

# Farmer Based Organizations in Ghana

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In recent years, there has been renewed interest among both public and private organizations to establish farmer based organizations (FBOs) in Ghana. This interest is based on the premise that FBOs give farmers bargaining power in the market place, enable cost-effective delivery of extension services, and empower FBO members to influence policies that affect their livelihoods. This paper seeks to examine whether FBOs have achieved these objectives and draws from two main data sources: a 2010 IFPRI Survey of 501 FBOs and 24 FBO case studies. We find that the motivation for forming an FBO and the nature of the collective activity are the best predictors of FBO effectiveness. In general, FBOs involved in production tend to be more concerned with capturing resources like training and financial aid than with generating profits. Such FBOs rarely become economically viable entities. FBOs engaged in processing and marketing activities tend to operate more like a business and are driven by revenue generation; they also are more successful in attracting loans. Despite the recent dramatic rise in the number of FBOs, the evidence suggests that it is unreasonable to expect that many of them will evolve to sustainably undertake profit-generating activities.

## INTRODUCTION

In recent years, there has been renewed interest among both public and private organizations to establish farmer based organizations (FBOs) in Ghana (Salifu et al. 2010). This interest is based on the premise that FBOs give farmers bargaining power in the market place, enable cost-effective delivery of extension services, and empower FBO members to influence policies that affect their livelihoods. But it is not clear whether FBOs have achieved these things, or if they even if have the capacity to do so. From a farmer's perspective, the incentives for FBO formation are accessing social and economic benefits that are greater than what may be achieved without collective action. Thus, an FBO is effective when it generates net improvements in the individual livelihoods of group members in social and/or economic capacities.

Although FBOs are widely perceived as an institutional response to different economic needs and social constraints of farmers, a variety of factors motivate their formation (Bratton 1986; Hussein 2001; World Bank 2007; Bernard et al. 2008; Fischer & Qaim 2011). Private sector organizations, for example, establish FBOs to increase profitability, largely by reducing transaction costs. FBOs enable private entities to deal more effectively and efficiently with smallholder farmers (Stockbridge et al. 2003; Gulati et al. 2007). Through FBOs, private investors may reduce the cost of dealing with farmers, enhance the volume and quality of farm produce, and improve credit recovery from farmers (Stockbridge et al. 2003; Gulati et al. 2007). Many buyers of farm products prefer to work with FBOs instead of individual farmers because the groups are better able to provide stable supplies of quality products (Vorley et al. 2007). Private buyers' transaction costs may be significantly reduced if they deal with a group of farmers selling an aggregated product of homogeneous quality rather than with many individual farmers selling small quantities of uncertain quality (Shiferaw et al. 2011). Many governments establish FBOs to improve rural service delivery and access to public services, to enhance economic growth and peoples' welfare, and to reduce poverty (Stockbridge et al., 2003; World Bank 2007). The establishment of FBOs allows public extension agents to reach out to larger numbers of farmers, especially given the inadequate number of extension agents in many developing countries (Chang 2012). In Ghana, for example, each extension worker currently handles 2,500 farmers (Owusu-Baah 2012)—far too many for a single agent to reach effectively. FBOs are therefore seen by governments as an effective mechanism for increasing agricultural productivity in many African countries (Hussein 2001) since providing access to extension information and new agricultural technologies for large numbers of farmers plays an important role in increasing productivity and enhancing food security.

Some governments require farmers to organize themselves into FBOs as a condition to gain access to support such as grants or credit (Shiferaw et al. 2011). In recent times, the desirability of establishing FBOs is finding its way into national development policy documents in some countries (Bernard et al. 2008). In Ghana, for example, recent policy strategy documents—the Growth and Poverty Reduction Strategy (GPRS II, 2006-2009), the current Medium-term National Development Policy Framework: Ghana Shared Growth and Development Agenda (GSGDA, 2010-2013), and the Food and Agriculture Sector Development Policy (FASDEP II)—all place strong emphasis on the establishment and strengthening of FBOs as one key strategy in developing the predominantly smallholder agricultural sector in the country (Ghana 2005; Ghana 2007; Ghana 2010).

Like governments, many nongovernmental organizations (NGOs) encourage the establishment of FBOs to improve rural service delivery, economic growth, and poverty reduction among farmers (Stockbridge et al. 2003; World Bank 2007). Donors and NGOs often prefer to deal with farmers through farmer organizations, particularly if they feel there is institutional failure in the public or private sectors (Rondot and Collion 2001). However, it is important to note that the support of NGOs and donors in the establishment of FBOs is sometimes funneled through government agencies (Tinsley 2004). For many donor and NGO projects, joining an FBO is the only way to participate in and receive support from the project, with no consideration given to farmers who do not belong to such groups (Tinsley 2004).

In Ghana, both public and private organizations have established a large number of FBOs. No consensus currently exists concerning the total number of FBOs in Ghana, although a database created by the Ministry of Food and Agriculture (MoFA) through voluntary registration estimates the total number at 3,328, of which over 60 percent are involved in crop production. Based on analysis of four main sources, Salifu et al. (2010) estimated about 10,000 FBOs in Ghana—including those both registered and unregistered, and those registered as cooperative societies. These four sources are:

- The MoFA database
- A matrix of key projects supporting FBOs
- Registered agricultural cooperatives at the Department of Cooperatives (DOC)
- The 2006 and 2007 MoFA annual reviews

Since 2000, the Government of Ghana and many NGOs have implemented projects aimed at strengthening FBOs in the country. Among these projects, the government has implemented two major projects at national scale. The first was the World Bank-sponsored Agricultural Services Subsector Investment Program (AgSSIP), implemented from 2000 to 2007. Under the FBO component, AgSSIP provided support for the development of FBOs to allow them to play a major role in shaping agricultural policy, providing services to farmers, and engaging in export activities (AgSSIP 2007). By the end of AgSSIP, the World Bank had invested more than US\$ 9 million in the establishment of FBOs and in providing leadership and technical training, farm inputs, credit, and agro-processing equipment (AgSSIP 2007). The second project was sponsored by the Millennium Development Authority (MiDA) to enhance the profitability of commercial agriculture among small farmers.<sup>1</sup> To do this, MiDA worked with selected FBOs to enhance the technical and commercial skills of their members, simultaneously using the FBOs as platforms to supply farm inputs and facilitate access to credit. By the end of the program, 1,335 FBOs had benefited.

