DO MARKET-ORIENTED RURAL PRODUCER ORGANIZATIONS IMPROVE LIVING CONDITIONS FOR POOR HOUSEHOLDS IN BURKINA FASO?

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By

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ABSTRACT

Based on the results of a survey conducted by the International Food Policy Research Institute (IFPRI) in 2003, this thesis seeks to assess the impact of market-oriented RPOs (MOs) on the living conditions of small-scale farmers in the cotton producing areas of Burkina Faso. After controlling for a number of influences such as village size, household size, remittances, household education level, distance from market, household head gender, village accessibility during rainy season, existence of a local market, etc., the evaluation finds that RPO membership increases poor household living index by 17% and suggests that if funded and well managed, MOs are effective development tools that can benefit the largest number of Burkinabe people (90%) who live in rural areas and subsist on agriculture and agricultural-related activities.
ACKNOWLEDGMENTS

Writing a thesis is a concrete experience in building “collaborative power”. The time, advice, labor and care of many people are concealed in and throughout these pages. First, I am grateful for the challenge and guidance of my advisor, Professor Martin Staab. I also express my gratitude to staff and faculty members whose friendship and courses I have enjoyed very much. I make special mention of Kerry Pace, William Gormley, James Habyarimana, and Luis Brunstein who were supportive to my studies in so many ways. Next, I express my sincere gratitude to the Jesuit Conference in the United States for the care, friendship and support given to my studies at Georgetown University. Last but not least, I express, in special ways, my heartfelt thanks and appreciations to my parents, friends and relatives in Burkina Faso and in Sub-Saharan Africa whose daily experiences and hopes for empowerment have inspired this paper. They deserve my sincere gratitude and honor.
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ACRONYMS

RPOs/POs…………………………Rural Producer Organizations/Producer Organizations

COs…………………………….Community-Oriented RPOs

FAs…………………………….Facilitating Agencies

MOs…………………………….Market-Oriented RPOs

CDD…………………………….Community-Driven Development

PNDSA II……………………….Programme National des Services Agricoles, Phase II / National Agricultural Services Development

GDP…………………………….Gross Domestic Product

SSA…………………………….Sub-Saharan Africa

SSPs…………………………….Small-Scale Producers
I. INTRODUCTION

*Nūug yend ka wuuked zoom ye* is a local saying in Burkina Faso. The literal translation of this aphorism, “a single hand cannot gather the flour,” reflects the socio-economic conditions of a rural area. Three major communal challenges can be identified within this maxim, all that confront the farming community of Burkina Faso: deficient capital, reduced capacity, and the struggle for human fulfillment.

The notion of a “single hand” is an expression for the deficient capital facing most farming households in Burkina Faso. Handwork, as is well known, is the main means of economic productivity in rural areas of developing countries. Because farmers there cannot afford modern technologies, they need many hands in order to be economically productive. We therefore understand why farming families tend to produce many children and why they value strong community bonds on which they can rely in times of need.

Another challenge confronting farmers in Burkina Faso is reduced capacity, translated by the maxim’s verb “can/cannot”. Various factors such as lack of infrastructure, low income, lack of education, poor health conditions and cultural constraints, all participate in limiting human capabilities in a village. Limited human capacity also decreases the ability for developing and sustaining happiness. The aphorism uses the notion of “flour” as a symbol of human fulfillment and indicates that a community is necessary to acquire fulfillment.

From this proverb, we understand that poverty is a multidimensional phenomenon. The rural poor have little access to economic resources. They also have limited influence in the
public decision making processes. In Africa where government is centralized in the cities, the rural poor struggle for the agency to make their voices heard. To lift themselves out of poverty, the poor need to more effectively manage their own assets, to gain access to services, and have a more effective input in the decision-making processes that affect their lives.¹

From the lessons within the maxim, we might be compelled to ask: How could development be promoted in the rural areas of Burkina Faso where ninety percent of the people live and subsist on agriculture (or agricultural-related) activities?

In a context of scarce resources, where households rely on the support of the community to survive, how could individual farmers take advantage of the social capital offered by the group without becoming victims of the pressure of traditions, which are community-oriented by nature, and tend to create disincentives for income generating activities?

In the 1990s, Burkina Faso liberalized its agricultural markets, by decontrolling agricultural prices. Agricultural producers are now subject to supply and demand at home and to competition from abroad. Against this background, many have supported the development of Rural Producer Organizations (RPOs) as a way to help small-scale rural farmers manage their scarce resources more efficiently and to access, compete in, and influence local and regional markets. RPOs have been presented as a solution to the numerous problems confronting small-scale farmers. However, no empirical evidence is available to support this assumption.

