. The Alliance found that the poorest farmers seldom had the capacity or the organization to make the shift to producing for the market without considerable support. As a result, the Alliance identified a need for an approach that could explicitly help prepare poor farmers to make the transition from semi-subsistence to commercial farming.

This paper is one product of a study tour organized by the Learning Alliance in 2005, for a team that visited contrasting types of farmer groups in Uganda, Bolivia and India to improve understanding of the formation and development of groups for linking poor farmers to markets. The paper is intended to share the main insights obtained from the Study Tour for internal discussion and can be read in conjunction with the *Guidelines* or field manual produced by the Study Tour, that provides suggestions for field practice. The paper is organized as follows. First, the main questions and assumptions that guided the Study Tour are explained. Next, the Study Tour methodology is described, including characteristics of the farmer groups visited. The findings are presented and based on these; recommendations are drawn for increasing the capacity among the poor for successful and sustained market engagement.



A key finding is that the chances of a successful climb out of rural poverty can be improved by combining the organization of poor farmers into small groups with the formation of several key skill sets. Independent of the country, the cultural setting, or the methodology used for forming groups, we observed farmer groups proactively trying to acquire several skill sets in addition to those formed by agroenterprise training. In many cases, farmer groups expressed the difficulty of making progress from one activity, such as savings or experimenting with technology into market engagement, unless they had acquired several of these key skill sets.

We concluded that farmer groups can become powerful engines for the very poor to achieve the learning, saving and sustained market success that leads to increased income and financial assets, if groups acquire the five basic skill sets we observed. A skill set is defined as knowing *how to* undertake a specific activity. The five key skill sets identified during the study tour included:

- group organization and management;
- internal savings and lending;
- sustainable production (including improved natural resource management);
- experimentation and innovation (knowing how to access and apply new technology); and
- basic market skills.

The Study Tour discovered that all groups visited had one or more of the five basic skill sets, and that a majority had three or more, although none had achieved all five. This observation led to two conclusions:

- even the poorest farmers can incorporate all five basic skill sets in groups, and
- doing so will significantly increase their probability of success in marketing and the accumulation of assets at the household level in the long term.

Based on these conclusions, an important strategy was identified for increasing the chances of the very poor to benefit from changing market opportunities: to facilitate the development of the five skill sets in farmer groups.

STUDY TOUR OBJECTIVES, QUESTIONS AND ASSUMPTIONS

The overall purpose of the Study Tour was to explore how farmer groups with the goal of producing for markets might increase their capacity to engage in markets more effectively. A specific objective was to identify key functions and skills that would increase the preparedness of poor farmers for successful and sustainable market engagement.

The central questions for the study tour were:

- What are the advantages of different ways of organizing farmer groups in preparing poor farmers for entry into markets and later agroenterprise development?
- What functions and skills do groups of poor farmers need to learn that will help them engage successfully with changing markets over the long term?

With this objective, the study tour was designed to visit farmer groups either already demonstrating success in tackling food security, income generation and market engagement or with the potential to do so. Given that many approaches to forming farmer groups exist, five different approaches or types of groups were selected for analysis, described in the next section. The Study Tour was designed to find out whether there were common elements in these different approaches that could be combined to increase the success of poor farmers in agroenterprise development.



Three premises are central to the questions that the Study Tour set out to address. The first premise is that our mission is to work with the poorest of the poor at the very bottom of the socioeconomic pyramid and with small, informal groups with open membership. The second premise is that building financial assets is central to reducing the economic poverty of the poorest rural households that depend on agriculture for a living. In this paper, financial assets are understood to include both obvious financial assets (e.g. cash) as

well as physical assets that can be easily and rapidly converted to cash—such as livestock, gold jewelry or stored grain. The steady accumulation of these financial and physical assets over time is both a cause and a measure of reduced economic poverty.

The third premise follows conventional business wisdom, widely documented, that reveals three core strategies for building financial assets: increased income, reduced expenses and the protection of profits so that they accumulate into financial assets. All three strategies were of interest for the Study Tour, with particular focus on increased income. Increased income refers to the improving streams of revenue that enter a household, often from multiple sources like the sale of crops, livestock or small trading. Reduced expense refers to the small acts of thrift that

help stem the flow of money from the household. These reductions might come in the form of more efficient use of resources, like finding a more cost effective way to transport a harvest to market, or actual sacrifices in consumption, such as the limited intake of alcohol or tea. Profits will not accumulate into enduring assets unless the household takes measures to protect both profits and assets from loss. Losses result from unforeseen hazards like disease or poor practices of safeguarding from theft, pests or weather. In the site visits, farm families repeatedly cited increased employment opportunities and income as a prevailing need. CRS is developing approaches to meet this need by helping farmers to identify and directly link to promising markets—encouraging them to increase production sustainably and profitably and add value. RII-CIAT is developing methodologies for participatory farmer innovation and a territorial approach to agroenterprise development as a means to stimulate innovation in technology, marketing of rural agricultural produce or services and in natural resource management.

Based on these premises, the starting point for the Study Tour was, therefore, a working assumption that increasing the financial assets and income of the poorest farmers in an equitable manner will depend critically on their capacity to engage in agroenterprise development. Broadly defined, agroenterprise refers to the collection or production and marketing of agricultural products and services. A rural household may have one or many agroenterprise opportunities.¹ “Agroenterprise development” focuses on helping farmers to organize themselves, understand their market options, gain the basic skills necessary for engagement with the market, and includes facilitating the links between farmers and markets. As a result, farmers develop market understanding as well as management skills (so that the quality and volume of their products better suit market demand), increase their links to other actors in market chains and so potentially improve their ability to negotiate lower costs from suppliers and higher prices from buyers.

Prior to forming the Learning Alliance both CRS and RII-CIAT had observed a problem that has been extensively documented in the published literature, that agroenterprise development resulted in one of two outcomes: either the intervention focused on wealthier farmers with existing skills and capacity for immediate entry into promising markets; or very poor farmers were specifically targeted, at a very high cost per farmer. The Learning Alliance also found that farmer groups formed with the specific intention of increasing production were in many cases, not able to transform into successful enterprises. It was frequently difficult to organize significantly large numbers of farmers and to rapidly scale up from a limited number of farmer groups. As a result, a central concern that guided the Study Tour was the need for an approach to reach the poorest rural households that would aggregate farmers in a way that lowers costs per farmer, or works with farmers that were already organized into functioning groups. In any case, a guiding concern of the Study Tour was that strengthening skills with the poorest farmers will depend on finding very simple methodologies for skill formation that can be applied with very large numbers of the poor.



COMMON SUCCESS FACTORS IN FARMER GROUP FORMATION

As part of the Study Tour, a focused literature review was conducted to inform the interpretation of findings and conclusions. For each of the five types of farmer groups visited, two to four seminal articles that evaluated the impact of the methodology were selected (for details of the literature search, see the next section). The approaches to forming farmer groups represent a cross-section of approaches commonly used in rural development:

- a. Farmer field schools (FFS) for agro-ecosystem knowledge and technology evaluation
- b. Farmer research committees (CIALs)² for farmer experimentation and innovation
- c. Self-help groups (SHGs) for savings-led microfinance
- d. Producer groups for agribusiness
- e. Watershed groups for conservation and management of natural resources

Given the purpose of the Study Tour to explore how farmer groups might increase their capacity to engage in markets more effectively and specifically, to see whether key functions and skills could be identified that increase market preparedness of poor farmers, the review of published impact studies looked for common success factors that can be generalized to all five approaches. Successful group formation was defined for the purpose of the literature review as persistence over time and capacity for self-management in relationships with the group's facilitator and other service providers. Persistence presupposes that the group is providing a stream of benefits to the members. Profitable and unsubsidized engagement with the market is a criterion for success of market groups but not of groups with other objectives. The review identified three important common factors that are discussed in detail below.