Given the investments made so far in establishing and strengthening FBOs and the continued faith in their potential for transforming smallholder agriculture, two questions become relevant:

- Are FBOs capable of achieving the range of objectives for which, purportedly, they are established?
- What can be done to improve their effectiveness?

To gain insights on these two issues, we examine how FBOs are functioning in Ghana. Given the difficulties in objectively comparing the performance of groups engaged in diverse activities, we focus on processes: the motivations behind forming an FBO, internal management, the nature of collective activities, and incentives to individuals to participate in collective activities. Assessing the level of effectiveness is also difficult because it necessarily involves both qualitative and quantitative components. It is, however, much easier to ascertain positive changes in well-being of individual members, i.e. some degree of effectiveness. The evaluation of both monetary and non-monetary costs and benefits from FBO membership are key to this analysis.

The data for this paper comes from two main sources:

- A survey conducted in 2010 involving 501 FBOs in Ghana hereafter referred to as *survey*
- A set of case studies of 24 FBOs conducted in 2011 referred to as *cases*. This discussion draws largely on the latter source.

The sample for the survey was drawn from a database of FBOs compiled by MoFA through a nationwide voluntary registration process in 2008. To maximize heterogeneity, 501 FBOs were randomly selected in 40 districts in six regions: Northern, Brong Ahafo, Central, Eastern, Greater Accra, and Volta. The regions were purposefully selected to ensure that different agro-ecological zones were covered: the coast, forest, and northern and southern savannas. The selection of FBOs took into account type of collective activities (production, processing, and marketing), membership size, gender distribution, and degree of eligibility for support, as reported in MoFA's database. The survey collected both quantitative and qualitative data on the history, evolution, and characteristics of the selected FBOs through group-level interviews.

The survey used three main instruments to collect data from each of the 501 FBOs. First, there was an open group discussion with at least six representatives of each group – three executives (leaders) and three ordinary members – to collect qualitative information. Under this process, FBO representatives were given the opportunity to tell freely a full story about

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<sup>1</sup> In 2007, the MCC of the United States of America approved a five-year US\$547 million anti-poverty compact with the Government of Ghana and about 39 percent of this amount was used to promote agricultural growth. The Government of Ghana subsequently established MiDA as an independent body to implement the compact.

how the group had evolved. The open discussion was followed by a structured questionnaire designed to collect quantitative information from at least six representatives from each FBO. Since this was a structured questionnaire given to each group, answers to the questions were based on majority decision. Finally, a game was played with three members of each FBO who were randomly selected from the six representatives who had participated in the two previous sessions. The games were conducted with the objective of understanding members' perceptions, motivations, and preferences.

The case studies were undertaken to better understand the collective activities undertaken by the FBOs, how they are managed, and the benefits members derive from participation. The FBOs for the case studies were selected from the 501 FBOs in the survey. The case studies were developed using group interviews, focus group discussion and participants' observations. The cases were drawn from the six regions, with at least three FBOs in each. In order to include varied and active FBOs in the case studies, the groups were selected based on a combination of the following factors: whether or not the group is a cooperative, the size of the group, the number of collective activities undertaken by the group, and the availability of collective resources such as land and processing equipment. The case studies explored four principal themes:

- The nature of collective activities
- Costs and benefits associated with collective activity
- Management of collective activity such as roles, responsibilities, rules, sanctions, and conflict resolutions
- Efforts for strengthening collective activities

The remainder of this paper is structured as follows. Section two examines the nature of the collective activities of FBOs and the motivations for undertaking these activities, with an emphasis on collective production, processing, and marketing. In section three, we examine in more detail how FBOs go about their production, processing, and marketing activities and the associated benefits and/or losses. Section three also explores the factors that influence the success or failure of FBOs in these collective activities. Section four explores the selection and role of leadership in FBOs. Section five discusses the management of collective activities, focusing on the importance and enforcement of rules. The paper concludes with key findings and recommendations.

## **COLLECTIVE ACTIVITIES AND MOTIVATION**

The overarching incentive for farmers to organize themselves originates from the social and economic benefits that cooperation will generate for them. However, if the costs of cooperation are too high or when similar benefits can be accessed by individual farmers from other providers at lower costs, little incentive remains (Shiferaw et al. 2011). In the past, individual farmers formed many kinds of informal organizations to help solve their internal social and economic problems, but in recent times, the trend is to form FBOs to enable farmers to interact effectively with their external environment (Rondot and Collion 2001).