Based on the results of a survey conducted by the International Food Policy Research Institute (IFPRI) in 2003, this thesis will assess the impact of RPOs on the living conditions of small-scale farmers in Burkina Faso. After controlling for a number of influences, such as household size, average education level, size of farm and remittances received, this thesis evaluates the impact of RPO membership on a household's standard of living. In addition to seeking to answer the question whether RPOs improve the living conditions for small-scale farmers, as is often assumed, this thesis also addresses the issue of how to make RPOs more effective as well as how to extend membership to the poorest segments of the rural population, should this prove desirable.
II: RPOs IN THE LITERATURE

While there are no in depth studies of the impact of RPOs in Burkina Faso, several authors have attempted to make these assessments in the much broader context of Africa as a whole. This literature presents conflicting views on the nature, goals and impact of RPOs on rural development in Sub-Saharan Africa. Among the authors who hold a positive view on RPOs, Narayan, Weenink and Heemskerk (2006) claim that producers’ organizations play an important role in improving and expanding farmers’ access to markets and social services. For them, the numerous benefits that RPOs offer include: (a) helping to coordinate the activities of farmers; (b) providing marketing and/or advocacy services; and (c) investing in capital-intensive infrastructure and processing equipment. In sum, they argue, RPOs contribute to improving the lives of their members through increased economic security, wealth and influence. (World Bank, 1990).

In contrast to this positive view, authors like Penrose-Buckley (2006), Collion and Rondot (2001) warn development practitioners against placing too much confidence in the RPO’s capacity to help small-scale producers. The capacity of RPOs to take advantage of market opportunities, they maintain, is heavily constrained by factors such as: (a) a lack of capital, assets, skills, and information to compete in buyer-driven markets; (b) high business costs in relation to their small size and their business; (c) limited access to affordable and reliable services necessary to raise productivity and improve quality; (d) weak bargaining power in local and global markets controlled by buyers; and (e) a limited influence on local, national, and global policies and government practices that affect the markets they depend on for their livelihoods. Last but not least, the critics maintain that due to transparency and governance
issues (elections, decision-making, and accountability), RPOs may not always be effective in a village setting where age, gender and social prestige often influence the decision-making process. This thesis, through its empirical research, is aimed at providing a greater understanding of these issues in the context of a specific African country--Burkina Faso.

III: BURKINA FASO AND RPOs

Burkina Faso

Landlocked between Mali, Niger, Ghana, Ivory Coast, Togo and Benin, Burkina Faso is a comparatively small (274,000 km²) country of West Africa. Its main socioeconomic and political indicators – summarized in Table 1 below -- present a country that is under “stress.”
Table 1: Socioeconomic and Political Indicators of Burkina Faso

<table>
<thead>
<tr>
<th>Economic “stress”</th>
<th>Social “Stress”</th>
<th>Political “Tension”</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>GNI/capita</td>
<td></td>
</tr>
<tr>
<td>$17.8 bil.</td>
<td>$17.8 bil.</td>
<td></td>
</tr>
<tr>
<td>$480</td>
<td>$480</td>
<td></td>
</tr>
<tr>
<td>Population</td>
<td>Population</td>
<td></td>
</tr>
<tr>
<td>…Growth</td>
<td>…Growth</td>
<td></td>
</tr>
<tr>
<td>3.103%</td>
<td>3.103%</td>
<td></td>
</tr>
<tr>
<td>15 million</td>
<td>15 million</td>
<td></td>
</tr>
<tr>
<td>57.5/km²</td>
<td>57.5/km²</td>
<td></td>
</tr>
<tr>
<td>Ethnic groups</td>
<td>Ethnic groups</td>
<td></td>
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<tr>
<td>60 ethnic groups</td>
<td>60 ethnic groups</td>
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<tr>
<td>varying groups</td>
<td>varying groups</td>
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</tr>
<tr>
<td>cultures &amp; languages</td>
<td>cultures &amp; languages</td>
<td></td>
</tr>
<tr>
<td>Exports</td>
<td>Exports</td>
<td></td>
</tr>
<tr>
<td>Life expectancy</td>
<td>Life expectancy</td>
<td></td>
</tr>
<tr>
<td>Infant mortality</td>
<td>Infant mortality</td>
<td></td>
</tr>
<tr>
<td>54/ yrs</td>
<td>54/ yrs</td>
<td></td>
</tr>
<tr>
<td>84.5/1000</td>
<td>84.5/1000</td>
<td></td>
</tr>
<tr>
<td>Religion</td>
<td>Religion</td>
<td></td>
</tr>
<tr>
<td>Muslim (50%)</td>
<td>Muslim (50%)</td>
<td></td>
</tr>
<tr>
<td>Indigenous (40%)</td>
<td>Indigenous (40%)</td>
<td></td>
</tr>
<tr>
<td>Christian (10%)</td>
<td>Christian (10%)</td>
<td></td>
</tr>
<tr>
<td>Imports</td>
<td>Imports</td>
<td></td>
</tr>
<tr>
<td>Age structure</td>
<td>Age structure</td>
<td></td>
</tr>
<tr>
<td>0-14: 46.2%</td>
<td>0-14: 46.2%</td>
<td></td>
</tr>
<tr>
<td>15-64: 51.3%</td>
<td>15-64: 51.3%</td>
<td></td>
</tr>
<tr>
<td>[65+]: 2.5%</td>
<td>[65+]: 2.5%</td>
<td></td>
</tr>
<tr>
<td>Gini coefficient</td>
<td>Gini coefficient</td>
<td></td>
</tr>
<tr>
<td>39.6</td>
<td>39.6</td>
<td></td>
</tr>
<tr>
<td>Current Account</td>
<td>Current Account</td>
<td></td>
</tr>
<tr>
<td>balance</td>
<td>balance</td>
<td></td>
</tr>
<tr>
<td>Unemployment rate</td>
<td>Unemployment rate</td>
<td></td>
</tr>
<tr>
<td>% of population</td>
<td>% of population</td>
<td></td>
</tr>
<tr>
<td>living on &lt;$2/day</td>
<td>living on &lt;$2/day</td>
<td></td>
</tr>
<tr>
<td>46.4% (2004)</td>
<td>46.4% (2004)</td>
<td></td>
</tr>
</tbody>
</table>