Characteristics of successful farmer groups

Improving the organization of small producers through group formation is increasingly promoted as an important component of equitable and sustainable development linked to markets. Ample research shows that groups can help the poor without excluding the poorest, and so provide a way out of even chronic poverty, provided they are widely replicated (Thorp et al., 2005). The capacity of individuals in a group to work together—their social capital—is a basic asset that confers several advantages for poor farmers engaging with markets. Marketing in a group, or collective marketing, can help poor households that produce low quality products in small amounts to aggregate produce, improve prices for their products and reduce their risks when they collectively supply the minimum volume and quality required by buyers. Relationships with farmer groups also reduce the transaction costs for service providers working with the poor (Thorp et al., 2005). Group organization also provides the preconditions for agricultural intensification (Bebbington, 1996).

Examples abound of groups formed in poor rural areas with different objectives and using a variety of approaches. These demonstrate how group organization has enabled poor producers to access new technology, intensify production, undertake collective irrigation, watershed, fishery or forest management, manage marketing relationships and conduct adaptive research (Pretty and

Ward, 2001) estimated that efforts centered on participatory learning and social capital creation for improving sustainable farming and environmental management in low-income countries formed over 400,000 groups in the decade of 1990-2000, and involved 8-14 million people. They observed, however, that although there were numerous models of group formation that describe group development in terms of progressive stages leading to sustainable self-management and better performance outcomes, these models did not offer any cogent analysis of the causes or drivers of group success in making a transition from dependence to independence.³

Their observation about the need for more insight into causes of group success is valid with respect to formation of farmer groups intended to promote basic market skills for the poor. Business models with farmer groups identify distinct roles and stages of market engagement that each requires increasing levels of management capability. These stages typically start with upgrading the farmer who supplies undifferentiated products; then move on to federation into first and second order farmer groups with specialized business linkages in market chains that then may, in some cases, develop as co-owners or managers of a sophisticated value chain (Kaplinsky and Morris, 2002). However, why some farmer group formation strategies lead poor farmers to be successful in the initial stage of market engagement while others fail is still poorly understood.

The first generalization that can be made about all five types of farmer groups is that the persistence and non-dependency of farmer groups over time depends on the level and quality of internal and external social capital formation, and that this in turn depends firmly on how group formation and group dynamics are managed in the early years so that tangible benefits are realized by group members. The development of trust *within* the group as an organization is affected by the way the group was formed and managed. The same is true of the trust *between* the group members and the facilitator. A key strategy generally related to high levels of trust and persistence of a group over time was the broad dissemination of leadership skills and sharing of leadership functions within farmer groups.



The more than 75,000 Farmer Field Schools (FFS) formed in Asia in the 1990s did not invest in social capital formation. Rather, they were designed to transfer understanding of ecological principles underlying Integrated Pest Management in rice and specific practices known *a priori* to decrease production costs without affecting yields (Tripp et al., 2005). FFS have been effective in improving farmer knowledge, although there are contradictory findings on whether FFS knowledge acquisition reduces insecticide applications or increases productivity (Gotland et al., 2003; Feder

et al., 2004). From published studies, FFS appear to have had no long-term results in terms of persistent group organization or of transmission of knowledge among farmers (Tripp et al., 2005)⁴ although the evolution of FFS networks in Africa shows a trend towards organizing for market engagement (Okoth et al., 2006). CLUSA's agribusiness model invests in group social capital formation whether by building on existing groups or by rapidly forming large numbers of

new groups. However, the pressure to become rapidly self-managing has in some instances led to rates of group attrition as high as 40% (Michael Mailloux, CLUSA-Uganda, personal communication, September 2005). Relatively high rates of loan repayment and increases in farm revenues were achieved among surviving groups (Parker, 2003). Self-help Groups (SHGs) and Farmer Research Committees (CIALs) were organized with substantial investment in building the groups' internal and external social capital. In India, close to two million SHGs have been organized around a simple but well-regulated program that is based on regular savings by group members. The savings are accumulated, then lent out and repaid by members with interest. In many cases the accumulated funds are eventually used to leverage loans of up to four times the amount of the savings deposit from rural banks. A high proportion of SHGs has persisted over time (some more than seven years) and has established non-dependency relationships with banks that handle their savings deposits and make them loans. A recent study of a sample of SHGs in India found that SHG members had significantly higher food security, housing quality, productive assets, savings and higher debt due to productive investments (Kabeer and Noponen, 2005). CIALs, much smaller in number and coverage than the SHGs, provide a farmer-managed adaptive research service for rural communities or farmer associations, and have increased technology innovation for most of the farmers in their communities (Braun et al., 2000). This has led to increased production and food security, along with small-scale agroenterprise development based on seed multiplication, poultry feed production and cash crops for local markets (Ashby et al., 2001; Humphries et al., 2005). The persistence of numerous CIALs for over a decade (despite an attrition rate of approximately 15-20% over this period) and the degree of self-management and non-dependency they achieve varies, depending on the initial management of the group formation process (Humphries et al., 2005).

A second generalization from the published impact studies on the five types of groups is that all approaches to group formation involved a facilitator organization that brokered linkages to specialized service providers such as banks, research programs or rural business programs. Several studies identify a key strategy as investment in building quality relationships, also termed external or "bridging" social capital, between specialized rural producers and service providers, and in particular research. The purpose was to create the initial conditions for a market to develop for supplying these services to rural households (Clark et al., 2003). By brokering linkages to service providers, the facilitator promotes a group's development of external social capital in the form of the capacity to negotiate with and build rapport with service providers (Clark et al., 2003) argue that the successful management of such relationships on behalf of the rural poor requires a departure from the concept of a supply chain to the concept of an innovation system in which the facilitator's function is to link service providers and local groups so that they can co-develop new practices and technologies. Farmer group formation within the framework of an innovation system is vital for group sustainability.⁵ The key role of facilitating local NGOs in developing the relationship of



SHGs with India's national system of rural banks is an example of how brokering linkages between farmer groups and service providers can lead to institutional innovation that favors the poor (Wilson, 2002).

It is striking that field schools, research committees and self-help groups have all expanded their scope beyond the original purpose for which they were formed. This reflects a third common feature of these approaches: successful group formation has combined the opportunity to learn over time with some form of sustained learning support. It is not clear that this support necessarily has to be in the form of direct teaching, or that it requires formal education or literacy skills as a pre-condition for success, but a key approach may be to build in opportunities and procedures that stimulate continuous learning.

In summary, a review of published impact studies of the experience of five different approaches to farmer group formation identified three common success factors (where success was defined as persistence over time and capacity for self-management in relationships with the group's service providers):

- A high level of investment in building the level and quality of internal and external social capital and that this in turn depends firmly on how group formation and group dynamics are managed over several years, the creation of short-term, tangible benefits and the broad dissemination of leadership skills and sharing of leadership functions within farmer groups
- A facilitator organization that brokers linkages between farmer groups and specialized service providers
- The opportunity to learn over time with some form of sustained learning support

While of general relevance to the questions motivating the Study Tour, the published experience with the five types of groups selected for review did not answer the Study Tour questions of how farmer groups might increase their capacity to engage in markets more effectively; whether key functions and skills could be identified that increase market preparedness of poor farmers; and what kinds of interventions are likely to be most effective in achieving the development of needed skills on a large scale among the poor. The following discussion of the Study Tour findings focuses, therefore, on addressing this knowledge gap.

STUDY TOUR METHODOLOGY

The objective of the study tour was to identify key functions and skills that would increase the preparedness of poor farmers for successful market engagement. This was done through field visits to groups that were formed using a range of different approaches and then seeking to identify common elements that contributed to success. Three one-week trips were organized to assess farmer groups in three countries: Uganda in September 2005, India in October 2005 and Bolivia in November 2005. In each country, local staff from CRS, RII-CIAT and partner organizations, including CLUSA in Uganda, also participated. The three field trips were followed by one week in Colombia for initial synthesis, analysis and planning of outputs and one week in the United States for a ‘write shop’ to produce first drafts of outputs. The eight-member study tour team consisted of a development sociologist, three agronomists/soil scientists, a socio-economist, and three microfinance/microenterprise advisors. Three of the team members were women.