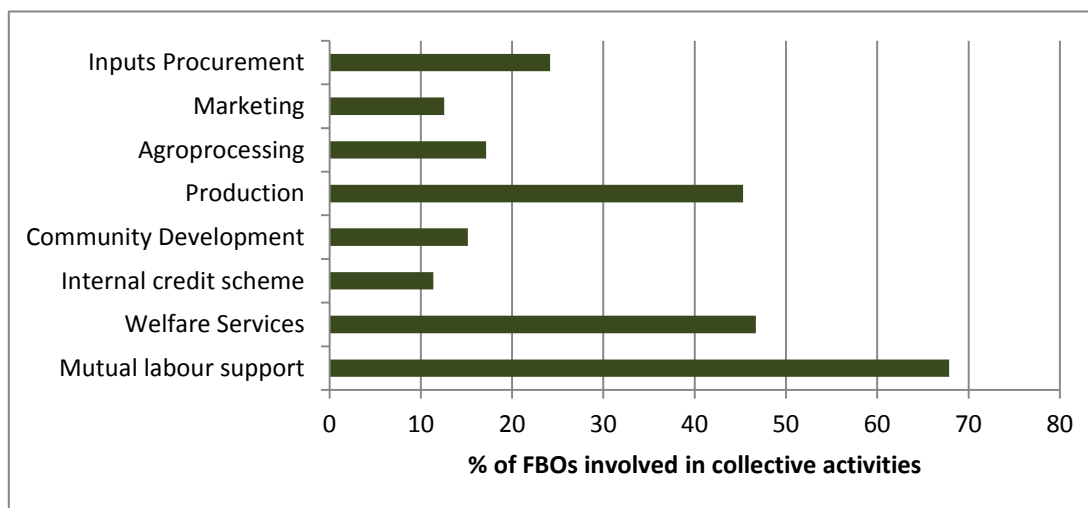
As Haubert and Bey (1995) note, the new organizations are of a "radically different nature"; their purpose is not "the regulation of the relationships within the groups concerned..." but their "essential function is to organize relations with the external world." However, in some rural societies informal organizations still seek to reduce uncertainties in agricultural activities, to stabilize production conditions (such as access to land and water), and to cope with labor demands (Rondot and Collion 2001). A recent study by the World Bank also notes that FBOs provide farmers with opportunities for income generation through microfinance schemes, as well as security and protection in times of shocks through mutual insurance schemes (World Bank 2007). Similarly, Place et al. (2004) argue that FBOs allow farmers to better cope with risks, particularly when the private sector, government, NGOs, and donors fail to provide safety nets or insurance against their risks.

One issue that arises in participation involves dealing with different income levels. The very poorest generally find it difficult to join FBOs if group activities involve asset pooling or cash services as they often have nothing to contribute except labor (Bratton 1986). In Malawi, a case study of smallholder farmers' associations in Kasungu District found that one of the most significant factors affecting an individual's decision to join the association was the land area possessed by the household, which may serve as a proxy for household wealth (Matchaya 2010). Studies from Burkina Faso, Senegal, and Ethiopia have shown that the poorest of the poor are sometimes left out of collective action arrangements because of their inability to meet the cost or pay the membership fee (Bernard et al. 2008; Bernard and Spielman 2009). On the other hand, there is often little motivation for prosperous farmers to join groups because either the scale of their farm enterprises is sufficiently large to be profitable on its own or they feel reluctant to cooperate with farmers who are less endowed (Bratton 1986).

FBOs in Ghana are involved in a wide range of collective activities, often engaging in more than one activity at a time. Common collective activities include production, processing, marketing, input procurement, and community development, in

addition to activities that have long been practiced by groups in Ghanaian rural society, such as internal credit schemes, mutual labor support and welfare services. Both welfare services and labor pooling have roots in pre-colonial Ghanaian society. More than two thirds of FBOs engage in mutual labor support and nearly half offer welfare services to their members (Figure 1). Often, members of an FBO will have a timetable in place so that all members of the group benefit from labor support on their farms. Weeding is the most common activity for which members pool labor. Welfare services include in-kind or monetary contributions to meet costs of health care, school fees, or other important social activities. Although these activities are common in FBOs, this paper will not discuss them at length because they often take place whether or not a formal group is involved.

**Figure 1—Collective Activities of FBOs**



Source: Authors' calculation of field data from IFPRI 2010 Survey.

Less than one half of FBOs engage in economic activities with the potential to deliver for their members reduced transaction costs and improved access to various markets. About 45 percent engage in collective production, usually of staple crops (Figure 1). Production is typically done on a collective plot using inputs received free of charge or contributed by members. Seventeen percent of FBOs engage in agro-processing—the transformation of raw agricultural products into other forms. Common examples are cassava to *gari*, oil palm to palm oil, shea nut to shea butter, and paddy to rice.<sup>2</sup> FBOs often own processing equipment originally provided to them by government agencies or NGOs. If they do not own equipment, they rent from someone in their community. The inputs for collective processing may come from collective farms (e.g. cassava or oil palm fields) or from individual farms. About 13 percent of FBOs jointly market farm produce. Typically, members collect their products at one place and invite buyers to purchase in bulk. Alternatively, in some groups, a few members will collect the produce, transport it to a marketing center, and sell it on behalf of the group.

Other, less common activities include different forms of savings and credit along with community development activities. Eleven percent of FBOs offer some sort of credit to their members. This process may involve offering funds to members without interest, or an arrangement by which members periodically contribute equal amounts and the total is given to each member by turn until every member's contribution is reimbursed. Twenty-five percent of FBOs collectively procure farm inputs or raw materials for agro-processing—only occasionally on credit from suppliers. Some FBOs also acquire tractor services for members. About 15 percent of FBOs engage in community development activities, such as weeding communal space, planting trees, and contributing money or labor for the construction of community infrastructure, that also benefits non-members in their communities.

In terms of motivation for forming groups, many FBOs are formed with the hope of receiving free goods or services from development programs, especially among groups engaged in collective production. Those engaged in processing and marketing, on the other hand, were more often formed based on a market identified for their products—thus the commercial benefits for collective marketing or processing are clear from the beginning.

<sup>2</sup> *Gari* is a granular flour made from fermented gelatinized cassava. Shea butter is a natural fat extracted from the nut of the African shea tree by crushing, boiling, and stirring.

Of the 24 case study FBOs, the 16 involved in collective production indicated that group farming was the best way to ensure that members of the community receive training from agricultural extension agents (AEAs). Our survey validates these expectations, as about 75 percent of the FBOs did actually receive training from AEAs and others. They may also receive support, typically in the form of land preparation, inputs, or storage facilities.

Almost all FBOs in the survey cite financial support as one of the primary motivations for group formation but only 40 percent of the surveyed FBOs reported to have received some form of credit or grant. In the case studies, a women's group in Volta Region and a maize and cassava group in Central Region, for example, noted that with their group farms they were able to approach MoFA's official at the district level and their members benefited from subsidized fertilizers that were 15 percent less than market prices. However, individual farmers are meant to benefit from the fertilizer subsidy program; thus, it is more likely that the FBOs feel that as a group they can receive greater attention from MoFA officials. All of the production FBOs cited access to training and other external resources as a primary benefit of group membership.