Burkina Faso is endowed with few natural resources and has a weak industrial base. 90% of its fifteen million people subsist on agriculture and agricultural-related activities. Cotton is the main cash crop and the government has joined with three other cotton producing countries in the region--Mali, Niger, and Chad--to lobby the World Trade Organization for fewer subsidies to producers in other competing countries.² In 2005, income per capita was estimated at $430, much lower than the $590 average for low income countries. Ranked among the poorest

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countries in the world, Burkina Faso depends heavily on foreign aid, which is estimated at 10% of GDP and accounts for 80% of public investments.

In recent years however, the Burkina Faso economy began to show signs of life. Between 2000 and 2006, economic growth has been sustained at an average annual rate of 6%, which contributed to a reduction in poverty from 43.2% (2003) to 42.1% (2006). This period was also marked by large investments in the social sectors, mainly health and education. But the economy has slowed since 2007 following the sharp increases in food and energy prices to which the economy of Burkina Faso is highly vulnerable. The persistence of these price hikes, coupled with the recent financial crisis and the ongoing political crisis in neighboring Ivory Coast—where millions of Burkinabe work and send remittances home -- resulted in a 3% increase in the incidence of poverty in 2008, bringing poverty rates back to 2003-04 levels.\(^3\)

Social “stress” in Burkina Faso is associated with the high density of its population (57.3/km\(^2\)), a population characterized by high infant mortality rates (84.5/1000), a considerable proportion of young people (51.3%), who are uneducated (77.7%), unemployed (77%) and contributing to the high percentages of citizens living below the poverty line at the present time (46.4%).

Politically, Burkina Faso enjoys some degree of tranquility in comparison to its neighbors. Multiparty elections were held in 1995, 2000, and 2006. Balloting was considered

largely free and fair in all elections despite minor irregularities. However, the ruling party's dominance for the past 23 years means that the political playing field is not entirely even. Also, recent killings of political opponents and the involvement of Burkina Faso in the political crises of neighboring countries, contribute to political tensions.⁴

**Rural Producer Organizations (RPOs)**

RPOs take on various forms and operate at different levels in Burkina Faso. In all rural societies, traditional forms of organization exist with an inward-oriented or “bonding” function to facilitate collective actions, mitigate the uncertainties of agricultural production, and regulate relations within the groups.⁵ In contrast, formal RPOs are often created to play a “bridging” function between the concerned group and the outside world. RPOs are membership organizations that seek to provide services to their members.⁶ They perform advocacy or policy functions (as syndicates or unions), economic and technical functions (as cooperatives or associations) and sometimes local development functions--especially when decentralization has yet to take place and local governments do not exist.

Three main features differentiate RPOs from traditional organizations: First, RPOs are rural businesses. To be sustainable, RPOs have to provide tangible benefits to their members and cover their costs from business income. This requirement immediately sets them apart from many other types of rural organization. Unlike village or community-based organizations, RPOs are not primarily a means of channeling resources to a community or of mobilizing community

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⁴ [http://www.state.gov/r/pa/ei/bgn/2834.htm#political](http://www.state.gov/r/pa/ei/bgn/2834.htm#political)
⁶ Small-scale producers in general.
activities. Instead, they are businesses that aim to provide business-oriented services to their members in returns for profit. This does not mean that they cannot receive financial support in the form of grants or interest-free loans. But in the long term, RPOs need to become financially sustainable, just like any other business. This also does not mean that RPOs cannot pursue social objectives. Many of them do. If an RPO is to succeed however, it cannot be led by social objectives even if social objectives provide the main motivation for the organization. If social objectives are placed before business priorities, the business is likely to fail and no one will receive either economic or social benefit.\(^7\) Second, RPOs are producer-owned and producer-controlled organizations unlike traditional organizations. They are owned and controlled by their members--mostly small-scale producers. They are immune to the influence of external agents such as governments or private organizations. Lastly, RPOs are collective marketing organizations marketing their members’ produce and/or supplying inputs to those members.

