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Structuring of rural farming areas in Madagascar

Inter Aide's experience in the Vatovavy - Fitovinany area from 2003
to 2010

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Introduction

Agrarian context

The hinterland of Vatovavy Fitovinany's coastal area is formed by medium and low hills from East to West, followed by a swampy coastal plain with many lagoons. The climate is tropical, hot and rainy, with over 2,500mm of rainfall per year. Dry periods alternate with floods, which is detrimental to subsistence farming. Cyclones and strong winds are also commonplace in the region.

Rice cultivation is very important for farmers of the area. They grow their rice either with pricking out methods on flooded or irrigated lowlands, or under rain-fed conditions in the hills. If soils and hydraulic facilities permit, they produce rice a second time in the year during the off-season. Other subsistence crops are grown on the hills and on riverbank alluvial deposits –mostly cassava, sweet potato, banana and legumes. Vegetable cropping is quite marginal but many trees located near villages complement villagers' diets. The climate of South-East Madagascar is suited to various cash crops: cloves, litchis, cinnamon, pepper, citrus fruits, Robusta coffee, etc.

Farms are very diverse in the area. Poorer families work for families that own big rice fields and need extra labour resources. Owning zebu is a sign of wealth, but according to studies carried out by Inter Aide in Manakara district in 2006, only 29% of families own some and 50% of the zebu population is owned by 7% of farmers. Yields and labour productivity are very low due to low use of inputs and draught power, adoption of risk avoidance strategies and general constraints commonly faced in the country.

The present document was read over and approved by Tiavo, a rural mutual insurance company partner of Inter Aide

Inter Aide started working in the coastal districts of the Vatovavy Fitovinany area in the mid 1990s and launched a first agricultural programme in 1999 in Manakara district (another programme was then launched in Mananjary district in 2006). Inter Aide's rice growing programme was initially centred on technical extension, but since 2003 it has gradually been extended to the structuring of grassroots organisations. **The present document describes the strategies we have developed and the lessons learnt since the programme was extended to this new aspect.** All the ideas mentioned in this work can be further developed (mostly regarding the tools and methods used).

The first section of this document gives an overview of the activities carried out and the strategic lessons learnt by the project team, and **the second section** briefly describes the functioning of a farmers' union.

SECTION 1: Activities carried out and Lessons learnt

1. Origin and developments of support to structuring processes

Inter Aide's project of structuring rural farming areas was launched as a supplement to an individual-centred technical extension programme for subsistence cropping¹. The dynamic individual-centred extension approach we carried out was aimed at providing farmers with the technical skills necessary to master new cropping systems over a fixed period of 2 rice growing seasons (one year). Every year, Inter Aide's technical experts (who all live in targeted villages) invited new motivated farmers to join the programme. But it appeared that technical extension wasn't enough and that further support was needed to enhance the adoption and sustainable dissemination of innovations, mainly relating to lowland rice intensification². Two specific needs for support were identified: (1) a persisting need for technical support (for new farmers interested in the programme, for farmers already trained but in need of support to extend the techniques learnt to more parcels of land, etc.); (2) a need for input and tool supply. The sustainability of rice intensification depends on the continuity of supply when the team project isn't directly present. Having understood this need for further support, in 2003 we decided to help farmers organise in

¹ Technical support provided in response to requests for one, two or three cash crops chosen by each farmer.

² For further detail on the Adapted System of Rice Intensification (ASRI), see the following article which explains Inter Aide's experience on the technical extension of this system:

http://www.dial.prd.fr/dial_evenements/conf_scientifique/pdf/dynamiquesrurales_dial/4jenn.pdf

common interest groups. These groups were designed as relay structures of the project, and their main common interest was to keep up with the level of production that can be achieved through intensive rice growing. From then on, Inter Aide continued to assist farmers through individual-based technical extension, all the while telling them from the very beginning of this technical support that they need to adopt a self-reliance approach in order to be able to master and reuse the technical solutions recommended.

This structuring into groups was carried out with support from the programme and began with the setting up of grassroots organisations (usually made up of less than 10 members each). Grassroots organisations started to hold their first meetings in 2004 and a regional federation designed as an umbrella farmers’ organisation was officially created at the end of 2010. 231 farmers’ organisations and 33 “Fagnimbogna” farmers’ unions were set up in three districts³ (first in Manakara district, later in Mananjary district and at a smaller scale in communities bordering Vohipeno district). Figure 1 shows how both aspects of the programme were developed through the years and depending on the level of organisational support provided. The chart included at the end of this section shows in more detail the developments of the activities carried out with grassroots organisations and farmers’ unions from 2003 to 2010.