Only a few FBOs farm collectively to generate revenues. The revenue from group farms is shared or used to meet administration costs. Although most FBOs claimed group production was an important source of revenue for the groups, only a few groups actually seemed to view it as a profit-oriented enterprise. For the rest, group farming appeared to be used as a way for members to receive support from external agencies. This may be a response to strategies employed by various development programs, since the majority of FBOs were under the impression that they needed to be registered, have a bank account, and meet regularly in order to receive any support from external agencies.

Farmers who have organized themselves for collective processing often came together originally simply to receive processing equipment, but they then continued to collectively process. Seven of the 24 FBOs in the case study processed collectively. Of the seven, five started processing when they received equipment from development projects. Approximately 90 percent of processing FBOs in the survey owned some sort of equipment, which was shared among all the members and sometimes rented to non-members. The remaining 10 percent use processing equipment that is either owned by individual group members or people in the community who operate the equipment on a commercial basis.

Collective processing takes different forms and the groups benefit in different ways. Some come together to fill bulk orders too large for individuals. For example, the members of two separate rice processing groups in Northern Region usually process rice individually, but will work as a group when they receive large orders. In such cases, the group does not own the equipment—members meet at one member's house to process the large order quickly.

Some FBOs come together to reduce transaction costs or reach a market within which they can sell at a premium price produce of higher quality. Markets for many products offer premium prices for delivery of large quantities of superior quality. A shea butter processing group in Tamale, for example, received prices nearly 40 percent higher than the market average by collectively delivering large quantities. The group forms sub-groups that process nuts that are individually collected. So while there is some collective processing, the primary collective action of the group is marketing bulk orders to capture higher prices.

Processing FBOs may also pool resources to buy necessary inputs, whether for processing or for crop production. It is difficult for individuals to raise enough capital for purchasing and transporting from the farm gate the raw material—oil palm fruit, paddy rice, shea nuts—for processing. Purchasing inputs for processing together allows members to save on the costs of transportation. Additionally, some groups indicated that, although collectively procuring farm inputs did not necessarily save them money, they still preferred purchasing collectively to take advantage of the knowledge within the group as to what fertilizer or other commercial inputs would be most suitable for their needs.

Marketing FBOs also will bulk their produce to gain bargaining power with traders. For example, an oil processing group in Eastern Region and a shea butter group in Northern Region pool individual production before inviting a buyer. Other groups, such as a maize group in Brong Ahafo Region collectively market outside of their communities because local traders pay lower prices. Still others use FBOs more as a liaison between buyers and members. A pineapple group in Eastern Region, for example, links its members with agri-business companies and facilitates contracts for individual members to sell their produce. One maize marketing group in the Brong Ahafo sells its produce collectively and also acts as a trader, bulking and selling maize from nearby villages.

## **CHARACTERISTICS, COSTS, AND BENEFITS OF COLLECTIVE ACTIVITIES**

In this section, we examine the characteristics, costs, and benefits associated with each of the three collective activities discussed in the previous section – production, processing, and marketing. Specifically, we discuss the kinds of resources

needed by the FBOs, where these resources are obtained, the scale of the collective activities, the costs incurred, what outputs or or benefits are realized, and how these benefits are shared among members.

## Production

Most groups engaged in collective production cultivated maize (10 groups), cassava (4), pepper (4), and rice (3). Only one of the 16 production groups raised animals. Group farming was done on plots ranging from 1 to 15 acres, with the average farm size being about 3 acres. Focus group discussions indicated that farm size is largely determined by the amount of resources available to the FBO in terms of land, farm inputs, and labor.

FBOs acquire land for collective production through purchase, rental or gift. About 66 percent of the FBOs in the survey said it was not possible to buy agricultural land in their communities.<sup>3</sup> In the case studies, 77 percent of the FBOs rented land, typically for one season or for a full year. One exception was a women’s maize and palm oil group in Greater Accra Region, which rented its land for 10 years. Six FBOs indicated the land was given free of charge by a member of the group, a relative of a member, or the chief of the community. Thus, in most cases, members decide annually whether to farm collectively and how much to produce.

FBOs use a combination of savings from membership dues, profits from the previous season, and ad hoc contributions from members to buy the necessary inputs and services for collective farming. The decision of how much to produce is typically limited by the amount of money members contribute at the beginning of a season. A few of the case study groups had accumulated enough savings to fund input acquisition for their collective activities without having to collect money from members (two examples: a women’s rice group and a rice, maize, and pig group, both in Volta Region).

Most of the groups used external inputs such as fertilizer and pesticides, especially for cultivating maize, pepper and rice (Table 1). AEAs often treat the group farms as demonstration plots and encourage FBOs to use appropriate seeds and inputs in the hope that these practices will be repeated on individual farms. Seven of the production FBOs received training, specifically on fertilizer application, which usually came from fertilizer companies. Four of them received free fertilizer through donor-funded initiatives.

**Table 1—The use of inputs in group farms**

Crop	No. FBOs involved	No. FBOs that use fertilizer	No. of FBOs that use herbicides	No. of FBOs that use pesticides
Cassava	4	-	-	0
Maize	10	8	9	2
Rice	3	3	3	2
Pepper	4	3	2	2

Source: IFPRI Case Study.

Members usually contribute labor free of charge, but groups often supply food for members on days when the whole group comes together to work on the collective plot. Additional labor is occasionally hired for group activities, but this is rare.

For the most part, group production is not treated as an income-generating activity; instead, most individuals are more interested in capturing assistance from development programs. As a result, investments in group activities by members are relatively low in comparison with what they put into their individual farming activities, and members see few benefits from group participation. Table 2 presents detailed costs and benefits for 11 of the production groups that managed to provide detailed accounts from their collective farms. Seven of the production groups pay monthly dues throughout the year regardless of whether or not there are production activities happening at that time. While members of all groups contributed their labor for collective activities, 2 of the 11 groups also required non-cash contributions (seeds or planting material and herbicides) and 4 required monetary contributions that ranged from GHC10 to GHC100.