For these reasons, RPOs are considered essential partners by development agencies in Africa which frequently rely on them to implement their programs. This is particularly the case for the new wave of community-driven development (CDD) programs based on the principles of decentralization and local participation.\(^8\) Their contributions to development have been recognized in numerous studies on the role of social capital in growth, poverty reduction, and resource management.\(^9\)

RPOs are increasingly important in West Africa where agriculture is mainly smallholder-based. They emerged in the 1960s when governments promoted cooperatives to enforce production quotas for cash crops and to distribute subsidized credit and inputs. With economic and political liberalization in the 1980s, producers started to develop more autonomous organizations as an alternative to the state-controlled cooperatives. These organizations multiplied rapidly, following the withdrawal of the state from the agricultural sector after the debt crisis and the ensuing structural adjustment programs. Today, RPOs are present in a large number of West African villages, where they serve as a major interface between the village community, the market, and the state. National federations in Senegal and in Mali for instance function as interlocutors in policy formulation. It is therefore important to ask how effective RPOs are and what can be done to enhance their performance.

As noted above, RPOs comprise a fairly diverse set of organizations. To recognize this, the literature distinguishes between two types of organizations: “market-oriented organizations” (MOs) and “community-oriented organizations” (COs) based on the activities undertaken by these organizations. Tanguy Bernard et al. define MOs as organizations that support the income generating activities of their members. Those activities include processing and marketing, livestock breeding and animal husbandry, horticulture and irrigated crop production, and cotton production. By contrast, COs are organizations that only provide club goods or local public goods. Their activities include cultivation of collective fields, casual labor exchanges, maintenance of cereal banks, village upkeep and management of the environment, potable water

10 Collion and Rondot, 1998.
11 Mercoiret et al., 2006.
management and other community-oriented activities. Table 2 summarizes the activities performed by RPOs in the villages of Burkina Faso.

Table 2: Functions of RPOs in Burkina Faso
(% of All Activities)

<table>
<thead>
<tr>
<th>Community-Oriented Activities</th>
<th>Market Oriented Activities</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activity</td>
<td>Percentage</td>
<td>Activity</td>
</tr>
<tr>
<td>Literacy</td>
<td>4.29</td>
<td>Beekeeping</td>
</tr>
<tr>
<td>Animation</td>
<td>2.54</td>
<td>Handicraft</td>
</tr>
<tr>
<td>Cereal bank</td>
<td>2.33</td>
<td>Aviculture</td>
</tr>
<tr>
<td>Collective field</td>
<td>33.87</td>
<td>Commerce</td>
</tr>
<tr>
<td>Training</td>
<td>2.98</td>
<td>Livestock</td>
</tr>
<tr>
<td>Water managmt</td>
<td>1.02</td>
<td>breeding</td>
</tr>
<tr>
<td>Casual labor</td>
<td>2.83</td>
<td>Gardening</td>
</tr>
<tr>
<td>Environment</td>
<td>6.54</td>
<td>Fish trade</td>
</tr>
<tr>
<td>Sport</td>
<td>0.15</td>
<td>Fishing</td>
</tr>
<tr>
<td>Tontines</td>
<td>0.15</td>
<td>Irrigation</td>
</tr>
<tr>
<td>Stone bunds</td>
<td>3.56</td>
<td>Procs. Cotton</td>
</tr>
<tr>
<td>Microcredit</td>
<td>0.58</td>
<td>horticulture</td>
</tr>
</tbody>
</table>

**Total** | **60.84** | **30.86** | **8.3**


Clearly the majority of RPOs in Burkina Faso are community-oriented (60.84%). Among the market-oriented organizations, those dealing with cotton-related activities (8.07%) are predominant followed by organizations that deal with commerce (7.7%), and livestock breeding (4.22%).
Since the early 1980s, RPOs have expanded rapidly in Burkina. In 2002, 91% of the villages surveyed had at least one RPO compared to only 22% in 1982.\textsuperscript{13} While both MOs and COs grew rapidly over this period, (56\%) and (70\%) respectively, the growth rate of MOs was clearly much higher. Also notable is a sharp rise, since the mid-1990’s, in the number of villages (41\%) in which both MOs and COs operated. This percentage suggests increasing complementarities between the two types of organizations over time. Household participation in RPOs was also remarkably high: 62\% in 2002.\textsuperscript{14}

The existence of two types of RPOs responds to different economic needs, but also to different social constraints. In Burkina Faso, MOs are more present in the West while COs are located in the Center North (See figure 1). The West is the most fertile region in the country and its high rainfall level enables the cultivation of demanding crops such as cotton, maize, rice, fruits, and vegetables, to be sold on domestic and international markets. In this context, MOs offer crucial support to farmers. The West is also characterized by ethnic and religious diversity, due to important migration from other regions and neighboring countries. Social diversity seems to provide a more inviting social context for the emergence of MOs that may enhance social differentiation compared to social homogeneity which often breeds conservatism.\textsuperscript{15} By contrast, the Center North is the most densely populated region of the country. The region is flat, the soil arid, and the amount of rainfall relatively low and uncertain. The main crops are cereals, mainly produced for home consumption. The region is socially more homogenous as it is mostly

\textsuperscript{14} Tanguy, p.11.
\textsuperscript{15} Tanguy, p.12.
populated by the Mossi ethnic group,\textsuperscript{16} which is characterized by a hierarchical social structure enforced by traditional leaders. The predominance of COs in this region may be driven by the greater resulting need for solidarity grounded in strong community ties in facing uncertain environments with little individual tolerance for risk.