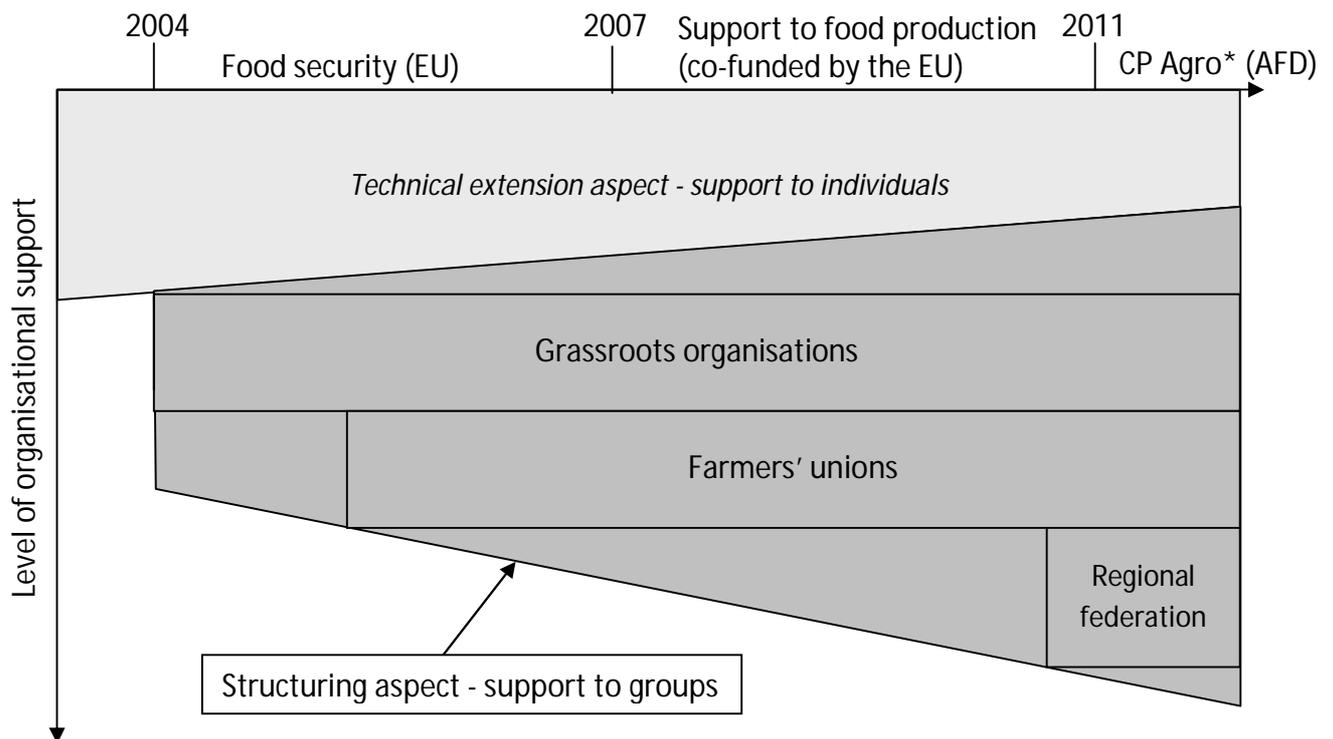


Figure 1: Schematic view of how both aspects of the programme were developed through the years and depending on the level of organisational support provided.

* a type funding from the AFD (French Development Agency)

³ 188 of these 231 groups were still active at the end of 2010.

2. 2003-2006: First stage of structuring

2.1. At Grassroots Organization level: Access to credit to finance family farming and setting up of a network of peer farmers

The programme invited farmers having already benefited from technical support and interested in continuing to learn and use new rice-growing practices to form grassroots organisations. This system was aimed at helping them get access to credit to secure input supply and uniting them around a **peer farmer**.

This peer farmer, a volunteer trained by Inter Aide, acted as a technical relay to the programme: he provided technical advice on farming practices (calculating surface areas, measuring inputs, adapting technical operations to constraints, etc.) and informed peasants on new crops and activities⁵.

At the same time, Inter Aide and **Tiavo**, the only **microfinance institution** present in the area, set up a partnership to offer credit services to grassroots organisations: **seasonal loans** and **storage loans** called VCG loans (Village Community Granary). This was a new activity for Tiavo, which only used to finance craftsmen and small retailers. In fact, this credit system was also new to all members of grassroots organisations (and it was also the first time this type of programme was implemented in this area of Madagascar). Inter Aide was in charge of choosing groups of farmers motivated by access to credit to continue with the intensification of rice production systems, and Tiavo provided recipients with information on the institution and its products, trained them on the credit mechanisms offered and trained employees of rural credit and savings unions in managing new types of operations.

Tiavo: Access to credit for grassroots organisations

Objective: Help members of grassroots organisations obtain individual loans to buy fertilisers.

Tiavo's seasonal loan

Contribution of the programme: security deposit of 10% of the amount of the loan, which Inter Aide limits to a maximum of Ar50,000 per member.

Contribution of the members of the grassroots organisation: joint-liability security (whatever the amount of the loan)⁴ and physical collateral.

Recipients pay off their loan to Tiavo at harvest time.

Tiavo's VCG loan

Members of grassroots organisations store paddy in a VCG (Village Community Granary) to secure the loan granted by Tiavo. When this paddy stock is put in the granary, the granary is sealed, and credit given at that moment is 60% of the estimated value of the stock at the moment when prices are highest. The loan should be paid off before the following harvest, and the stock placed in the granary will only be available again when the loan is paid off. (This restrictive method is now consistently used because in the past some organisations didn't repay their loans after destocking).

⁴ All members don't necessarily take a loan. Similarly, members who do take loans don't all take the same amounts. This makes it difficult to put in place a joint-liability security system in grassroots organisations because if a member who took a big loan can't pay it off, other members can find it hard to pay for him.

⁵ The present document does not capitalise on peer farmers' experiences, but we think that a study on this aspect is necessary (observing farmers' first activities and their efficiency, assessing their motivation and commitment to the members of their organisation).

Groups of interested farmers were either already formed or created for the occasion, but in any case all members had to have taken part in Inter Aide's technical extension activities. Our project team also followed up whether agricultural loans were used in the right way.

For both types of credit, Tiavo gave the money of all the loans of the members of each organisation to Inter Aide, who then delivered the credit directly to each grassroots organisation.

This possibility of obtaining agricultural loans through grassroots organisations was a strong incentive to the creation of such organisations. We noticed that the prospect of accessing credit to buy fertilisers was the major reason that motivated farmers to form grassroots organisations (much more than the idea of uniting around a peer farmer who made sure popularised techniques continued to be used). Many grassroots organisations were therefore created for this main reason within a short period of time (2005 and 2006), which produced what we later called an "overheating phase".

This enthusiasm made it difficult for Tiavo to deal with all the applications in time because of the constraints of farming schedules, and this affected the way planned farming activities were carried out. Some loans were granted very late and it was very hard for Tiavo to recover the first seasonal loans granted⁶.

In order to mitigate difficulties due to unforeseen delays in the release of loans, Inter Aide anticipated supplies (even when loans hadn't been granted yet). We did this to be in line with farming schedules and therefore meet the expectations of farmers. But there were so many applications that our project team found it difficult to follow up the applications of each grassroots organisation, so we anticipated supplies without necessarily taking into account whether applications had already been dealt with by Tiavo.

This type of agricultural financing was new to farmers, who were used to receiving money from politicians for vote-catching purposes, or from development actors who donate money on the only condition that farmers form poorly structured associations. This fact urged many peasants to join or form grassroots organisations not to address a technical need but just to obtain a new type of assistance (all the while limiting individual risks when taking seasonal loans, as these loans include a joint-liability security). Inter Aide provided a security deposit with a maximum limit, and a vast majority of recipients overestimated their repayment capacities when they asked for the maximum limit. Many grassroots organisations underestimated the consequences of missing payments, and the reconciliation process was slow and painful for many of them.