Each country-level visit of the study tour was structured to include:

- A one day review of the country context and main local group organization types
- Two to three sub-team visits to different areas of the country to interview farmer groups (see table below)
- A final in-country discussion, sharing and debrief with all local participants. In most cases each sub-team wrote case study reports of groups visited, and reports were used as the basis for a country-specific summary of findings and conclusions

One country per continent was selected from three regions where CRS and/or RII-CIAT were already working. The different regions were selected to ascertain whether there were major differences in group purpose, formation or processes resulting from differences in culture or socio-economic environment.

Table 1: Number of groups of each type at group initiation

Country	Self-help*	Group Type at Initiation			Watershed / NRM	Total
		Producer Agri-business	Technology FFS	Technology FRC		
Uganda	2	6	3	0	0	11
India	15	0	0	0	7	22
Bolivia	0	2	0	4	1	7
Total	17	8	3	4	8	40

*Self-Help Group (SHG) models differ, and the SHGs in Uganda were established using a different approach from the one used by CRS to establish SHGs in India.

Countries with a range of group types were chosen, and groups with different objectives and activities were visited within countries.

A basic set of information was collected from each group visited, along with information uniquely relevant to each particular group. Core questions included background and group history; group size, gender, structure, leadership and legal status; services provided to members; current and planned group activities; successes and challenges; common equity; and training, financial and technical support received from external agencies. Table 1 summarizes the number of groups visited of each type and in each of the three countries. In all, the Study Tour interviewed 40 farmer groups with a total membership of 947 farmers, averaging 24 members overall. Fewer groups were visited in Bolivia because the sites were highly dispersed and involved a lot more time traveling overland from site to site. By far the most numerous type of group was the self-help group⁶ organized with internal savings as a primary purpose, and most of these were interviewed in India, where groups organized for natural resource management were also interviewed. More details of groups visited and some of their basic characteristics are given in Appendix 1. Table 2 summarizes the membership and average size of the groups interviewed. Producer groups tended to agglomerate larger numbers of members, while self-help groups tended to be smaller in size on the average.

Table 2: Number of members and average size of groups of different types

Country	Type									
	Self-help		Producer		FFS		FRC*		Watershed	
	No. of members	Average	No. of members	Average	No. of members	Average	No. of members	Average	No. of members	Average
Uganda	40	20	263	44	72	24	0	0	0	0
India	167	11	0	0	0	0	0	0	120	17
Bolivia	0	0	150	75	0	0	91	23	90	90
Total / Average	207	12	413	52	72	24	91	23	210	26

* FRC = Farmer Research Committee

The results from country level visits were compiled in case study formats. Overall conclusions from the study tour were discussed at the final meeting in Colombia, and initial drafts of papers and field guidelines were written by the study tour participants at a subsequent 'write shop' held in the USA. The three main outputs included a comprehensive working paper, a detailed journal article on the findings and an initial guideline on group formation for field personnel.

With guidance from senior members of the team, a graduate student conducted the literature review. For each approach to farmer group formation, two to four seminal articles that evaluated the impact of the methodology were selected using electronic databases, libraries and specialized electronic resources including Microfinance Gateway Library on the CGAP⁷ website, FAO websites for farmer field schools and RII-CIAT for CIALs.⁸

FINDINGS OF THE STUDY TOUR

This section of the paper presents the results obtained from the successive visits to farmer groups in Uganda, India and Bolivia. It focuses on the question of what skills are being generated in farmer groups formed with different approaches and objectives, and whether there are common or minimum skill sets that can be associated with successful market engagement by the poor. We discuss the overall conclusions drawn from the similarities and differences among the farmer groups visited and illustrate these with examples from each country.

First, the value of a constellation of five critical skill sets was observed for farmer groups engaged in markets. These included:

- a. group management skills;
- b. internal savings and lending;
- c. basic market skills;
- d. experimentation and innovation skills (for accessing new technology); and
- e. sustainable production and natural resource management skills.

Second, although all groups were receiving assistance in developing or strengthening at least one skill set in a formal way through the efforts of their respective facilitating external organizations, *no one group was receiving facilitation in all five skill sets*. Nonetheless, regardless of their original purpose, all groups were struggling to acquire the skill sets they were lacking, often without the knowledge of their facilitators. For example, some that started as self-help groups (with savings and lending) were acquiring marketing skills and adding experimentation and innovation skills. Others that started as farmer field schools or research committees had subsequently started internal savings and lending, and were successfully linking to markets. Based on information for 36 of the groups interviewed, we found that a total of 28 groups (78%) had acquired three or four of the five skill sets, while eight groups had only two of the skill sets.

Table 3 presents the finding that the majority of the farmer groups interviewed had evolved from the original purpose for which they were organized to undertake a different primary activity that involves acquiring at least one more of the five skill sets. As Table 3 shows:

- While four self help groups continued with internal savings and lending as a primary activity, two self help groups in Uganda and two in India developed marketing as their current primary activity
- Nine self help groups developed watershed management as a current primary activity

Marketing was by far the most common new current activity to which the groups gravitated:

- All three FFS in Uganda developed marketing as a primary activity
- Three out of four FRCs in Bolivia developed marketing as a primary activity
- Six watershed groups in India developed basic marketing
- Four self help groups developed marketing as their current primary activity

Table 3: Current primary activity of farmer groups by group purpose at initiation

Current primary activity	Group Purpose at Initiation					Total groups with new primary activity
	Self help (internal savings)	Producer (marketing)	Farmer Field School	Farmer Research Committee	Watershed or NRM	
Internal savings and loans	(India =4)					
Marketing	Uganda =2 India=2	(Uganda=6)	Uganda=3	Bolivia=3	India=6	16
Natural resource management	India=9				(India=1)	9
Technology experimentation		Bolivia=2		(Bolivia=1)	Bolivia=1	3
Total groups	17	8	3	4	8	

* Note: groups in parentheses still had their purpose at initiation as their primary activity.

Producer groups were the least likely to evolve to a different primary purpose: six producer groups in Uganda stayed with marketing and did not acquire a new primary activity but two in Bolivia turned to technology testing. Box 1 below provides some detailed examples of how groups were adding to existing skill sets and Box 4 tells the story of one of these groups. The following section describes key features observed in relation to each skill set.

The Five Skill Sets

a. Group management skills

Developing the basic skills and procedures for internal democratic management of a group was fundamental to the smooth operation and long-term survival of the groups visited, as predicted from the literature review. Self-help groups with established internal savings and lending achieved high group cohesiveness and trust because they had a simple but highly transparent method for monitoring and recording each member's compliance with the group's overall objective. Compliance with group ground rules resulted in a steady stream of benefits shared equitably among members. Participation in a self-help group was also empowering for women and other low status members of rural society, many of whom promoted and multiplied self-help groups for this reason. The empowerment seems to have stemmed jointly from the accumulation of collective financial assets and from the evolution of strong social ties and the resulting confidence among group members. There was a sense that "we are together, and together we are strong..." Groups originally formed as farmer field schools and farmer research committees that had persisted over time, also manifested strong internal trust and cohesiveness. Once created, this social capital is an asset that can be deployed for multiple purposes and that groups want to build on. The strength of these internal ties helps to explain why the groups visited were typically branching out into multiple arenas and seeking to expand their skill sets, because having made the investment in internal social capital, the group has an asset on which it can build.

b. Internal saving and lending skills

The financial management skills that were developed through internal savings and lending by the poor, provided some groups with a foundation for wanting to engage in marketing and vice versa. Other groups that had already gone into collective marketing were looking for ways to learn how to do internal savings and lending. This set of skills included understanding how to save regularly, how to manage savings so that they were protected, how to lend at a reasonable interest rate and how this increased capital. They also included transparent and democratic systems for the responsible management and utilization of financial resources.