These regional differences suggest that the relative importance of MOs and COs can be explained mainly by environmental risk and social homogeneity both of which favor COs over MOs.\textsuperscript{17} Other factors such as village size, which determines the potential for economic activities, and distance from the nearest city – a proxy for the presence of economic opportunities and infrastructure – seem to determine the presence MOs.\textsuperscript{18}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{ Regions_of_Burkina_Faso.png}
\caption{Regions of Burkina Faso}
\end{figure}

\textbf{Source:} Senegal PSAOP and Burkina Faso PNDSA II, Impact analysis 2002-2003, Presentation of the Baseline Data, p.3.

\textsuperscript{16} Main ethnic group in Burkina Faso (40% of the population).
\textsuperscript{17} Tanguy Bernard, \textit{Op. Cit.}, p.12..
\textsuperscript{18} \textit{Idem.}
IV: THE RATIONALE FOR RPOs

RPOs have the potential to improve the conditions of small scale producers (SSPs) through economies of scale, improved market reach, increased bargaining power, improved access to services, incentives for value adding, and increased confidence.\(^\text{19}\)

_Economies of Scale:_ lower marketing costs are one of the main benefits of RPOs.\(^\text{20}\) When small-scale producers combine their produce for sale, it reduces the transaction costs for both the producers and the buyers. Instead of each producer spending time finding a buyer or negotiating a price, only one or two members do this on behalf of the whole group. Conversely, buyers can negotiate once for a large quantity. These lower transaction costs mean that small-scale producers can often negotiate higher prices for their products and lower prices for their inputs. Particularly in thin markets, where individual producers and buyers have to spend significant time searching for each other, RPOs can significantly reduce search costs and provide incentives to traders to invest the marketing chain.\(^\text{21}\)

_Improved Market Reach:_ reduced access to markets prevents small-scale producers from getting a good price for their products. Because they have no choice, they are obliged to accept the price that traders offer them locally. In such cases, a collective action— that is action free from the pressure of traditions and the needs of the wider group— has the potential to enable SSPs to access other markets, by combining their output to reach the scale necessary to deal with buyers

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\(^{20}\) Reductions in the cost of producing or marketing a unit of a product (e.g. a ton of cotton) as a result of increasing the overall scale of producing or marketing. Production, processing, and marketing activities involve fixed costs, such as tractors, processing equipment, or storage facilities, and these costs fall for each unit produced, processes, or marketed as the overall scale of the activity increases.

in other markets or by processing those products to access higher value markets further up the value chain. RPOs can therefore provide a simple means of bypassing intermediaries in the market, such as local traders.

**Increased Bargaining Power:** RPOs increase the bargaining power of SSPs in various ways. They do so mainly by improving the quality of the product or by spreading production from individual members over the whole season, thereby enabling producers to meet the precise demands of buyers and consequently to negotiate better prices. In buyer-driven market chains, RPOs can create ‘countervailing’ power that provides some balance to the power of the buyer.22

**Improved Access to Services:** “RPOs can improve access to services for SSPs in two ways. Firstly, the lower transaction costs and economies of scale associated with providing services to groups rather than to individual producers make it cheaper and easier for businesses and service providers to work with small-scale producers. For example, members of UCASN, an association of producers in Mozambique, have been able to access input and extension services from exporters which would be otherwise unavailable. Secondly, organized groups of producers, especially if they are legally registered, are likely to have greater credibility and a higher profile than individual producers. This makes it easier for service providers to identify and work with producers and can also improve access to financial services.”23

**Incentives and Opportunities for Moving up the Value Chain:** The economies of scale created by RPOs (improved market reach, and access to services) can help producers mobilize

23 Chris Penrose-Buckley, p.22
resources and develop the level of expertise necessary to carry out higher valued activities. Once an organization has enabled producers to access markets that offer higher prices for high-quality products, the producers will have a strong incentive to improve the quality and raise the value added of their output. Indeed, processing activities require significant investments in equipment, which may be too expensive and risky for individual producers. RPOs can enable producers to access the capital necessary to invest in processing equipment, while also sharing the risk of the investment among many producers.24

**Increased Confidence:** SSPs often lack the confidence, skills and experience to actively engage in the market. RPOs can make a difference, as producers no longer have to rely solely on their own skills and resources. There is strength in solidarity, in working as a group, which can enable SSPs, especially women and members of marginalized groups to take the necessary risks.25

**Increased Influence:** Large RPOs provide platform for producers to promote their interests and influence policies at the local, national and even international levels. For example, NASFAM, an association of smallholder farmers in Malawi, has successfully lobbied the government for tax concessions on tobacco sales while the Guyanna Rice Producers’ Association has persuaded millers and exporters to provide timely payments to producers.26

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24 *Idem.*


26 *Idem.*
V: SURVEY DATA SET

Toward the end of the 1990’s, governments and donors recognized the potential role of RPOs as major development actors in rural Africa. In Burkina Faso, this led to the implementation of two nation-wide programs aimed at reinforcing the capacities of RPOs in providing services to their members. As part of these programs, surveys were implemented in 2002 in order to characterize these organizations.