<sup>3</sup> It is much more difficult to buy agricultural land in Northern Region than in other regions. About 92 percent of the surveyed FBOs in Northern Region said it was not possible to buy agricultural, compared to 49 percent in Eastern Region.

**Table 2—Production groups**

FBO	Individual nonmonetary contribution	Individual monetary contribution	Individual nonmonetary benefit	Individual monetary benefit (GHC)	Group benefit, Resource capture
<b>Maize</b>					
Volta 1	Labor	-	-	-	MiDA starter pack, MoFA trainings
Volta 2	Labor	10-100 GHC	-	-	Subsidized fertilizer and seed, MoFA trainings
Brong Ahafo	Seeds, herbicide, labor	70 GHC	-	35	Unspecified training
Central 1	Labor	-	-	-	MiDA trainings, MoFA trainings, YARA fertilizer training
Central 2	Labor	-	Maize	-	MiDA trainings, MoFA trainings, YARA fertilizer training
Central 3	Labor	10 GHC	-	-	MiDA trainings
Central 4	Labor	-	-	17	Subsidized fertilizer, MoFA trainings
Greater Accra	Seeds, labor	14 GHC	Maize (8 Olonka)	-	ECAD trainings, MoFA trainings, AWD loan
<b>Rice</b>					
Volta 1	Labor	-	-	70	CIDA (incl. fertilizer), DOC trainings, MoFA trainings, NAWA grant
Volta 2	Labor	-	Rice (1 bag)	-	ICA loan, MoFA starter pack, MiDA trainings
Volta 3	Labor	-	Rice (1/4 bag)	-	Subsidized fertilizer, MoFA trainings

Source: IFPRI Case Study.

Although the collective plots were not necessarily very productive (only two of the groups obtained higher yields on collective plots than their members did on their individual plots), the groups did manage to attract training and other support. All production groups were successful in capturing some form of external assistance, particularly training. Groups received training from MiDA on record keeping, business management, business proposal writing, loan applications, and conflict resolution. In several cases, groups received packages from MiDA that included fertilizer, seeds, rubber boots, and spraying masks. Seven groups received training from MoFA's extension agents on modern farming methods. In five cases, MoFA or MiDA provided fertilizers free of charge or at a subsidized rate. Two of the women's groups received assistance from funders interested in supporting women in agriculture. Fertilizer suppliers provided training on fertilizer application for two groups.

Most FBOs suggested that their members received more training from agricultural extension agents (AEA) than farmers who do not belong to FBOs because AEAs specifically target FBOs. Eighteen of the 19 FBOs involved in group farming claimed that the training they received from AEAs had a positive impact on their productivity. Members of a vegetable growers association, for example, reported that they were able to double their output per acre (from four to eight bags) as a result of the training they received through the FBO.

Individuals devote more attention to production on their farms compared to collective plots; members typically only turn their attention to group farms after completing work on their own farm. Interestingly, the two FBOs able to obtain higher yields on their group farms than members' individual farms are two of the three groups in which profits were shared by participants rather than deposited into the bank account for the FBO. The existence of a profit-sharing scheme appears to be a key determinant in whether or not group production is seen as a business or a resource-generating activity.

## Processing

Seven of the case study FBOs collectively processed oil palm, cassava, rice, or shea nuts. Of these, four received processing equipment from governmental organizations and NGOs on credit or as a grant (Table 3). One FBO relied on equipment owned by its chairman to process their oil palm and two other groups processed through commercial operators. When processing equipment is provided by external agencies, group members are usually required to construct the building



within which the equipment will be installed. Land for constructing a building was purchased by one FBO, rented by two groups, and provided to another free of charge by a community chief.

**Table 3—Processing groups**

FBO output	FBO region	No. members	Pooled production	Group received free equipment
Palm oil	Eastern	20	Yes	No
Shea butter	Northern	37	Yes	Yes
Gari dough	Greater Accra	9	No	No
Rice	Northern	25	No	No
Rice	Volta	31	No	Yes
Rice	Volta	25	No	Yes
Gari dough	Eastern	23	No	Yes

Source: IFPRI Case Study.

Some processing groups own their processing equipment, but members themselves do not necessarily undertake collective processing. In five cases, individual members had the option to use the group equipment to process their individual produce. In three of these cases, there was no charge for members. In a rice processing group in Volta Region, members were provided with a quota regarding the quantity of crops they can process free of charge. If they processed more than the quota they were charged a per unit fee. In most cases, the groups are too small to use the full capacity of their processing equipment, and so non-members within the community have the option to rent the equipment at a fee that is either equal to or higher than member fees—this was observed in two cases.

All the processing groups reported that they had received training on processing techniques through AgSSIP, Action Aid, or MiDA that was not provided to non-group members. AgSSIP provided both processing equipment and training for three members of each FBO on how to use the equipment. Most of the processing FBOs received credit and grants from either government and NGOs. For example, each member of a rice processing group in Northern Region received a GHC 300 credit from the MiDA program to support their individual processing.

Some FBOs are able to produce products of higher quality collectively than individually. A rice processing group in Northern Region reported that the World Food Program purchased rice from them at prices higher than they would receive in local markets due to the higher quality that resulted from a meticulous but time-intensive group processing procedure. The local market, however, does not pay a premium price for higher quality rice, so group members typically processed rice on their own much more quickly and without paying attention to quality. Thus, the group members only came together for group processing of bulk orders where they could receive premium prices for higher quality rice.

## Marketing

Collective marketing includes the marketing of the collective produce of an FBO, marketing individuals' produce through an FBO, or when an FBO engages in trade as a business. In a milk marketing group and a grasscutter marketing group, the primary function of the FBO was to connect members with a market. In the milk marketing group, representatives from Heifer International helped to connect the group with buyers from Accra. In both a grasscutter group and a pineapple group, the FBO chairman acted as a liaison between buyers and individual members. In the grasscutter group, buyers place orders, typically ranging from one to three grasscutters, and the chairman equally distributes these orders among the members depending on their individual supply at any given time. The pineapple group chairman acted as a liaison between the buyer and individual members, working with the members to coordinate timing of production (Table 4).