The accumulated savings generated by the groups provided an economic base for initiating other activities, and around which the remaining three skill sets (innovation, sustainable production and basic market skills) were developed. Another key aspect of the internal savings and lending programs was that once operational, they provided a source of credit to members—and this was a very important way to manage risk and reduce vulnerability.

Box 1. Examples from Site Visits

In **Uganda**, the study tour visited nine farmer groups with diverse starting points that included farmer field schools, self-help groups, rural business groups and farmer research groups (learning both to evaluate new technologies and to engage in agroenterprise). One group had a very sophisticated internal saving and lending activity that included the provision of emergency loans to members and also group investment in arbitrage through marketing timed purchases and sales of finger millet.

In **India**, CRS subsidizes watershed management projects and soil and water conservation activities with food or cash reimbursements to compensate for labor diverted from normal livelihood activities. In one watershed visited during the study tour, farmer groups had added 400 hectares of irrigated land for production. Starting on upper slopes and working down the watershed, farmer groups constructed infiltration ditches, plugged gullies, leveled and banded slopes, planted trees and made small water collection structures. The increase in productivity formed the basis for subsequent agroenterprise activities and significantly reduced migration for jobs outside the watershed. In addition, two farmer groups of 10-15 members each contributed their own land to construct large fish ponds for use and profit by group members. One SHG within this watershed, composed of women from landless families, was able to borrow land from other farmers in the off-season. They started producing vegetables for sale, and simultaneously started experimenting with different varieties and production methods for the crops they were growing.

In **Bolivia**, groups that had formed for purposes of experimentation and innovation had moved strongly into marketing, and two were also transforming their previously informal organizations into legal entities to facilitate government licensing. Sustainable farming and resource management by other farmer groups focused on understanding, conserving and developing uses for local plant genetic diversity. Several farmer groups had made collections of local landraces of Andean tubers and experimented with them to see if they could be successfully produced on a larger scale for the market. In several groups, local conservation of genetic resources had stimulated agricultural experimentation leading to agroenterprise development.

c. Basic market skills



Basic market skills observed in farmer groups included the ability to identify market demand, to make decisions about production in relation to volume and quality, and to develop business relationships with customers and traders. The ability to organize collectively for product aggregation was observed in several successful groups. Another important marketing skill that developed in several groups was their understanding of the importance of, and knowing how to access timely market information. For some groups, understanding how to

access price premiums that were negotiated through contracts with large buyers was an important skill. Basic book keeping skills and concepts of profit and loss were also crucial, especially in areas where literacy rates were low.

d. Experimentation and innovation skills

Experimentation and innovation skills involved realizing the importance of trying out potentially risky new ideas and technology on a small scale before using these on a commercial scale. These skills also involved using systematic methods to compare new technology with customary ways of production, soil and water management, post-harvest processing, consumption or marketing. These skills were vital because in order to become competitive in the marketplace (or remain competitive), producers needed to continually look for ways to increase both the efficiency of their production, and their profitability. They also needed to constantly adapt to changing market demands. All of this required steady innovation, evaluation and adoption of new technology.

e. Sustainable production and natural resource management (NRM) skills

Poor farmers in marginal production areas are especially vulnerable to volatile climatic conditions and environmental degradation that make it very difficult to build assets. In these situations, sustainable farming practices and improved natural resource management may be indispensable for farmers to even consider market engagement. This was observed in India, where CRS subsidizes watershed management projects and soil and water conservation activities with food or cash reimbursements to compensate for labor diverted from normal livelihood activities. Sustainable production and NRM skills were being learned and applied by SHGs to improve watershed management because soil and water conservation were critical to livelihoods. Within these watersheds, major benefits included: reduced soil erosion and increasing water resources (e.g. rising water tables) and increased productivity, incomes and employment. Collective action for NRM increased social cohesion. In one of the study tour watersheds, farmer groups had added 400 hectares of irrigated land for production. The increase in productivity from this and other related activities formed the basis for subsequent agroenterprise activities and significantly reduced migration for jobs outside the watershed.

General Observations

a. The order of acquisition of skill sets

A further finding from the study tour was that there was no obvious sequence for the acquisition of these five skill sets because the groups visited were converging on acquiring a combination of skill sets from different starting points and of their own accord. It was not possible to conclude that there is one best way of initiating the acquisition of the various skill sets. A logical skill set to start with could be group management skills, but it was observed in the group visits that building a group's internal social capital can be done from any one of a number of starting points, whether market engagement, sustainable production and NRM, experimentation and innovation or savings and lending. What matters is the investment in building the internal social capital, not the purpose for which the group is formed. For example, the self-help group for internal savings and lending was a powerful way to form the strong, internal social capital needed for other types of activity. The internal savings and lending methodology has a strong yet simple component of group management and capacity development that provides a solid foundation for all other activities. In addition, the SHG model begins the process of asset accumulation and learning financial management skills early-on, and provides almost instant benefits to participants (reduced vulnerability through access to credit). Because it builds a combination of group management skills and financial capital very quickly, starting with internal savings and lending may be a very good way to begin the process of group development for agroenterprise.



b. Group size

In the same way that farmer groups self-adjusted to obtain several skill sets, so it was noted that the size of farmer groups tended to self-correct to include an optimal number of members. For example, in Uganda some groups started out with 50 or more members but over time self-selected down to 20-25, a number that permits a majority of members to remain familiar with each other. Similarly in Tanzania and Kenya CRS-supported producer marketing groups of upwards of 100 members have settled down at 20-30 members after several years (Remington, personal communication, 2006).

c. Frequency of meeting

It was observed that groups that meet frequently (e.g. once a week or once every two weeks) are stronger and more cohesive than those that meet infrequently. This explains why groups engaged in activities that require regular face-to-face meetings, such as internal savings and lending, experimentation or collective action for NRM develop strong internal social capital that can provide a platform for collective marketing.

d. Need for access to specialized services

Alliances between farmer group facilitators and specialized service providers with well-defined roles and responsibilities were observed as very important to the success of farmer groups. This point was illustrated by one case in Uganda, where an NGO that lacked skills related to group formation, credit and micro-finance had none-the-less organized groups to accept production loans from a commercial bank for up to US\$ 3,000. Loans were given to individuals representing large groups from different communities whose members had little affinity for each other (i.e. low internal social capital). No market or risk analysis was undertaken, and farmers were linked to a single buyer. That season, there was an oversupply, prices collapsed, the buyer withdrew from the program without purchasing the product and farmers could not repay their loans. Farmers were left in a very exposed and vulnerable position, and were much worse off than at the beginning of the program. The outcome was that the NGO subsequently followed more rigorous procedures and invested in greater support to farmer organization. In contrast, another, successful farmer group in Uganda producing potatoes for fast food restaurants was first organized as a farmer field school, then approached a specialized provider for training in agroenterprise development, and subsequently sought assistance from a different organization for help with internal savings and lending. This group has been very successful in increasing their business and income.

e. Savings versus credit for managing risky investments

Poor farmers often identify lack of access to credit as a major constraint to market engagement and lack the financial assets to qualify for formal loans. However, the Study Tour observed that there are other ways farmers can effectively gather resources needed to fuel enterprise development. These include steady accumulation of small amounts of cash, participating in local savings groups, better management of farm production and diversifying the household cash-flow. In the Uganda case described above, farmer groups were exposed to unnecessary levels of risk by an outside agency that did not understand group formation or the risks associated with credit, and did not take some basic precautions to reduce these risks. We concluded that investments based on savings are safer for poor farmers than those that require borrowing and the use of credit because if the investment fails, farmers have already paid for the investment and they do not “owe” anything further. In other words, they could afford the risk due to their earlier savings.