The surveys consisted of three questionnaires at the village, RPO, and household levels. The village survey provides data on the basic characteristics of the village and established a census of all RPOs in the village. For each RPO, questions were asked to its leaders about the organization’s history, activities, governance structure, and external links. Finally, basic information on all households in the community was collected through an indirect survey fielded with an informant. This information allows us to analyze the existence of organizations, their performance in servicing members, and the distribution of benefits across categories of members.

The sample design included five geographical regions in Burkina Faso (North, Center North, South, Southeast, and West), that were chosen according to their contrasted agro-ecological and socio-economic features. In each region, four to seven clusters (Départements) were randomly selected, within which 14 villages were also randomly chosen. Overall, the survey covered 280 villages and 647 RPOs.

This thesis focuses on the market-oriented organizations (MOs) because these are the RPOs that are most likely to affect rural household income and welfare. The study is
concentrated on the western region of Burkina Faso known as “zone cotonnière” (cotton zone), where the MOs are heavily represented.

The data for this thesis were provided by the International Food Policy Research Institute (IFPRI): Burkina Faso PNDA II Impact Analysis Baseline Survey 2002-2003 (Household and Community Levels).
VI: EMPIRICAL MODEL: ESTIMATION, METHODS AND DATA

This study uses an ordinary least squares (OLS) regression model to assess the impact of market-oriented RPOs (RPOs) on the living conditions of agricultural households in Burkina Faso. The regression model is as follows:

\[
\text{Household Living Conditions} = \\
\beta_0 + \beta_1 \text{ RPO Membership} + \beta_2 \text{ Village Size} + \beta_3 \text{ Household Size} + \beta_4 \text{ Number of Ha Cultivated} + \beta_5 \text{ Household Education Level} + \beta_6 \text{ Gender of the Household Head} + \beta_7 \\
\text{Number of Households in the Village} + \beta_8 \text{ Remittances} + \beta_9 \text{ Distance from the Nearest Market} + \beta_{10} \text{ Village Accessibility during Rainy Season} + \beta_{11} \text{ Existence of a Local Market} + \beta_{12} \text{ Distance from a Dam} + \beta_{13} \text{ Distance from a Tarred Road} + \varepsilon
\]

**Dependent Variable**

*Household living Conditions*

The household survey conducted by IFPRI does not provide a direct measure of a household’s income or standard of living. However, it does provide data on a family’s fixed assets – mostly livestock and concrete houses — that could be used for this purpose. We therefore use a family’s fixed assets as a proxy for the purpose of constructing a household wealth index (hhindex), based on the monetary values of the assets owned by a household. The details of the index are presented in appendix 1.
Independent Variables

*RPO Membership*

RPO membership and more specifically MO membership is the principal independent variable that we test in our hypothesis. It is a dummy variable that takes a value of one if the household belongs to an MO and a zero if it does not. For the reasons specified in part IV (Rationale for RPOs) we expect a positive impact of RPO membership on household living conditions.

*Village Size*

Larger villages tend to expand the casual labor opportunities available to households. They also provide a larger market within which to sell household production. For these reasons, we expect a positive correlation between the size of a village and household living conditions.

*Household Size*

For various reasons, village communities value big households. First, in a dry and tropical environment where life is constantly threatened by drought, mosquitoes and inter-ethnic conflicts, big households are needed to keep a group from disappearing. Second and in the same order, farmers need big households in order to compensate for the lack of technology. For the same reason, the culture gives preference to boys over girls. Because of the laws of exogamy, girls are expected to marry out of their group of origin, while boys always stay and produce more children for the physical perpetuation of the group. Taking these various reasons under consideration, we expect a positive correlation between household size and household living conditions. However, this correlation may also be negative. In fact, a big household entails more
spending on dependents (in terms of food consumption, healthcare, education, etc.) and consequently low savings. Yet if a household is to improve its living conditions, it must increase savings in order to be able to invest in more physical and human assets. On balance, therefore, it is unclear what effect household size may have on living conditions.

**Cultivated Land Area**

Larger farms with more cultivated land area are generally more profitable than smaller farms in Burkina Faso. Therefore, we would expect a positive correlation between cultivated land area and household living conditions.

**Household Education Level**

This variable measures the proportion of household members who are able to read and write. Literacy, as is well known, is necessary for a business to succeed. In fact, an educated household has the capability to (a) read newspapers and get information about agricultural product prices; (b) keep records of its earnings, spending and investments; and (c) make adjustments and projections for the coming seasons. For these reasons, we expect a positive relationship between household education and living conditions.

**Gender of a Household Head**

A male-oriented culture in Burkina Faso prevents women from inheriting land. We therefore expect a negative correlation between female headed households and living conditions.
**Number of Households in the Village**

Land is an important factor of economic production. This variable is used as a proxy for the competition for fertile land ownership in a village. The more households there are within a farming community, the greater the competition for the control of the fertile land. For this reason, we expect a negative correlation between number of households and living conditions.