Tiavo's VCG credit system proved to be an interesting idea, but due to a lack of staff and funding, Tiavo wasn't able to meet the needs of grassroots organisations with small VCGs (less than 0.5ton of paddy per granary), which are usually scattered geographically. As a consequence, meetings between grassroots organisations and Tiavo staff sometimes failed, even when

⁶ For further information, see the following study: "Quelles perspectives d'appui pour le développement des exploitations agricoles dans le district de Mananjary - Etude particulière du partenariat entre l'ONG Inter Aide et l'IMF TIAVO et les groupements villageois" ("Prospects of support to the development of farms in Mananjary district - Study on the partnership between the NGO Inter Aide, the MFI TIAVO and villager groups". Elisa Fily and Jean-Charles Lhommet, CNEARC, Thesis. December 2006. Supervisor: Damien du Portal, Inter Aide. Thesis advisor: Betty Wampfler.

organisation members had formed their paddy stock suitably. This credit system was also quite discriminatory: farmers had to tie up a big amount of paddy (a difficult step for very vulnerable farmers, for whom food security is a priority) while paying off the loan by instalments even before the stock was unsealed. Paddy stock speculation therefore depended on farmers' ability to tie up stock and generate money to pay off the loan, so this credit system was mainly intended for non vulnerable farmers while Inter Aide's aim is in fact to help poorer families. Because of lack of communication, it seems that repayment terms weren't always clearly understood by farmers when they were granted the loans, which generated tension when grassroots organisations said they wanted to unseal the granaries in order to repay the loan. Inter Aide's agricultural project team had to act as a mediator between Tiavo and farmers, thanks to what Tiavo eventually agreed to let farmers access half of the tied up paddy stock before repaying the loan. But this flexibility wasn't enough to give a new impetus to Tiavo's VCG credit during the following campaigns.

A few years later, Tiavo tested out a new type of VCG credit (when agricultural prices were particularly high): flash VCG loans. In this new system, paddy stocks were put in "Tiavo shops" located in the main villages of the area. Farmers were in charge of the transport. A loan of 100% of the value of the paddy at the moment when the stock was made was immediately given to the farmers, with a monthly interest of 3.5% (instead of a loan amounting up to 60% of the value of the stock and a 3% monthly interest), because stocking the paddy in premises owned by Tiavo was considered safer. The paddy was sold by Tiavo (with the approval of the farmers) and if the amount of the sale was higher than the loan, the difference was directly paid to the farmers. This system may seem more interesting than the common VCG loan because peasants can access their paddy stock before they repay the loan. But Tiavo itself admits that it doesn't manage to deal with the paddy stocks due to lack of funds.

2.2. At Farmers' union level: coordinating pooled procurement

Inter Aide has promoted the creation of unions of grassroots organisations, in order to continue empowering farmers through a system of **pooled procurement** of inputs. The first farmers' unions were created in 2004. They deal with the orders and payments of grassroots organisation members and are then supplied by Inter Aide. Grassroots organisations pay farmers' unions either in cash, either in paddy –in which case unions also have to deal with the storage. Inter Aide's programme doesn't advance any money to farmers' unions but helps them build

A few lessons learnt from this first stage of structuring of grassroots organisations

Prerequisites to the setting up of grassroots organisations and how they affect results:

- **Farmers must share a strong common interest in accessing a service that will be useful to each member's farming activities.**
In the present case for instance, farmers' common interest is to continue rice intensification practices that require the use of mineral fertilisers.
- **Members need to know each other well.** It is important that members sharing a common interest live in the same area, but it is even more important that they **know each other well and get along well**. To make this possible, **grassroots organisations must have a limited number of members** in order to restrict access to opportunistic members. With regard to the social organisation of rural areas in the South-East of Madagascar, it has been noticed that grassroots organisations comprising more than 9 or 10 members nearly always include "free riders".
- **Activities must be adapted to farmers' organisations' socio-organisational level.** Capacity building and governance strengthening of such structures, however small they may be, should be carried out in a certain number of steps, and activities must be adapted to each of these stages. The pace of learning of structures must be respected in order to avoid overestimating results. This is why a maximum limit has been established for loans granted to inexperienced organisations, for instance.
- **Farmers' organisations but also field development officers of the programme must have access to quality training and information.** Many misunderstandings can otherwise arise, all the more so as grassroots organisations have been set up very recently. This is especially the case for training in credit management.
- **Constraints deriving from farming schedules must be taken into account.** If farmers receive their loans late, tangible technical problems arise when they plant their crops, which can limit the opportunity cost of the investment. Farmers can then feel dissatisfied, which can explain why they might not want to pay off the loan. Similarly, repayment schedules must be in line with harvest schedules.
- **The security deposit must be paid for by the farmers themselves** (partially or totally). If the entire amount of the deposit is provided by a third party opportunistic behaviours can arise.

Other lessons learnt:

- **VCG loans** are an interesting idea, but in Tiavo's system they are only reserved for farmers who can afford to tie up a stock of paddy: farmers have to pay off the loan without using the stock, so they must be able to generate money through another means in order to repay the loan. This is why VCG loans **discriminate against poorer farmers much more than seasonal loans**.
- The joint-liability security can lead to opportunistic behaviours if members don't share close relationships with each other.

storage facilities (with a 2 to 4 ton capacity). Members then have to pay another subscription to ensure the functioning of the farmers' union they belong to.

3. 2007-2010: Second stage of structuring: diversification of activities and capacity building

3.1. At Grassroots Organisation level

After the first stage of structuring, called "overheating phase", the programme team reviewed the implemented strategies (about a hundred grassroots organisations had been set up in Manakara district alone but only half of them were able to access loans, in the tough conditions described above).

Various grassroots organisations that had encountered repayment difficulties became aware of the importance of good governance within their structures. This helped forge stronger links between members who shared common interests and trusted each other. "Free riders" were expelled from the groups and remaining members dealt with possible defaults. When this didn't work, the organisation broke up.