**Table 4—Marketing groups**

FBO market	FBO region	No. members	Group engages in collective production	Secured loan (either group or individual)?
Maize	Brong Ahafo	8	No	Yes
Milk	Eastern	32	No	Yes
Grasscutter	Eastern	35	No	No
Pineapple	Eastern	50	Yes	Yes

Source: IFPRI Case Study.

A maize marketing FBO buys maize from local farmers and sells it to buyers in Accra. This group is highly organized and reinvested GHC 2,400 in capital, enough to purchase almost 100 bags of maize after each sale and before distributing profits. Group members estimate that they receive GHC 50 each per month for nine months of the year for their collective efforts. The group works well together, is highly transparent with financial records, and wary of accepting new members for fear of disrupting the dynamics of the group. The maize marketing group in Brong Ahafo Region, unlike other marketing groups, raised its initial capital by contributing bags of maize from each member's harvest at the end of the season. They sold the maize and then used the cash as their capital for buying maize from farmers in neighboring communities. They continuously buy and sell maize throughout the season on a biweekly basis. After each sale, the profit is shared equally among the members and the capital is reinvested.

While their focus is much more revenue-oriented than the production and processing groups, the marketing FBOs were also quite successful in capturing assistance. Each of the groups has received substantial training benefits from government or NGO sources. Most were able to secure loans, either for the group or for individual members, at the beginning of their operations. It is evident that external institutions are more likely to give assistance to profitable activities as the risk of default is much lower. However, after successfully repaying its first loan, the maize group noted above did not seek out any additional loans, arguing that interest rates were too high for their collective marketing activity to be profitable using credit.

## **LEADERSHIP OF COLLECTIVE ACTIVITIES**

Good leadership has long been recognized as one of the critical elements in the effective functioning of community organizations. Effective leadership can propel FBOs into initiating local action, and continued managerial leadership is critical for the transformation of such organizations (Rowland 1997). In this section we consider how leaders are selected, general expectations of leaders, and similarities to traditional leadership. After discussing overall leadership trends from both the survey and case studies, we will discuss the selection process and responsibilities of the most common leadership positions before briefly commenting on differences observed in women's groups.

The process of selecting leaders is extremely important and can have major implications on the effectiveness of a group's effort. Groups benefit if they select leaders by consensus and prepare specific terms of reference for their leaders as a way of holding them accountable for their obligations (Uphoff 1994). In general, leaders are either elected or appointed by acclamation. Observations from the field suggest that groups with large membership (50 members and above) tend to elect their leaders by voting, whereas those with less than 20 members do not.

Elections are very simple in most FBOs. Each individual is allotted a single vote. Depending on the homogeneity or heterogeneity of a group, the nominees may be asked to excuse themselves so that voting can be anonymous. Alternatively, leaders may be appointed by group members or simply appoint themselves. People who played key roles in a group's formation often appoint themselves as leaders and elections are not held.

Whether leaders are selected through election or appointment, many FBOs expect their leaders to serve for a fixed term (usually 2 to 4 years). However, the case studies showed that leaders were rarely changed at the end of their term despite the fact that most groups had constitutions specifying fixed terms for leadership positions. The main reason cited for not selecting new leaders is that the current leaders met members' expectations and thus there was no need to replace them.

The majority of leaders offer their services without any compensation. Nonetheless, we observed isolated cases where gifts (e.g., group farm produce) and labor support from members was provided to leaders. These kinds of rewards are often provided only to chairpersons. Generally, leaders of FBOs perform a variety of functions, such as recruiting new members, motivating individual members to invest in collective efforts, attending external meetings on behalf of the group, finding buyers and negotiating prices for members, and enforcing rules and regulations in the group.

While most FBOs claim to use democratic principles in selecting their leaders, the actual leadership structure is very similar to that of traditional leadership seen throughout Ghana. Although the methods of identifying and installing traditional chiefs vary from one ethnic group to another, they are largely based on customary laws such as family lineage, age and economic power. The participation of women in traditional leadership is negligible, which we also find in FBO leadership. Also, in the traditional leadership system of governance, chiefs often rule until death and regular elections are not held.

A typical FBO management team consists of a chairperson, secretary, and treasurer. Although the criteria for selecting leaders among FBOs depends largely on the type of leadership position, our interviews indicated that the characteristics sought by FBOs in their leaders are trustworthiness, competency to coordinate and initiate activities (this often relates to work experience), good work ethics, tolerance for different viewpoints, and an upstanding reputation in the community. Observations from the field suggest that FBO members who have specific experiences and professions—teachers, assemblypersons,

marketers—are often selected for leadership positions. In addition, religious leaders, traditional leaders (chiefs) and well-educated members in FBOs are often given leadership roles. Individuals who played key roles in the formation of a group are considered first for leadership positions.

Data collected from 963 FBO leaders in the survey showed that 70 percent of group leaders were male and 30 percent female. Although most leadership positions were held by men, fewer than 10 percent of FBOs restrict membership by gender. Age also plays a critical role in leadership selection as older group members are selected for leadership roles more frequently than younger members. Age data from the survey showed that 87 percent of the leaders were at least 40 years old. The case studies showed that the average age of chairpersons was 57; of secretaries, 51; and of treasurers, 46 years.

The most important factors in selecting a chairperson are age, socioeconomic status, and the role the person played in the group's formation. The majority of chairpersons are male—18 of 24 in the case studies. The chairperson is likely to be one of the oldest members of the group and to command respect from community members because of relatively high economic and social standing. In many cases, the chairperson provided leadership elsewhere in the community, including being religious or traditional leaders, civil servants, district assemblypersons, or the best farmers in the community.

The chairperson is seen as the primary figurehead of the group and guides the group's overall mission. In some cases, where the group has no savings in its bank accounts, the chairperson may use his or her resources to run the group. The chairperson of a vegetable production group, for example, noted that "In the beginning I sacrificed my own money to pay the traveling cost to attend meetings and pay for other administrative costs." Similarly, the chairman of an oil processing group purchased land and processing equipment to be used by group members for a small fee.