DISCUSSION AND RECOMMENDATIONS

The major finding from the study tour was the identification of five basic skill sets that increase the likelihood of successful market engagement for groups of poor farmers, and the need for these five to be combined. It was particularly noteworthy that the demand from farmer groups for these skill sets appeared consistently across cultures, continents and commodities even in the absence of outside facilitation or training. While none of the skill sets are new in and of themselves, the novel discovery was the need for them all to be *combined* in order to provide a solid base for successful and sustainable agroenterprise endeavors by the very poor. In addition to this primary finding, a number of other lessons as well as strategies for going to scale were drawn from the observations and discussions made during the study tour. The most important of these are summarized in Box 3 and then discussed in more detail below.

Box 3. Lessons drawn from the Study Tour

- *Assume market success is neither easy nor assured*
- *Focus on connecting the poorest farm families to the market*
- *Develop farmer groups before developing markets*
- *Conduct an initial evaluation of existing farmer groups*
- *Approach groups as multi-purpose*
- *Aim for capacity “strengthening” versus “building”*
- *Simplify and focus capacity strengthening on the combination of the five skill sets*
- *Make sure groups are strong enough to form or join apex organizations*

Lessons

a. Assume market success is neither easy nor assured

Despite compelling value-chain success stories where small cultivators produce for vibrant markets at good prices, the Study Tour revealed that this was not easy or assured—it was often the exception rather than the rule. We did observe that the distance between rural communities and market was surmountable and that NGOs could play an essential facilitation role. Box 4 provides a case from Bolivia. The lesson is that profitable and sustainable agroenterprise does not come automatically from engaging with markets. It is essential to follow a sound approach—to invest the time required to prepare a group and to complete each step. Successful agroenterprise for the poorest requires organizational capacity to provide relevant support to farmers and a concerted effort to train and motivate staff, most of whom are new to agroenterprise. Strengthening and supporting farmer groups is an essential component of agroenterprise development intended to benefit the poor.

b. Focus on connecting the poorest farm families to the market

Given the premise that our approach is to work with the poorest of the poor at the very bottom of the socioeconomic pyramid and with informal groups with membership open to all, we concluded that current rural business models (such as those of CLUSA) are successful but too specialized to serve the needs of poorest farm families. Formal agribusiness groups are generally formed “from scratch,” large—often with 50 or more members—and have the sole focus of producing and selling a product to a specific market. In contrast informal farmer groups among the poor are typically small—a ceiling of 25 members is a rule of thumb—and multi-purpose. Time and effort needs to be invested to ensure that these groups have the necessary group management skills to function well because having a high stock of internal social capital is a critical asset for collective marketing. They also need to understand basic market concepts and have basic book keeping skills.

Box 4. Team up with specialized service providers

Each organization has its strengths and limits. PRODI, a Bolivian NGO, found a way to deal with this limitation. PRODI was supporting three farmer groups that live in an extremely remote rural area in Potosí, one of the poorest districts in Bolivia. PRODI saw signs of success in helping farmers improve their production and motivating them to search for market opportunities. In this process PRODI and farmers discovered that they would need an array of experience and skills to succeed. They needed to understand pricing, cost-benefit analysis, good negotiation and marketing techniques and to adapt technology to lower their costs.

By connecting the farmer groups with other more specialized NGOs, donors, and research organizations, PRODI succeeded in finding other agencies that finance training in:

- Marketing—customer surveys, package development, branding, and business planning
- Group management and participatory monitoring and evaluation
- Running a farmer research committee—this became a primary activity of the groups most recently because of the need to lower production costs

As well, CRS financed the “Project Learning Schools,” through which farmer groups from different regions of Bolivia shared experiences.

Over three years (2002-2005), PRODI facilitated the successful market penetration of three farmer groups. One group is selling fresh and dehydrated peaches, and other medicinal plants and the third natural dehydrated refreshments. Groups have developed market relationships with diverse buyers, participated in local and national fairs and created their own brand for each product. Despite a low level of literacy, farmers have a clear understanding of basic business management techniques. Farmers have also started internal savings to finance their expanding commercial operations.

c. Develop farmer groups before developing markets

The Study Tour concluded that for the very poor it is important to focus on strengthening group capacity to engage with the market—before developing specific commodity markets. Developing market chains without developing the capacity of the poor to engage with those markets will often mean that people with more resources and education will take advantage of the improved markets, while the poorest remain excluded—or worse, are further exploited. Initial market

engagement for poor farmers will focus on growing what people can currently sell. A low risk approach is most likely to involve producing existing commodities for existing markets (market penetration) rather than developing new products or new markets. In general, existing commodities will be food crops or dual purpose crops (produced for both consumption and sale) such as maize, cassava, potatoes, rice, beans, groundnut and chickpea.

d. Conduct an initial evaluation of farmer groups

In many rural communities active groups already exist among the poor that have been formed for a variety of purposes and that may be interested in agroenterprise development. The first step is to identify these groups and appreciate their potential. The Study Tour observed an approach for this assessment that is used for the formation of SHGs in India. Before forming new SHGs, a field agent starts by determining the status, quality and function of existing groups. This analysis can be guided by the questions outlined in Box 5 below to determine whether:

- existing groups can be ‘retrofitted’ to take on those components of the five basic skill sets and activities, such as basic market skills, that they currently lack
- new groups should be formed specifically for starting up agroenterprise activities, or
- existing groups with complementary components of the five basic skill sets can merge to form new agroenterprise groups

Once the questions in Box 5 have been answered, the following issues can be explored to help make the decision whether to incorporate agroenterprise activities into existing groups or form new groups:

- Can a facilitator work with existing groups and ‘retrofit’ each one so that they—according to their interest and capacity—take on those components of the five basic skill sets they need to be prepared for agroenterprise development?
- If the village has several groups formed for purposes other than agroenterprise development, should the members of those groups who are interested in agroenterprise activities form a new, separate agroenterprise group?
- If new groups need to be formed, which skill set(s) is it most feasible to start with? For example, is the internal savings and lending skill set the most appropriate starting point to build a foundation for the other four skill sets? Is there a good reason for pursuing more than one skill set at the beginning of group formation?

e. Approach groups as multi-purpose

The extent to which the farmer groups organized for one purpose took on additional activities was remarkable. Very commonly, groups engaged in internal savings and lending or farmer experimentation gravitate towards agroenterprise development, regardless of their original objective. This is strong endorsement for a multipurpose approach to supporting groups.

Box 5. Key questions for assessing group potential

Question	Why is this question important?
<i>How many groups are in the community or village and who is a member? What percentage of poor households do the groups collectively cover?</i>	<p>If there are self-help groups (or similar groups) in the community already, they may include very poor farmers.</p> <p>These groups might be a good platform for including the poor in agroenterprise activities.</p> <p>If groups exist, but exclude the poor or if there are no groups in the village, then the field agent may want to begin forming them before taking on agroenterprise activities.</p>
<i>How many years have these groups been functional, what are the trends (are the groups stable, strengthening or declining) and who supported their organization or is currently supporting them?</i>	<p>The age of the group sometimes (not always) indicates the level of organizational maturity and quality of internal and external social capital in that group.</p> <p>If the groups are mature and of good quality, the field agent may have better success with an agroenterprise activity.</p> <p>If not, the field agent may want to take the time to improve the social organizational aspects of the groups before focusing on agroenterprise activities.</p> <p>Knowing the origin of the groups and the actual support they are receiving can help to identify opportunities and/or threats for agroenterprise development.</p>
<i>What activities are the groups currently engaged in and which components of the five basic skill sets have they already acquired or are they actively seeking to learn?</i>	<p>Groups may have strengths or weaknesses in one or more of the five basic skill sets whether or not they are already be doing agroenterprise activities. A field agent can build on the existing skill sets to enhance market exploitation and the probability of success of the group in the long-term.</p>
<i>What interest do they have in doing agroenterprise activities?</i>	<p>Some individuals and groups may have more interest than others. The field agent should always begin with the most interested people. Agroenterprise is not appropriate for all small producers.</p>
<i>Are there segments of the community that are commonly excluded from social and/or developmental activities (the marginalized and under-served)?</i>	<p>The more vulnerable among the poor are often excluded from groups because they lack the time to participate (they are busy working or migrating); there is discrimination against women or ethnic minorities or lower castes; they lack assets and are seen as high risk by better endowed people; they lack skills; or they lack self-esteem.</p>

f. Aim for capacity “strengthening” versus “building”

Rather than capacity ‘building’ which implies starting from zero, our objective should be capacity ‘strengthening’ which recognizes that almost without exception, farmers (men and women) are already formed in groups or at least have been members of groups in the past—formal, but especially informal. Farmers also have their own local wisdom and experience that contribute to all five skill sets, because they already do experimentation, engage in marketing, carry out environmentally friendly production practices and have traditional approaches for saving. Our approach will be to understand and appreciate existing group capacities first, and then identify a process to strengthen the groups with a focus on increasing agroenterprise ability.