Due to the difficulties that arose with the first wave of agricultural loans, the number of loan applications from grassroots organisations plummeted. For its part, Tiavo became more mistrustful and adopted a safer strategy based on profitability, with a more efficient follow-up of operations carried out. Much less applications were approved (end of the "overheating phase") and Tiavo started to privilege seasonal loans to farmers' unions, while granting drastically fewer loans to grassroots organisations. For VCG loans, Tiavo preferred storing the paddy in its own premises in main villages instead of letting unions take in charge the storage (at about 5km from main villages and often with difficult access when roads are in poor condition). However, this favours big producers over small farmers that belong to farmers' unions.

Lessons learnt from this first experience helped us understand that grassroots organisations needed to be trained to use agricultural loans correctly, which is why the programme team decided to support and assist grassroots organisations in drawing up their first loan applications (for one season only)⁷. To do so, we started to develop training tools specially designed for grassroots organisation members willing to request a loan (training sessions before and after the loan is granted). To provide this training and offer local socio-organisational support, Inter Aide hired social organisers to deal with the follow-up, training and organisational capacity building of members of grassroots organisations⁸.

⁷ Inter Aide also helps farmers become members of Tiavo by paying 50% of their membership share (as Tiavo has become a mutual insurance company).

⁸ As an example, you can find out more on the following page about the "bush taxi" method used since 2007 to raise awareness on grassroots organisations, a first step in organisational capacity building: interaide.org/pratiques/sites/default/files/511_mnj_taxi_brousse_form_gpt.pdf

As regards storage in VCGs, we considered that it remained a profitable and useful activity for farmers in the area, so the programme team decided to strengthen this system by:

- **raising awareness on the usefulness of storing paddy in VCGs** (besides the objective of obtaining a VCG loan): it gives members of organisations the possibility to speculate on prices and can also provide other advantages (members can borrow rice during tide-over periods at attractive interest rates for instance);
- **granting advances of inputs –with a maximum limit and guaranteed by stocks placed in VCGs–** to newly formed grassroots organisations that don't belong to a farmers' union: organisations are provided inputs that they can pay off with the money obtained when selling their stock at the moment when prices are highest (a few months after the harvest). This initial support is viewed as a first "VCG loan" experience for grassroots organisations that don't belong to a farmers' union yet, prompting them to continue with Tiavo (through farmers' unions).

But for the reasons mentioned above, very few grassroots organisations were able to access loans from Tiavo throughout the following years. And very few organisations that did manage to obtain loans submitted a second application. The system of storage in VCGs (independently or with Tiavo) did spread –either with direct support from the programme for newly formed organisations or through a partnership between dynamic organisations and farmers' unions– but it was only used by farmers who had the means to tie up stock. The lack of funds to buy inputs remained a major issue for grassroots organisations.

For lack of sustainable alternatives and in order to help farmers build capital to buy agricultural inputs, the programme invited grassroots organisations to develop new income-generating activities:

- cultivating **common plots of land**, with harvested crops belonging to the organisation as a whole;
- creating a system of **mutual assistance** among members (with subscription fees).

These activities helped grassroots organisation members and Inter Aide's programme team assess their ability to carry out activities together (key components for success: members must share common interests and know each other well).

3.2. At Farmers' union level

When the first activities were carried out during the first stage of the project, most farmers' unions faced many difficulties in their functioning. Our team of social organisers therefore provided support to all members of farmers' unions to help them understand and respond to these difficulties. Most organisational problems encountered were due to the fact that many grassroots organisations are located far from the "centre" of their farmers' union, but they could also be due to the lack of dynamism of some organisations or to the non-payment of subscriptions (all the more so when these organisations had been weakened during the first stage). One year after they are set up, farmers' unions often experience important changes (some grassroots organisations leave, others arrive,

some farmers' unions split into two smaller structures, etc.). The project team has encouraged this **restructuring** process and is willing to support farmers' unions in their organisational changes.

During the second stage of the project, Inter Aide also invited unions of grassroots organisations to extend their activities. The programme team suggested various options that went beyond the initial objective of organising pooled procurement for members: **common storage** (starting at the end of the first stage), **appointment of technicians in farmers' unions**, **establishment of contacts with other stakeholders from the farming sector**.

Common storage is aimed at facilitating the supply and eventually the pooled marketing of products. Farmers' unions were invited to start by building a storage facility before launching any activity, in order to:

- centralise the goods owned by each farmers' union (supplied and produced goods)
- provide greater exposure to buyers
- ensure transparency to members
- symbolise the existence of the farmers' union
- test members' motivation.

Building these facilities was also a necessary step to be granted **VCG loans from Tiavo** (these loans are now only granted to **farmers' unions**).

Farmers' union technicians are volunteers chosen among peer farmers of the farmers' union. The objective was to train these farmers' union technicians to revitalise peer farmer networks, which had been viewed as relatively inactive up to then (especially referring to written reports on what grassroots organisations achieved throughout each farming season –these reports are necessary to follow up the activities carried out but they were often missing). At first farmers' unions showed very little interest for this idea, because, contrary to what FAO did (see below), there wasn't a real project backed by an efficient technical follow-up to encourage peer farmers and union technicians to get involved⁹.

In 2008, in order to encourage pooled marketing, the programme raised awareness on the importance of assessing members' potential of production of various crops (short- and long-term potential) in order to improve contact with buyers. The idea of entrusting farmers' union technicians with this new task (setting up of small marketing projects) was put forward again. But farmers' unions didn't have time to consider this option immediately because at the same moment, in early 2009, a first **partnership** was signed between FAO and 17 farmers' unions. These farmers' unions were commissioned by FAO to produce 100 tons of rice seed. Union technicians were then approached and trained to carefully follow up the activities led by members taking part in this

⁹ It would be interesting to study in further detail the activities carried out by farmers' union technicians and their impacts (in the same way as for peer farmers).

propagation project. In the framework of this partnership, advances of inputs were provided to propagators and union technicians were paid for their work. This profitable project was an organisational challenge for farmers' unions, and Inter Aide encouraged the direct partnership between farmers' unions and FAO. Various unions were strengthened through this partnership¹⁰.

3.3. Assessment of the structuring of grassroots organizations

In 2009, Inter Aide commissioned an outside consultant, Haona Soa, to train the team of the institutional assessment project, and a method of assessment of the level of structuring of grassroots organisations and farmers' unions was set up. An initial assessment was carried out in 2010 and was to be repeated in 2011. This assessment covered four major aspects (evaluation grids of organisations and farmers' unions can be found at <http://interaide.org/pratiques/content/grille-diagnostique-et-de-suivi-des-organisations-paysannes-inter-aide-madagascar>): Capital and Finance, Activities and Services, Functioning of the association, Commitment to the Farmers' union (for grassroots organisations) or the Federation (for farmers' unions).