The selection of a secretary is more straightforward than that of chairperson, as the main criterion is to be able to read and write in English. Many FBOs describe a secretary as someone who must be able to take minutes and maintain records for the group, particularly on monetary contributions. Often, the member with the highest level of education in the group is elected to be the secretary because literacy rates are often low. Because a majority of FBOs are formed in anticipation of receiving some sort of external support, the secretary therefore must be someone who can communicate effectively with external agencies and partners.

Secretaries are seen as scribes and the public relations officers, and they also maintain all relevant documents including certificates, minutes books, financial records, group registers, and letters. During group interviews, the groups expected their secretaries to provide most information on their behalf. Indeed, during interviews with FBOs where the secretary was not present, obtaining information on the past activities of the group was extremely difficult.

The treasurer position is usually reserved for a female member of the FBO unless the group is male only. The primary reason cited for this is that in Ghanaian culture women are perceived to be trustworthy, transparent, and better at keeping money than their male counterparts. In most groups, the treasurer was responsible for managing the group bank account and collecting dues.

Of the 24 case studies, there were four groups that were female only. In these groups the leadership selection process and the roles of leaders were similar to those observed in the mixed and male only groups. However, female only groups sometimes have men in leadership roles, particularly as secretaries. In these cases, the groups stated that men are better able to lead the group in some of their external interactions, such as meeting with partners and acquiring farm inputs. Additionally, literacy rates of women were sometimes lower than men and the group did not have woman member that could effectively read and write.

## **MANAGEMENT OF COLLECTIVE ACTIVITIES**

Collective organizations such as FBOs are often confronted with two interrelated problems: rules on which the organization should be based; and the effective monitoring and enforcement of such rules (Ostrom 1990; Stockbridge et al. 2003). These guidelines play a key role in shaping the expectations of members regarding the overall feasibility and gains they will obtain from collective activities (Shiferaw et al. 2011). This section discusses how rules and guidelines are established for groups and uses data and field observations to evaluate the degree to which they are put into practice. We also evaluate mechanisms of enforcement and tactics employed by different kinds of groups to improve compliance and group efficiency.

Studies suggest that rules crafted by farmers themselves are better understood and adapted than those imposed by external agencies. In her research on common pool resources, Ostrom argues that local people have better information about the subtle nuances of their environment than outsiders do, which is why they are often best placed to ensure congruence between rules and local conditions (Ostrom 1990; Ostrom 1995). Nonetheless, the vast majority of FBOs rely on constitu-

tions and by-laws written by officials of the institutions under which FBOs are registered.<sup>4</sup> About 94 percent of FBOs have such constitutions or laws that spell out in great detail how to become a member, how to select leaders, the duties of leaders, how group decisions are made, and how members should engage in collective action.

The case studies, however, suggest that neither leaders nor members appear to know a great deal about what is contained in their own regulations, an indication of the externally driven nature of the constitutions of FBOs. The most common provisions in the constitutions that members appear to be conversant with are those on the frequency of group meetings, voting procedures for group decisions, sanctions for not participating in group meetings and activities, how often members pay dues, and how much they pay. The case studies and the survey showed that virtually all FBO members meet at least once a year. Approximately 58 percent of FBOs have monthly meetings. Of the 24 case studies, 10 indicated they no longer meet regularly. The most common reason given by the leaders and members for not meeting on a regular basis is a lack of external support. Without external support they have little or nothing to discuss when they meet – meetings only serve to gather members together to collect contributions or dues.

Most constitutions or by-laws dictate that any decisions within the group are to be made on the basis of member voting where each member is entitled to one vote. This type of voting process is applied not only in electing leaders but also in making group decisions. For example, members of some groups vote to decide the amount of money each member should contribute as group dues and registration fees. According to the survey, about 91 percent of Ghanaian FBOs make such decisions on the basis of members' voting.

All of the case study FBOs impose sanctions on members for failing to participate in group meetings and work days. Of the 14 groups that were meeting regularly, any member who failed to attend a meeting is supposed to be fined on the first instance and asked to leave after three consecutive missed meetings. Fines for absenteeism ranged from GHC 0.50 to 20, though it should be noted that fines were both lenient and subjective in most groups. In general, the case study FBOs rarely asked members to exit groups for lack of commitment to group activities. Of the 24 cases, only three had asked a group member to leave for noncompliance to rules and regulations. However, it appears that having sanctions for failure to participate in group meetings did create social pressure to contribute, as members who missed multiple meetings usually left the group voluntarily.

The complexity of managing FBOs is influenced by a variety of factors, including social heterogeneity, size of groups, and the distribution of work in the collective activity. One study on irrigation systems in India suggests that social heterogeneity makes communication, cooperation, and the enforcement of rules more difficult (Meinzen-Dick et al. 2002). However, in sharp contrast, a study on small-scale agriculture in Chile found that close social relations prevented members of farmer organizations from enforcing rules for fear of alienating friends and neighbors (Berdegué 2002). In terms of group size, enforcement of rules is often easier in smaller groups than larger ones because smaller groups have higher internal cohesion and it is easier to monitor all members (Coulter et al. 1999).

In the case studies, several FBOs were able to manage themselves in ways suited to their specific collective activities. For example, most production FBOs required all members to make equal contributions for group activities, whether in cash, inputs, or labor. By requiring equal participation and obligations, these groups reduce the level of management and oversight needed for individual members. The only observed exception to this rule was the exclusive application of herbicides and insecticides by men. Women were never involved in spraying chemicals and instead carried water for the group's activities or prepared meals.

Another technique used by many FBOs to facilitate better or easier management of their activities is to divide the group into sub-groups. In a rice production group in Volta Region, for example, the group divided its 123 members into 10 sub-groups and allotted each sub-group one acre of the group's 10-acre field. Each sub-group was responsible for the production on their plot of land, which promoted competition among the smaller groups and avoided the problem of free riding. Similarly, we observed that processing FBOs often work in sub-groups to manage different tasks in the processing chain. Another rice processing group used an assembly line approach to wash, soak, steam, dry, and mill their paddy rice.