**Proportion of Members Living Abroad**

Considerable numbers of unemployed young Burkinabe migrate annually to neighboring countries such as Ivory Coast and Ghana where demand for domestic and industrial labor is high. Migration rates are high among the rural populations. We use the variable *number of members living abroad* as a proxy for the remittances received by a household. Therefore, we expect a positive correlation between this variable and household living conditions. But this correlation may also be negative or not significant in our region of interest, the Western region (cotton zone) of Burkina Faso. This is because the West does not experience much migration. In fact, the West is often the destination of groups migrating from other regions or from neighboring countries.

**Distance from the Nearest Market**

We use this variable as a proxy for the existence of trade and economic opportunities. We expect a negative correlation between this variable and household living conditions, meaning that, other things being equal, the more distant a household (a village) is from the local market, the fewer opportunities this particular household will have in terms of farming income and improved living conditions.
Accessibility During the Rainy Season

A village connected with good roads may still have access difficulties during the rainy season, especially in the Western region of Burkina Faso where strong rainfalls usually generate floods. We expect a positive association between village accessibility during rainy season and living conditions.

Existence of a Local Market

Depending on their size and geographic locations, markets play multiple and conflicting roles in the lives of villagers. Big and relatively important markets are usually situated near towns and cities, very far from villages. Such markets are true economic centers where farmers go to sell their produce and to buy goods for their families. For these reasons, they generally play positive roles in villagers’ living conditions. In contrast, small markets situated within a village often have negative effects on household living conditions. Those markets are frequently attended by farmers (male adults) for drinking and socialization purposes and without any useful economic objectives. Family savings are usually wasted in those markets. We therefore expect a negative association between the existence of local markets and household living conditions.

Distance from a Dam

The climate in Burkina Faso is characterized by a long dry season (October-June) and a short rainy season (July-September). The annual rainfall varies between 600mm (North) and 1,200mm (South) and makes Burkina Faso both a tropical and an arid country. Dry and landlocked, Burkina Faso suffers severe water shortages for daily consumption as well as for agricultural and industrial usage. In such a drought-prone environment, farmers rely on dams to conduct irrigated
activities. For these reasons, we expect a strong positive correlation between the proximity of a dam and living conditions.

*Distance from a Tarred Road*

The farther a household is from an all-weather road, the more difficult it is to reach markets and service centers, which increase the likelihood that these households will be poorer. We therefore expect a negative relationship between this variable and household living conditions.
The variables used in the model and their definitions are summarized in Table 3 below.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dependent Variable</strong></td>
<td></td>
</tr>
<tr>
<td>Household Living conditions</td>
<td>Monetary value in assets owned by a household, including total number of animals (donkeys and horses, cows, sheep, pigs) and the number of concrete houses in the compound</td>
</tr>
<tr>
<td><strong>Independent Variables</strong></td>
<td></td>
</tr>
<tr>
<td>RPOs Membership</td>
<td>Dummy variable: 1=MO member; 0=Non member</td>
</tr>
<tr>
<td>Village size</td>
<td>Number of inhabitants in the village</td>
</tr>
<tr>
<td>Household Size</td>
<td>Number of household members</td>
</tr>
<tr>
<td>Cultivated Land Area</td>
<td>Number of hectares cultivated by a household.</td>
</tr>
<tr>
<td>Household Education Level</td>
<td>Proportion of family members who can read and write</td>
</tr>
<tr>
<td>Gender of a Household Head</td>
<td>Dummy Variable: 1 = Male and 0 = Female</td>
</tr>
<tr>
<td>Number of Households in the Village</td>
<td>Proxy for competition over the control of the fertile land</td>
</tr>
<tr>
<td>Number of Members Living Abroad</td>
<td>Proxy for the remittances received by a household</td>
</tr>
<tr>
<td>Distance from the Nearest Market</td>
<td>Proxy for the existence of market-oriented activities</td>
</tr>
<tr>
<td>Village Accessibility during the Rainy Season</td>
<td>Dummy Variable (1=Yes; 0=No) and a proxy for accessibility</td>
</tr>
<tr>
<td>Existence of a local Market</td>
<td>Dummy Variable (1=Yes; 0=No) and a proxy for the probability that farmers will mismanage their savings in noneconomic activities such as drinking local brew</td>
</tr>
<tr>
<td>Distance from a Tarred Road</td>
<td>Proxy for easy access to the local market</td>
</tr>
<tr>
<td>Distance from the Dam</td>
<td>Proxy for the possibility of irrigated agriculture</td>
</tr>
<tr>
<td>Distance from a Tarred Road</td>
<td>Proxy for the existence of modern infrastructure and of economic opportunities</td>
</tr>
</tbody>
</table>

**Source:** IFPRI: Senegal PSAOP and Burkina Faso PNDSA II, Impact analysis 2002-2003, Presentation of the Baseline Data
The major descriptive statistics associated with the variables are presented in table 4 below.