In late 2011, the evaluation grids of both districts were blended into one single grid so that results could be compiled together in the future. The only data currently available cannot be compiled, which is why results given in this section only cover the district of Manakara, where the majority of grassroots organisations and farmers' unions of the area are located (global trends are similar in the district of Mananjary). Various trends can be outlined by comparing the assessments of 2010 and 2011:

- the number of grassroots organisations and farmers' unions is decreasing;
- grassroots organisations' performances on each aspect have decreased by 20%;
- a far greater number of grassroots organisations have results below average for all four aspects (0A) (29 organisations in 2011 as against 6 in 2010);
- "3A" farmers' unions (with results above average for 3 of the 4 aspects) have dropped to a "2A" level (with results above average for 2 of the 4 aspects).

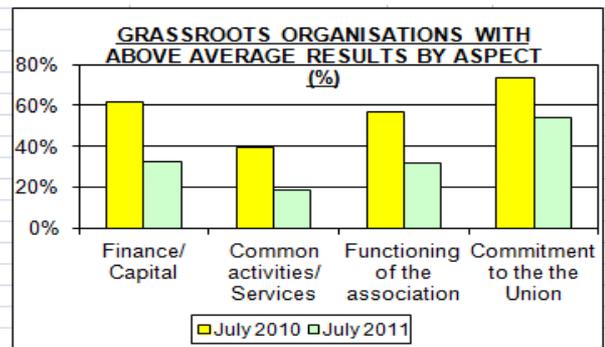
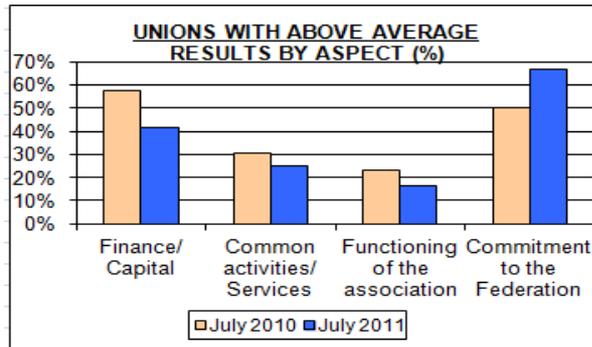
¹⁰ Here is a list of challenges that farmers' unions had to face and that ought to be studied in further detail: managing advances of seeds that are to be paid off after harvest time, choosing propagators among the members of the farmers' union, sharing the money obtained from the sales, ensuring a transparent management of activities, assessing the management capacity of union boards, setting up bipartite contracts (FAO and farmers' unions) –with Inter Aide carrying on its socio-organisational work. All these issues can reveal the strengths and weaknesses of each farmers' union. A first partnership experience between two farmers' unions and the PSA Tafita project (AFDI – French Farmers and International Development) was also led in 2005.

RESULTS OF THE EVALUATION OF UNIONS

	July 2010	July 2011
Total number of unions assessed:	26	24
	July 2010	July 2011
Finance/ Capital	58%	42%
Common activities/ Services	31%	25%
Functioning of the association	23%	17%
Commitment to the Federation	50%	67%

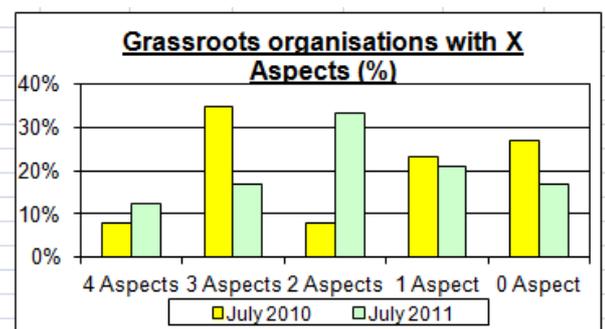
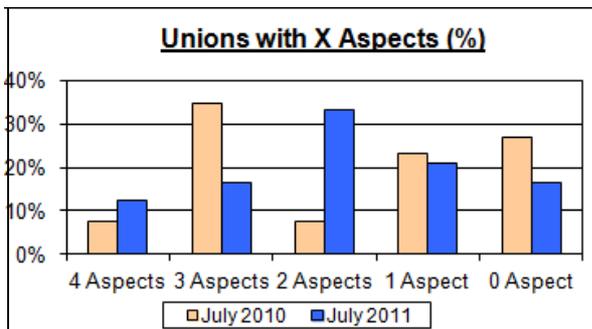
RESULTS OF THE EVALUATION OF ORGANISATIONS

	July 2010	July 2011
Total number of GOs assessed:	107	92
	July 2010	July 2011
Finance/ Capital	62%	33%
Common activities/ Services	39%	18%
Functioning of the association	57%	32%
Commitment to the the Union	74%	54%



	July 2010	July 2011
4 Aspects	8%	13%
3 Aspects	35%	17%
2 Aspects	8%	33%
1 Aspect	23%	21%
0 Aspect	27%	17%

	July 2010	July 2011
4 Aspects	23%	7%
3 Aspects	22%	15%
2 Aspects	22%	18%
1 Aspect	26%	28%
0 Aspect	6%	32%



Results of evaluations of grassroots organisations and farmers' unions of Manakara in 2009 and 2010.

These results reveal that many farmers' unions and grassroots organisations had weaker performances after functioning autonomously during a period of time¹¹. In 2011, some organisations and farmers' unions decided to stop working with Inter Aide and the newly created Federation (around 25% of grassroots organisations). This brought about many problems and challenged the sustainability of the organisational skills gained up to date. However, many unions were strongly strengthened, with better achievements and a good integration into the federation. So the total number of members decreased, but truly motivated farmers that had learnt lessons from earlier projects (see section 2: Exemplification) formed a more united block. Therefore, 30% of farmers' unions still had good performances (3A and 4A unions) and remained active when Inter Aide temporarily suspended its support. **Not surprisingly, the unions that performed well were those**

¹¹ The program temporarily suspended its support during one farming season (the 2010 off-season).

with the best governance practices and with enough capital to run without outside financial support.