Based on the interest of each group, new skills can be introduced incrementally through ‘retrofitting’. This could be done flexibly and over time—different groups would follow different paths and proceed at different speeds.

g. Simplify and focus capacity strengthening on the combination of the five skill sets

The Study Tour concluded that the very poor will not be able to engage equitably in markets unless they acquire the five skill sets observed in the field visits and that provision of these skills through groups is the most efficient method at present. Given that farmer groups were proactively seeking to acquire skills they lacked even in the absence of outside support, we concluded that capacity strengthening that focuses on combining skill sets could improve preparedness among the poor for market engagement. This requires a flexible approach to:

- Evaluating existing group capabilities versus “missing” skill sets
- Sequencing skill acquisition in relation to what groups want and what they most need

By far the majority of training materials for agroenterprise development used by the Agroenterprise Learning Alliance and by partners in the field is oriented to field agents with literacy levels and technical skills acquired at a secondary or post-secondary level of formal education. The Study Tour observed that field partners had in some cases, simplified and streamlined some of these materials to convey elements of the five basic skill sets in simple language or pictorial form. However, simple materials need to be developed that teach the five basic skill sets in a complementary fashion and that can easily be used for grassroots training with large numbers of farmer groups.

h. Make sure groups are strong before they form or join apex organizations



As groups strengthen and revenue increases, farmer groups often want to link with other groups to form an apex organization, or join an existing one. Producer groups, SHGs, CIALs and FFS groups visited all followed this path to different degrees. We observed that when “base groups” have developed their basic skills they can be successfully linked to specialized services that have expertise in federating farmer groups. However, when “base groups” were weak, it was easy for an apex organization to exploit the groups and use them to their own advantage. This can destroy the apex organization and hurt farmers. Such problems are much less likely if the apex organization is formed from strong “base groups” that can monitor and control the apex organization.

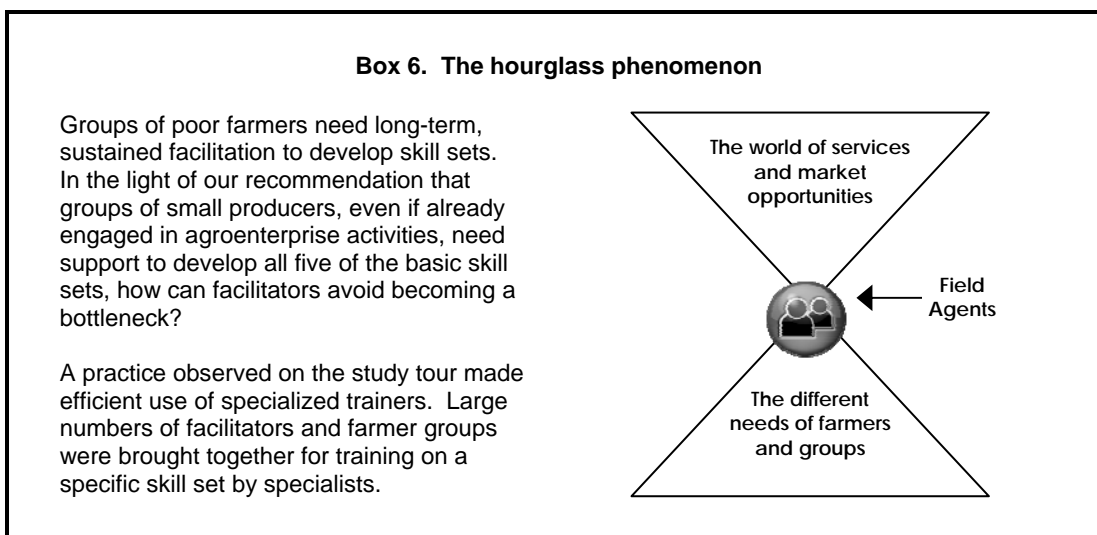
Strategies for Going to Scale: Keeping It Simple

Preparing the poor to undertake full-fledged agroenterprise development requires facilitation to be sustained over several years in order to strengthen internal and external group social capital, to broker linkages between groups and specialized services, and to ensure groups have the support needed to continue learning. The need for sustained facilitation suggests that the concept

of going to scale needs reformulation in the context of linking the poor to markets. While the focus needs to remain on expanding the number of poor producers included, scaling up must include strategies to prevent attrition among existing groups and ensure that they have the opportunity to continue building on the core five skill sets. The following sections of the paper suggest some promising strategies based on observations from the Study Tour.

a. Strengthen Specialized Support to Field Agents Responsible for Farmer Group Facilitation: The Hourglass Phenomenon

Overwhelmingly, the local organizations we visited throughout the study tour were peopled by committed, energetic staff, resolute in bringing about positive change in farm communities. Most staff, especially those who had been with these organizations for at least several years, had good relations with the community. Some field agents welcomed the prospect of learning and transmitting new skills. Others had a full portfolio of activities, including work in agriculture, health, water and literacy, and seemed likely to be overstretched if more activities were added. They were often the only representative of an outside organization to visit farmers. In this situation, the field agent can be looked at as positioned at the center of an hourglass (illustrated in Box 6), because s/he can be a conduit or an impediment in the flow of information and services between the external world and farmers. One solution to the chokepoint at the center of the hourglass might be to work around local facilitators, by engaging other specialized providers or by enlisting new communications technologies that channel information directly to farmers. But sidelining field agents means reducing the scope of local NGOs that support field agents, against agency principles and ultimately impractical. The study tour concluded that success in forming one skill set—such as internal savings and loans—does not diminish the need for a facilitator to provide support in another.



One strategy is supplied by the example described in Box 4 where a small NGO played an essential facilitation role in building teamwork by a variety of other, more specialized agencies to support agroenterprise development by very poor farmer groups.

During the Study Tour, we observed that many CRS offices and partner locations employed staff with more specialized education—some in specific areas like agriculture and microfinance. A

practice observed on the Study Tour that made for efficient use of specialized providers as trainers involved bringing together large numbers of group facilitators and/or farmer group members for training on a specific skill set. Specialized staff can help field agents connect to the relevant service providers for a given skill set, whether microfinance, market engagement, sustainable production and natural resource management, technology innovation or savings and lending. We concluded that the poor will be best served if local institutions are encouraged to broker links between farmer groups and specialized providers rather than requiring field agents to cover all five skill sets.

b. Develop services that can provide training in the Five Basic Skill Sets

The importance of preventing overload of field agents who facilitate farmer groups led us to recommend that their role is defined as one of linking farmer groups with other specialized service providers who are already in a position to prepare groups in one or more of the five basic skill sets. This suggests an opportunity for supporting local providers of development services that might offer preparation in one or more of the five skill sets to large numbers of farmer groups readying themselves for agroenterprise development. Box 7 illustrates how services for supporting farmer groups aspiring to agroenterprise development can be classified in the same way as the five basic skill sets.