For FBOs engaged in profitable activities, particularly processing, the group is able to minimize enforcement issues by providing members with financial incentives. Many of the processing groups organize their activities in a way that allows members to combine their own individual inputs with the group's effort and proportionally split the profits. One shea butter group, for example, divides each order so that the group collectively processes one third of the order while the remaining two

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<sup>4</sup> Key institutions under which FBOs are registered include the Department of Cooperatives, MoFA district offices, and the Registrar General Department.

thirds are allocated to individual members and processed separately. At the point of sale, both the individual and the group products are weighed, and individuals are given their portion of the revenue. This allows individuals to capture higher market prices than they would individually, and incentivizes them to be active and in good standing with the FBO.

## CONCLUSIONS

FBOs initiated by members are expected to be more effective in working together to achieve their objectives than those initiated by outsiders, because they are self-driven. However, the distinction between the two is blurring as many farmers organize themselves in order to access free goods and services from government and other developmental organizations. The motivation behind the formation of an FBO seems to be a better predictor of FBO effectiveness than who started the group.

Farmers organize themselves into FBOs primarily to improve their chances of receiving training, grants, and loans and to collectively engage in economically beneficial activities. FBOs interested in economic activities look to the profits from the activities as a primary or supplementary source of income. While not mutually exclusive, most groups are more aligned to one motive than to the other. Motives are correlated with the type of collective activity, and may help determine the group's activity. If farmers come together with the primary goal of capturing resources, they are less likely to generate revenue.

FBOs that are primarily formed to capture resources are likely aware of and responding to government and NGO strategies to deliver services to groups and farmers. It has been communicated to farmers that they have a better chance of receiving training and aid if they are in a group. Consequently, there has been a dramatic rise in the number of FBOs, though many of them fail to thrive after group formation. The evidence suggests that it is unreasonable to expect these FBOs to evolve into sustainable profit-generating collective organizations.

Nearly all FBOs engage in traditional activities such as labor sharing. Less than 40 percent are involved in economic activities such as production, marketing, and processing. Collective production is the most common of the economic activities and groups engaged in this activity, like labor sharing, tend to be FBOs that were formed for resource-capture objectives. Less than a quarter of the FBOs collectively process or market and these groups are more focused on income generation than groups that collectively produce.

It also seems that the processing and marketing FBOs in the case studies may have begun with a clearer purpose than production groups—founding members identified an opportunity on which they wanted to capitalize. Also, processing and marketing may offer higher returns than production. Capital constraints necessitate collective action for processing, whereas farmers can produce most things at an individual level for marginally higher costs than group production. The largest barrier to most processing activities is expensive machinery. Working in a group provides free or subsidized access and allows individuals to obtain greater financial returns for their efforts.

Collective production may not be more remunerative than individual production unless the adopted technologies are far superior or production is done on large plots to benefit from economies of scale. Neither of these scenarios was observed in the case studies. In most production cases, the groups were not exposed to drastically different technologies—the most commonly cited training was row planting which has been pushed by agricultural extension agents for decades. There were very few examples of production FBOs benefiting from economies of scale and only a couple FBOs stated that they were able to save money through buying inputs in bulk and pooling transportation of inputs or produce.

The bulk of the FBOs have not become bankable in the sense of being able to raise resources on their own to continue their collective activities. FBOs waiting for additional help are not necessarily maturing into groups capable of functioning independently. Many FBOs are relatively inactive, waiting for support for as long as five to six years. This is true even for FBOs initiated to offer training in filling out applications to acquire loans. In several cases, a knowledge gap exists between FBOs and banks – FBO leaders are unclear on what requirements and expectations banks have in their loan application processes. In general, marketing and processing FBOs fare better in terms of raising resources.

Despite limited progress, FBOs that are primarily engaged in production and are not profit-oriented continue to work together in the anticipation of more benefits, suggesting that they have benefited from past free goods and services received. While the vast majority of these groups have succeeded in attracting training and other external assistance, this study was not able to assess whether or not they have actually benefited from participating in the group. When questioned about the perceived benefits, most farmers said that the yields on their individual farms have increased after learning better farming techniques with the group. In addition, regardless of whether FBOs are profiting from their production or not, they do serve as an informal insurance mechanism whereby members can get help from the group, usually in the form of monetary contri-

butions to meet unexpected costs such as when they are sick or have been injured. Although they are waiting for external assistance, it is this welfare aspect that likely keeps many members in these groups.

Most of the FBOs follow democratic processes, moderated by traditions, in selecting their leaders and in managing themselves. They may select the oldest or the most respected people in the community to lead them, but are astute enough to always have someone literate and educated as a secretary. Women are often selected as treasurers because they are perceived to be more trustworthy. All but one of the interviewed FBOs had detailed written constitutions, though they were rarely adhered to in practice.

FBOs appear to have crafted rules and management styles that uniquely suit them. Many FBOs work in sub-groups to encourage competition within the group. Other FBOs work collectively on both group and individual production. FBOs are reasonably successful in enforcing rules. In most groups, there were financial sanctions for missing meetings or failing to work in the collective activity. Many groups had built-in mechanisms to recover unpaid dues from members. While fines are common, it is very rare that members are expelled from the group. Due to social pressure, however, group members tend to leave voluntarily when they know that they are not meeting requirements for participation.

If the goal of an FBO is to make the members economically better off, guiding them to economically viable activities may be more beneficial than building capacity through training. The most common training received by groups are in agricultural practices, bookkeeping, and leadership. Given the generally successful management in most FBOs, leadership training in particular may not be a high priority. Training that goes beyond bookkeeping and focuses on business skills, such as future projections, profit-loss analysis, and entrepreneurial skills, may be more beneficial. Because the collective activities of an FBO are generally determined by what members are doing on an individual level, there may not be enough initial consideration of whether or not a collective activity is economically feasible.

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