2nd stage: lessons learnt for the structuring of farmers' organisations

The three main pillars of a successful structuring process:

- Enough **capital** to facilitate the supply of inputs to members: thanks to initial endowments, some Unions have substantial funds that yield profits (profit margins) and make it possible to set up an independent credit system. These funds come from donations granted by outside structures, and are paid off by recipient members (this happened in various farmers' unions after they worked with FAO). On the contrary, capitalisation through the setting up of small common income-generating activities in grassroots organisations is a mid- to long-term strategy that requires lasting efforts before it yields any profits. This can sap members' enthusiasm and therefore make them feel less involved.
- **A long-term organisational support** to managers and other members, because even when they had newly secured funds, many farmers' unions had a weaker activity due to the absence of the field team during the 2010 off-season (union members need support to take initiatives, define objectives, etc.).
- **Good governance**, in grassroots organisations as well as in farmers' unions. This is directly linked to many factors described in the first stage. Good governance is partly contingent upon the training provided to members, the geographical and personal proximity between members and between organisations, the legitimacy of leaders, the past experience of governance, etc. In other words, a good balance between nature and nurture is needed.

Activities	2003	2004	2005	2006	2007	2008	2009	2010		
Grassroots organisations (GOs)	Objectives and propitious conditions	Objective of GOs: strengthen and ensure the long-term viability of technical skills gained by farmers Conditions: organisations must unite around a peer farmer and take loans to secure their supply of fertilisers			Objective of GOs: strengthen and ensure the long-term viability of technical skills gained by farmers Conditions: organizations must diversify their activities (because it is difficult to obtain loans from Tiavo) and take into account the importance of harmony within the group to ensure the success of collective actions					
	Peer farmers	Activity: train farmers in calculation of surface areas, measurement of inputs, technical basis of Systems of Rice Intensification (ASRI and SRI) Intermediaries for the dissemination of new flagship crops in GOs (basket compost, sweet potatoes, etc.) Objective: ensure technical monitoring in areas where program technicians aren't present any more								
	Seasonal loan with the MFI Tiavo		Activity: help GOs access seasonal loans thanks to an agreement with Tiavo. GOs provide joint-liability security and IA gives Manakara a 10% security (with a maximum limit of Ar50,000 a year)			Tiavo becomes a mutual insurance company Grassroots organizations provide joint-liability security and half of the variable membership share (5% of the loan for a maximum loan of Ar240,000) and IA provides the other half, except for the first loan (in which case IA pays 100% of the share).				
	Training in the VCG system and construction of premises	Activity: raise awareness of speculation methods and their advantages and support the construction of premises with local methods Objective: facilitate access to Tiavo VCG loans and test the stability of groups				Same activity Objective: test the stability of groups, launch a speculation mechanism (not necessarily combined with a loan) or other income-generating activities for members (low-interest loans of rice to members)				
	VCG loan with the MFI Tiavo		Activity: help GOs access VCG loans (security = stock placed in each GO's VCG, that can only be accessed after loans are paid off – with more flexibility since 2005)			One alternative proposed is the Flash VCG (storage in one of Tiavo's warehouses)				
	VCG loan (with Inter Aide's programme)					Activity: only during one season for new GOs; direct supply of inputs by IA –repayment when the paddy is destocked Objective: prepare/raise awareness of credit and loans				
	Common plot of land						Activity: help GOs put in place income-generating activities Objectives: build capital and test the stability of groups at a reduced cost (mutual assistance)			
	Mutual support									
Supply of inputs		Activity : provide inputs with money from loans or payment in cash			Manakara: only for new GOs through Inter Aide's VCG loan or when farmers start cultivating crops together Manajary: for all GOs, but with cash payment only for GOs that haven't obtained a loan from Tiavo					
Farmers' unions	Objectives and propitious conditions		Activity: ensure pooled procurement for member GOs			Activity: help farmers' unions restructure, in addition to ensuring pooled procurement and common storage				
	Place of storage					Objectives: centralise production, ensure transparency, symbolise the farmers' union, test the group's cohesion				
	VCG loan with the MFI Tiavo					Activity: help Unions access VCG loans (security = stock placed in each union's VCG) = centralise stocks of grassroots organisations (more than 2 tons in each granary)				
	Union technician					Activity: supervise peer farmers (in Manakara only)		Partnership technician		
	Partnership				PSA Tafita		Tiavo		FAO	PARECAM

Activities carried out by Inter Aide's agricultural programme (in the Vatovavy Fitovinany area) for the structuring of the Fagnimbogna farmers' organisation

SECTION 2: Example

Example of the Miray Hina Union, in Mavorano village

The Miray Hina farmers' union was set up in 2006 and was assessed in 2010 as the best Fagnimbogna union, due to its maturity and dynamism (with a result of 81% according to the evaluation grid presented in the above section).