Box 7. Develop services to provide training in the five skill sets

1. Group Organization

Group formation may be a part of rural social life but is also typically provided by NGOs. It is usually bundled with sectoral support—such as Internal savings and lending (e.g. SHGs, SILC) or Technology transfer and evaluation (CIAL, FFS or other learning groups). If groups decide to enter into apex arrangements, support is provided by specialized NGOs and governments.

2. Internal Savings and Lending

Often provided by NGOs, services in internal savings and lending consist of training and monitoring. Microfinance institutions and commercial banks also provide more formal savings and lending services, whenever they have presence in the rural areas and have the right products.

3. Technology Experimentation and Innovation

This service consists of training farmer groups in how to select, access and evaluate new technologies. It is typically provided by NGOs in conjunction with public sector agricultural research and technology transfer agencies, universities, producer associations or cooperatives and also by the private sector. There is some evidence that poor farmers organized in groups are willing to pay for this service.

4. Basic market skills

Basic market skills, such as identifying market opportunities for farmers' existing products or for improvements in post-harvest processing to add value, are taught by many NGOs that work with farmer groups. More sophisticated agroenterprise development is provided by specialists: this includes analyzing opportunities for innovation and developing improvements all along the market or value chain with all the actors in the chain.

5. Sustainable Production and Natural Resource Management

Provided by many local, community-based organizations supported by NGOs, due to a policy shift away from central government provision. However locals need to draw on specialized services for many types of activity such as in organic farming, forestry, hydrology or soil and water conservation.

c. Invest in Monitoring and Evaluation

Often the intention to go to scale is implied but not planned although ambitious quantitative targets are set. Scaling up numbers of farmer groups while ensuring facilitation is sustained means that clear criteria for graduation and failure need to be established. For failure, a threshold needs to be established that, if exceeded, triggers a look at the process and the need for change.

Performance monitoring and evaluation at different scales, detailed in Box 8, is essential for everyone involved to learn about the successes and failures encountered during scaling up. First of all, because the type of rural agroenterprise with which we are concerned is a group-managed business, it is essential that the farmer group learn to maintain business records and monitor their own performance. Some of the farmer groups visited by the Study Tour had begun to incorporate participatory monitoring and evaluation of group activities, considered as a component of the basic skill set on group organization and management. Learning how to monitor and self-correct simple group activities helps farmer groups to ready themselves for the more complex task of monitoring business performance in an agroenterprise.

Box 8. A minimum set of information for monitoring and evaluation (M&E) of groups

M&E by the Group

- Group participation and activities (membership, subscriptions, attendance at meetings)
- Internal savings and lending (amount saved, loaned out, returns, default rate, etc.)
- Experimentation: innovations tested, adopted or rejected and the group's criteria for their evaluation
- Sustainable production and NRM: local "grassroots" indicators can be monitored (e.g. rising or falling water tables)
- Market engagement (for specific products)
 - Production trend
 - Costs of production
 - Commodity price
 - Volume of sales
 - Gross value of sale
 - Calculated profit; rates of return on capital, land and labor

M&E by the service provider supporting groups

- Group record keeping and performance
- Savings and loan trends (default, repayment, growth)
- Innovation successes and failures, evaluation criteria across groups
- NRM investments by groups across territories (e.g. watersheds) or in market chains
- Market (commodity) trends: production, price, sale volume, across groups
- Requests for specialized support (BDS) and capacity strengthening X skill set
- Amount of subsidy or seed capital provided for start-up (facilitation, services, commodities, credit, other)

M&E by the program supporting service providers

- Efficiency—cost per beneficiary and group
- Average additional income earned by the group and per family
- Type, cost and discontinuation of subsidies; financial capital accumulation
- Trends in markets (commodities)
- Innovation rates
- Sustainability/NRM trends
- Demand and supply of specialized services (BDS)
- Skill formation across groups—types, rates, combinations
- Qualitative reports from groups on perceived benefits and constraints

CONCLUSIONS

A general conclusion of the Study Tour is that the chances of the very poor of escaping from rural poverty through market engagement can be significantly improved by strengthening their skills for social capital formation (through organizing farmers into small groups) in combination with strategies to improve four other skill sets that will contribute to their accumulation of financial, natural or human capital. Although there is nothing new about any one of the skill sets on its own, the novel insight from the Study Tour was the discovery of a demand from farmer groups for all five skill sets *in combination*. A skill set is defined as knowing *how to* successfully undertake a specific activity. The vital skill sets identified by the study tour included: effective group management; internal savings and lending; basic market skills; experimentation and innovation; and sustainable production (including improved natural resource management). Farmer groups will be better prepared to successfully link poor farmers to markets if groups acquire these five basic “skill sets.” There appeared to be demand for the acquisition of the five skill sets from farmer groups regardless of the initial purpose of the group—whether SHG, rural business, FFS or CIAL. All groups visited were striving to acquire more skill sets on their own initiative. We found that even the very poor can learn any of the five skill sets.

For the very poor, acquisition of the five basic skill sets (within groups) represents a critical stage of agroenterprise development. There is an important opportunity for focused investment in this preparatory, pre-enterprise skill acquisition to build the five skill sets on a large scale among the poor. The informal, “grassroots” farmer groups that were the focus of the Study Tour are often small (less than 25 members), with



high levels of internal social capital that provides a foundation for undertaking multiple activities together. They need sustained support at the field level to develop the organization and assets needed to cope successfully with the risks of fully commercial production and collective marketing and to cope with threats to sustainability that may come from several sources—market, financial or natural hazards. Being prepared for market engagement requires the full complement of the five skill sets.

Many active groups already exist among the rural poor for a variety of purposes and some of these may develop successful agroenterprises if they acquire the five skill sets. As first step, we recommend identifying these groups and assessing their capacities. Then a decision can be made about the feasibility of forming new groups or ‘retrofitting’ existing groups so that they add missing elements of the five basic skill sets. If for example, an existing self-help group has agroenterprise development as a goal and is strong in group management and financial skills,

then support would address the other skill sets. Six other general recommendations were developed, based on the findings that can help to guide this support.

While the study tour revealed many ways in which CRS and RII-CIAT could stimulate the connections between farmers and markets, a strategy for going to a large scale should play to the strength of each organization. We looked at complementary organizational strengths that distinguish us from other, similar organizations. CRS strengths include the expanse and nature of its partnerships. CRS works with thousands of grassroots partners worldwide who serve the poorest rural communities. RII-CIAT's strengths include its capacity for research that has produced highly successful methodologies in participatory farmer research and extension and agroenterprise learning. Both organizations share the vision that empowerment of communities and groups of farmers is important for development.

Reaching large numbers of partners that will in turn, reach large numbers of farmer groups, means both CRS and RII-CIAT have to take into account the capacity and limitations of partners with restricted resources. Three strategies need to accompany scaling up the preparatory, pre-enterprise training in the five skill sets that we recommend:

- One strategy is to support field agents responsible for farmer group facilitation to act as brokers linking farmer groups with specialized service providers of one or more of the five skill sets.
- A second strategy is to develop specialized providers of training in the five skill sets.
- The third strategy is to make sure monitoring and evaluation is an integral component of the approach. Developing this capability within farmer groups will not only prepare them for the eventual need to monitor business performance in an agroenterprise, but will empower groups to self-manage learning from their own experience as well as to teach the lessons learned to other farmers.