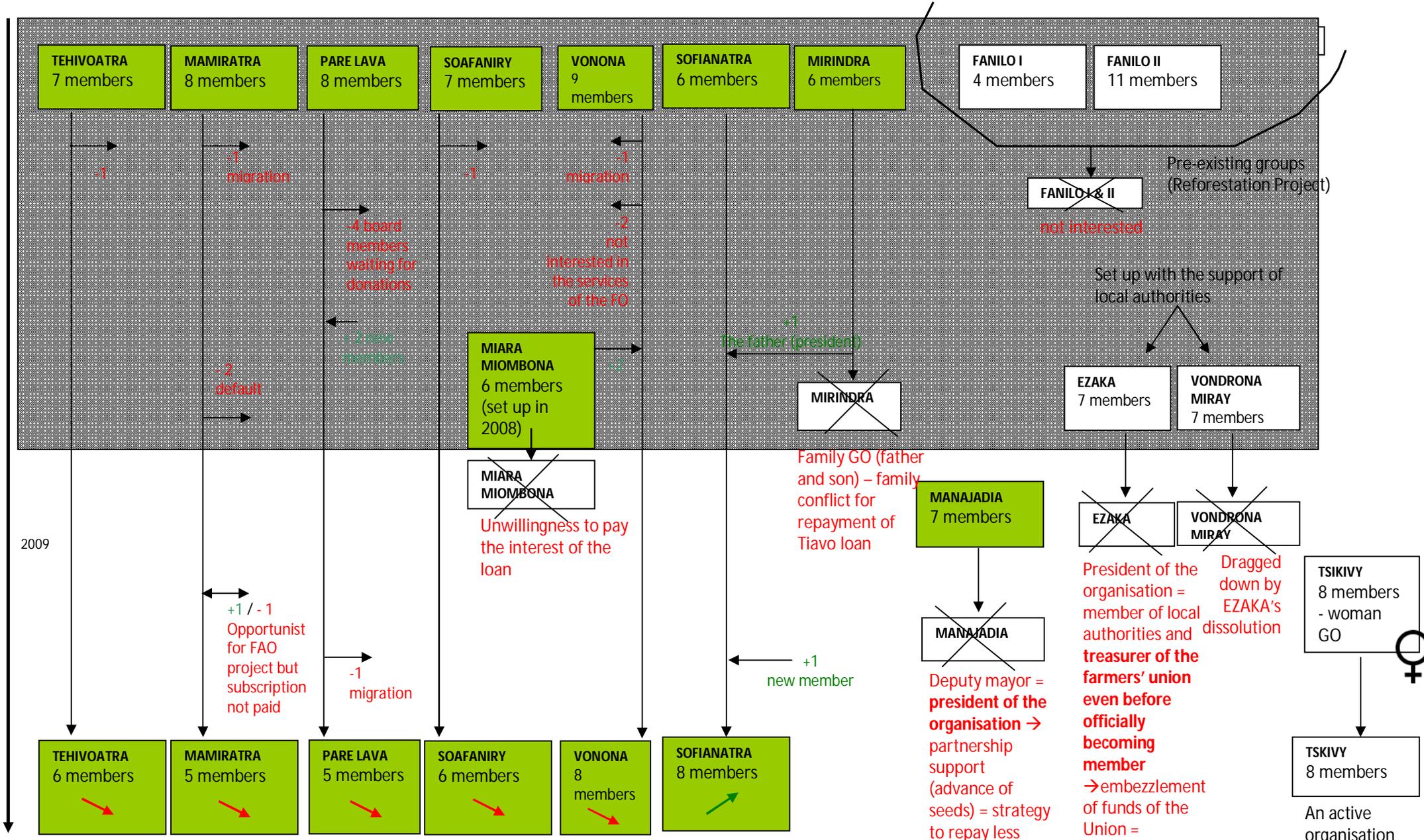
The chart on page 19 was drawn up on the basis of descriptions made by members of the union. It shows how the number of individuals and grassroots organisations in the farmers' union changed over time and why:

- **When it was set up, the Union comprised 7 grassroots organisations (51 members)**
- 8 members of grassroots organisations that still belong to the union have left, because they weren't interested in accessing inputs or because they weren't willing to pay off the advances or pay interests.
- One grassroots organisation experienced unexpected difficulties to pay off a loan granted by Tiavo. Only the president of the organisation seemed truly interested in accessing chemical fertilisers, so the organisation died out and its president was integrated into another organisation of the union.
- Another grassroots organisation was then created, but it was soon dissolved once its members understood better the repayment terms of Tiavo's loans.
- The union had to face governance challenges for a certain time: on two occasions, local authorities arrogated to themselves key roles in some grassroots organisations –an opportunistic strategy to embezzle funds or inputs.
- A few members left the organisations they belonged to because they migrated to other regions of Madagascar (for more than a year).
- **Now the Union is made up of 6 grassroots organisations (38 members)**

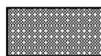
Members of the union also benefit from regular training sessions on socio-organisation aspects (accounting techniques, association management, how to lead a meeting, roles and duties of board members, etc.). This has had a positive impact on the operation of the union and some of the key posts are now occupied by different people, which is a proof of greater legitimacy:

- The president of the Union was replaced by someone else in 2008 because he didn't give any feedback on meetings he attended outside the village (opaque management),
- The treasurer was also replaced due to his opportunistic behaviour (even though he was a member of the local political authorities).

The union gradually became smaller: members that stayed were truly interested in the proposed service. They now pay more attention to the profiles of new farmers willing to join the group, in order to avoid integrating any "free riders". This decrease in the number of members seems to show the union has reached a certain maturity. Moreover, the grassroots organisations that form the union are now very active and attach great importance to equality (fair rules).



 Grassroots organisations (GOs) that belong to the Union (according to the Union)

 GOs that the project team considered as members of the Union in 2008

not interested

Set up with the support of local authorities

Family GO (father and son) – family conflict for repayment of Tiavo loan

Deputy mayor = president of the organisation → partnership support (advance of seeds) = strategy to repay less

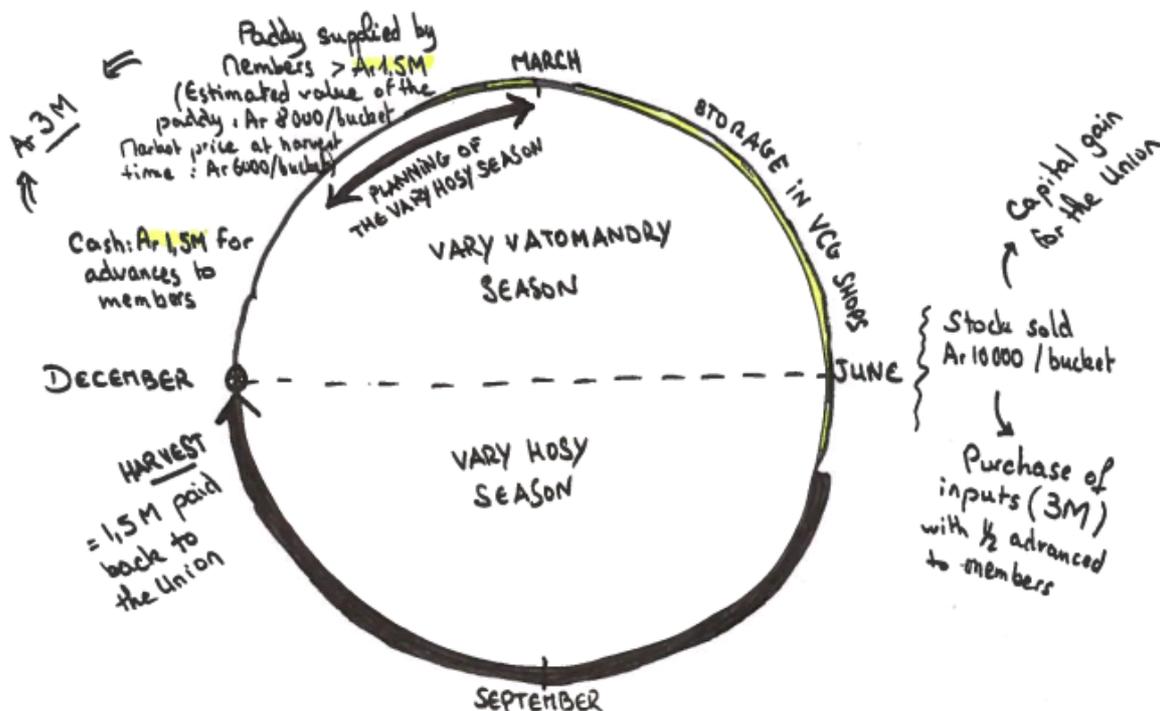
President of the organisation = member of local authorities and treasurer of the farmers' union even before officially becoming member → embezzlement of funds of the Union = members led by the president