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APPENDIX 1: BASIC DATA ON GROUPS VISITED

CRS-RII-CIAT Agroenterprise Study Tour, September-November 2005

Country	State / District / Community	Name of Group	Group Type at initiation	Type of Sponsoring Organization	Age of Group ¹	Current Primary Activity	No. of Participants		
							Men	Women	Total
Uganda	Kabale	Kibuga Farmers Group	Producer group (with Coop)	NGO	Long	Beans for sale to local Cooperative	-	-	140
Uganda	Kabale	Nyabyumba United Farmers Group	Farmer Field School	NGO	Long	Potatoes for NANDOs (fast food outlet)	-	-	120 (6 sub-groups)
Uganda	Tororo	G1	Farmer Field School (now producer group)	NGO	Medium	Testing technology, moving to marketing	-	-	26
Uganda	Tororo	G1a	Farmer Field School (now producer group)	NGO	Medium	Testing technology, moving to marketing	-	-	26
Uganda	Tororo	G2	"Self-Help Group"	CASHFARM (NGO)	Medium	Savings and Marketing	7	8	15 ²
Uganda	Tororo	Katamata	"Self-Help Group", but also technology testing	NGO	Long	Internal saving and lending and Marketing of groundnut seed	12	13	25
Uganda	Hoima / Kihonda	---	Producer group linked to "Depot"	NGO	Medium	Production for market	15	7	22
Uganda	Hoima / Kihonda	---	Producer group linked to "Depot"	NGO	Medium	Production for market	15	5	20
Uganda	Hoima / Serunyonyi	---	Producer group linked to "Depot"	NGO	Medium	Production for market	15	8	23
India	Chattisghar / Bastar	Watershed Committee	Apex Organization for project area	Church partners, CRS	Medium	Management / oversight of all project activities within watershed			Ca. 15
India	Chattisghar / Bastar	Seeds Committee	Sub-group in Watershed	Church partners, CRS	Short	Crop seed purchase, storage, lending	-	-	15
India	Chattisghar / Bastar	Grain Bank	Sub-group in Watershed	Church partners, CRS	Short	Accumulation and lending of grain	-	-	Ca. 15
India	Chattisghar / Bastar	Fish-pond Users Group	Natural Resource Management and Enterprise	Church partners, CRS	Medium	Fish production and sale	22	0	22
India	Chattisghar / Bastar	Fish-pond Users Group	Natural Resource Management and Enterprise	Church partners, CRS	Medium	Fish production and sale	24	0	24

Country	State / District / Community	Name of Group	Group Type at initiation	Type of Sponsoring Organization	Age of Group ¹	Current Primary Activity	No. of Participants		
							Men	Women	Total
India	Chattisghar / Bastar	--	Self-Help Group	Church partners, CRS	Medium	Internal saving and lending	0	Ca. 20 ⁵	Ca. 20
India	Chattisghar / Bastar	--	Self-Help Group	Church partners, CRS	Medium	Internal saving and lending	0	Ca. 20	Ca. 20
India	Chattisghar / Juniper	--	Self-Help Group	Church partners, CRS	Medium	Internal saving and lending, making and selling baskets	0	19	19
India	Chattisghar / Janipara	--	Self-Help Group	Church partners, CRS	Short	Internal saving and lending, vegetable production	0	Ca. 20	Ca. 20
India	Chattisghar / Kondagon	Seeds Committee	Sub-group in Watershed	Church partners, CRS	Medium	Crop seed purchase, storage, lending	10	4	14
India	Chattisghar / Kondagon	Fish-pond Users Group	Natural Resource Management and Enterprise	Church partners, CRS	Medium	Fish production and sale	15	0	15
India	Chattisghar / Kondagon	--	Self-Help Group	Church partners, CRS	Medium	Internal saving and lending, individual IGAs ³	0	10	10
India	Chattisghar / Kondagon	--	Self-Help Group	Church partners, CRS	Medium	Internal saving and lending, individual IGAs ³	0	15	15
India	Madya Pradesh	JDSSS (Diocesan Social Centre) and Duhaniya Parish	Self Help groups; Bank linkage SHGs for credit and savings, federated SHGs	Church partner, Duhaniya Parish	Long	Sustainable action for green earth through sustainable watersheds, water, rural livelihoods (includes marketing)	Total: 1854 in 135 groups	Total: 1050 in 135 groups	Visited 9 groups of approx. 7 members each
Bolivia	Colomi	CIAL La Guinda	Irrigation group (1998)	NGOs, IARC, others	Long	Testing production-related technology			5/44 ⁴
Bolivia	Colomi	CIAL Chomoko Qprotuleg	CIAL	NGO, IARC	Short	Testing production and processing technology			5/23
Bolivia	Chayanta / Uma de Pocoato	APROKAT	Agroenterprise and CIAL	NGO, IARC	Medium	Technology testing and agroenterprise	50	40	90
Bolivia	Chayanta / Uma Uma de Pocoato	AFRUCH	Agroenterprise and CIAL	NGO and donor (GTZ)	Short	Technology testing and agroenterprise			60 families
Bolivia	Chayanta / Uma Uma de Pocoato	APROHIMA	Agroenterprise and CIAL	NGO, Government and Donor	Medium	Technology testing and agroenterprise			40 families (+ 20 non-member families selling product)

Country	State / District / Community	Name of Group	Group Type at initiation	Type of Sponsoring Organization	Age of Group ¹	Current Primary Activity	No. of Participants		
							Men	Women	Total
									through the group)
Bolivia	Colomi / Cochabamba	APROTAC	CIAL	NGO	Long	Technology testing and agroenterprise	18	5	23
Bolivia	Colomi / Cochabamba	CIAL Monte K'asa	CIAL	NGO	Medium	Technology testing only	4	1	5

¹ "Short" = 1-2 years, "Medium" = 3-5 years, "Long" = > 5 years.

² Started with 60 members and internal savings; reduced the size because the large group was too difficult to manage.

³ IGAs: Income Generating Activities.

⁴ Five families doing research in the CIAL / representing and providing information to 44 families in total.

⁵ Ca. = Approximately. Precise figures not obtained.

ENDNOTES

¹ Small-scale agroenterprises that are run on a business footing differ from the livelihood enterprises of the poor, such as food processing and petty trading, in several important respects. Rural livelihood enterprises are typically intermittent, seasonal and part-time. They generate a small profit, usually devoted to household expenditures, that is seldom reinvested in the enterprise. They usually require low levels of capital and skills, are subsidized by unremunerated family labor and have low growth potential. Agroenterprises in contrast, reinvest surpluses in growing the enterprise and generate waged employment for non-family labor often requiring some skills and training. They usually function throughout the year and often occupy niche markets with scope for product differentiation and specialization, allowing them to compete and grow in changing markets. In contrast, while livelihood enterprises may provide a base from which the poor can enter agroenterprise development, they are often highly vulnerable to displacement by urban goods that are more attractive to rural consumers.

² CIAL is *Comités de Investigación Agrícola Local*, or Local Agricultural Research Committees.

³ Pretty and Ward propose a model based on four types of drivers for group success: changes in world view, in external linkages and networks, in technologies and improvements in group life span (Pretty and Ward, 2001:13)

⁴ The only evidence for transmission of pest control skills and knowledge between participants and neighbors is cited by Tripp (2005:1713) as resulting in one village that had received intensive research and extension for several years.

⁵ The long-term nature of the investment in building external social capital that supports innovation is underscored by the finding that the farmer field schools in Sri Lanka showed no evidence of increasing post-FFS farmer experimentation (Tripp, 2005:1715). In contrast, CIALs in Honduras experimented with selectively advancing segregating materials from breeders' early germplasm trials over several years and eventually produced a preferred set of varieties that were quite different from those produced by the centralized research station breeding program (Humphries et al., 2005).

⁶ Self-Help Group (SHG) models differ, and the SHGs in Uganda were established using a different approach from the one used by CRS to establish SHGs in India.

⁷ CGAP is the Consultative Group to Assist the Poor. See their web site: "About MicroFinance" at <http://www.cgap.org/portal/site/CGAP/menuitem.9a218408ac5bc61fae6c6210591010a0/>

⁸ Search terms for the electronic search with publication dates after the year 2000 included: farmer field schools; participatory research, agriculture or farm; CIAL, local agricultural research cooperatives or local agricultural research committees; self-help group—alone and combined with 'microfinance' and 'India'; internal savings and lending; savings and microfinance; watershed committee; watershed group, watershed management or soil and water conservation; CLUSA; ACDI/VOCA; and Technoserve.