Dragged down by EZAKA's dissolution

An active organisation but not accepted within the Farmers' union (different activities)

In 2010, the Union had an Ar1.5M capital, which enabled it to have its own independent credit system:

Example : the 2010 Vary Hosity



Farmers only use fertilisers in their rice fields during the *vary hosity* farming season. After the harvest (in December), union members ask for the amount of fertilisers they will need for the following *vary hosity* season. They have to give the union half of the value in paddy (the estimated value of the paddy is higher than that of the market at the same period), and the union advances the other half. The union reviews all applications and decides what amount should be given to each member. The paddy of members belongs to the union and is stocked in order to increase in value. It is sold when prices are highest and the capital gain goes to the union. With the money from the sales and the union's capital, fertilisers are bought and given to members. This advance is paid off after the harvest.

These reserves were built thanks to **donations of fertilisers** (from FAO and the government). The Union had its members pay off the fertilisers in order to build an initial capital and put in place the credit system. It then appeared necessary that the union made sure it increased or at least maintained these reserves thanks to capital gain or income-generating activities. But the union recently made a number of investments (including an extension of its VCG and a renovation of the sheet metal roof funded to the extent of 50% by the programme): this has led to a decrease of reserves, and no recapitalisation is planned in the short term. In addition, it appears that members' needs aren't totally fulfilled. Indeed, the union will only be able to provide 50 to 75% of the requested amounts of fertiliser for the next season, and many farmers claim they would be able to extend rice intensification activities to a larger surface if they didn't have to provide half of the inputs.

Conclusion

A certain number of conditions must be met for farmers' organisations to operate successfully; here are those we identified in the framework of our programme of support to grassroots organisations and unions of the Vatovavy-Fitovinany area in Madagascar¹²:

- members must share a strong common interest in accessing a service that is useful to their farming activities
- groups must have the means and the ability to build an initial capital that will enable them to quickly provide the expected service (in order to avoid the risk of losing farmers' involvement)
- members must have a close relationship with each other. The fact that some members leave must be viewed as a sign of the group's maturity rather than an alarming sign
- members must be well-informed and well trained –especially in credit mechanisms, but more generally in all activities
- groups must be supervised and coached on a long-term basis and proposed activities must be adapted to their socio organisational level
- groups must put in place good governance practices
- constraints linked to farming schedules must be taken into account and complied with by all stakeholders.

This work also brings about some avenues for further study. For example, do motivated and confident farmers that are interested in the proposed service and have ongoing involvement in the organisation belong to a specific socio-economic group? After interviewing a number of farmers, we came to the conclusion that this wasn't really the case. Poorer farmers usually have small plots of land and are not interested in or able to start rice intensification activities, but there are as many "intermediate" farmers than food-secure farmers that seem to find an interest in joining farmers' organisations.

However, after meeting very vulnerable farmers (who have very few irrigated rice fields) in grassroots organisations of Mananjary, we understood that it can be difficult to identify who really benefits from the system, because there are sometimes great disparities of profits between members – even though all of them provide the same efforts. This seems to happen quite often when a farmers' organisation overlaps with a production community in which members have close production relationships among themselves (sharing of manpower, seeds, payment in kind, etc.). These organisations are generally family-oriented groups that don't seem very dynamic. So beyond the fact of "sharing a common interest", the real question is around the link that can be made between the "dynamism of grassroots organisations", the "uniformity of profits of member farmers" and the fact of

¹² Some activities aren't addressed in the present document: women's groups, exchange visits, seed producers, farmers in charge of fertilisers, supply bases and retail stores, etc.

“depending from/belonging to a production community”. If this is the case, should we support the emergence of other types of farmers’ organisations with other criteria and other common interests¹³?

In late 2010 was officially set up the Fagnimbogna Federation, which should be the subject of a future note. The Fagnimbogna Federation was officially set up to deal with the following tasks:

- ease relations between farmers’ unions,
- promote dissemination of information to members,
- support farmers’ unions that experience difficulties or lack dynamism,
- share experiences on technical, organisational and associative issues,
- put member unions in contact with public and private technical and financial partners, and promote lasting partnerships between them,
- link Fagnimbogna to other national umbrella farmers’ organisations.

At the end of 2010, 28 farmers’ unions out of a total of 33 were members of the federation.

The weaker performance of organisations during the 2010 off-season shows that it remains necessary to support these groups, all the while taking into account lessons learnt all along the experience. In 2011, Inter Aide extended its activities with farmers’ organisations to agroforestry, by setting up nurseries managed by unions. Organisational support should be provided to each grassroots organisation or farmers’ union on their identified weaknesses. Finally, knowing that many farmers’ organisations encounter difficulties in accessing services from Tiavo, we have started to reflect on new solutions to facilitate access to productive capital.

¹³ In this respect, in 2011 were created the first seed conservation groups, which only count recipients that live in great poverty and for whom access to seeds at sowing time may be difficult and therefore have serious consequences on production. These groups can be viewed as a type of farmers’ organization that meets the specific needs of a given social group (in the same way, speculation usually concerns wealthier families).