**Table 4: Descriptive Statistics**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Observations</th>
<th>Mean</th>
<th>Std. deviation</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household living condition</td>
<td>12,634</td>
<td>59.35</td>
<td>21.74</td>
<td>30</td>
<td>100</td>
</tr>
<tr>
<td>RPO membership</td>
<td>7,140</td>
<td>0.77</td>
<td>0.41</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Household size</td>
<td>12,621</td>
<td>7.51</td>
<td>5</td>
<td>0</td>
<td>74</td>
</tr>
<tr>
<td>Number of members living abroad</td>
<td>3,606</td>
<td>1.27</td>
<td>1.81</td>
<td>0</td>
<td>39</td>
</tr>
<tr>
<td>Household education level</td>
<td>6,544</td>
<td>0.7</td>
<td>1.72</td>
<td>0</td>
<td>39</td>
</tr>
<tr>
<td>Number of households in the Village</td>
<td>12,618</td>
<td>2.7</td>
<td>2.4</td>
<td>0</td>
<td>52</td>
</tr>
<tr>
<td>Number of inhabitants in the Village</td>
<td>12,107</td>
<td>1297</td>
<td>1205</td>
<td>53</td>
<td>9,000</td>
</tr>
<tr>
<td>Number of households in the Village</td>
<td>12,130</td>
<td>189.7</td>
<td>255.6</td>
<td>5</td>
<td>2,165</td>
</tr>
<tr>
<td>Distance from main city</td>
<td>11,574</td>
<td>3.46</td>
<td>0.81</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Distance from nearest Market</td>
<td>8,639</td>
<td>2.9</td>
<td>1.11</td>
<td>1</td>
<td>9</td>
</tr>
<tr>
<td>Distance from the tarred road</td>
<td>12,007</td>
<td>3.64</td>
<td>0.81</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Distance from the Dam</td>
<td>12,084</td>
<td>2.74</td>
<td>1.22</td>
<td>0</td>
<td>4</td>
</tr>
</tbody>
</table>

The study sample size is 12,634 households in the study area. As expected, more than half of them (7,140) belong to market-oriented RPOs. These households are characterized by
large size (7 members on average) and little tendency to migrate to neighboring countries (2 members per household on average) compared to 5.84 at the national level. In Burkina Faso, high population density (57.5 inhabitants per km²) and a shortage of cultivable land are significant challenges for the agricultural sector. This is also true in the study area where the pressure of population on arable land is reflected in the fractionalization of land holdings (2.7 hectares per household on average), which ties agriculture to small scale production. At the same time, villages in the Western Region are usually close to a dam, to a market and to a tarred road (3 kilometers on average). These geographical characteristics create favorable conditions for agriculture.
VII: REGRESSION RESULTS

The results from the regression analysis are presented in Table 5 below.

Table 5: OLS Model: The Effects on Household Living Conditions

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Coefficient (Standard Error)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>78.54*** (13.53)</td>
</tr>
<tr>
<td>Rpo Membership</td>
<td>5.06*** (1.44)</td>
</tr>
<tr>
<td>Village Size</td>
<td>0.00085 (0.00096)</td>
</tr>
<tr>
<td>Household Size</td>
<td>0.35*** (0.12)</td>
</tr>
<tr>
<td>Number of Ha Cultivated</td>
<td>0.78* (0.6)</td>
</tr>
<tr>
<td>Household Education Level</td>
<td>-0.12 (0.51)</td>
</tr>
<tr>
<td>Gender of a Household Head</td>
<td>-4.09 (5.13)</td>
</tr>
<tr>
<td>Number of Households in the Village</td>
<td>-0.014* (0.008)</td>
</tr>
<tr>
<td>Remittances</td>
<td>0.38* (0.31)</td>
</tr>
<tr>
<td>Distance from the Nearest Market</td>
<td>1.28*** (0.22)</td>
</tr>
<tr>
<td>Village Accessibility during Rainy Season</td>
<td>1.28 (1.38)</td>
</tr>
<tr>
<td>Existence of a Local Market</td>
<td>-12.16** (5.99)</td>
</tr>
<tr>
<td>Distance from a Dam</td>
<td>1.11*** (0.048)</td>
</tr>
<tr>
<td>Distance from a Tarred Road</td>
<td>-1.54** (0.77)</td>
</tr>
<tr>
<td>N</td>
<td>1,188</td>
</tr>
<tr>
<td>R squared</td>
<td>0.1004</td>
</tr>
</tbody>
</table>

*Significant at 10%
** Significant at 5%
*** Significant 1%
Do RPOs improve the living conditions for households in Burkina Faso? The results demonstrate the existence of a positive and highly significant relationship between RPO membership and household living conditions, after controlling for all the other independent variables in the model. Controlling for all the other influences on living conditions, membership in a market-oriented RPO increases household’s living conditions by 5.06 points, which represents a 7% increase for the average household with a mean living conditions index value of 77 and a 17% increase for a poor household with a living index of 30.

Interestingly, the coefficients associated with the control variables: (i) village size (ii) household education level and (iii) household head gender, are not statistically significant and contradict our predictions. Although the coefficient for village size carries the predicted positive sign, it is statistically insignificant, which is contrary to our expectation that larger villages have the potential to provide farmers with greater economic opportunities as well as with larger markets within which to sell to sell their production. One reason for this result may be due to the confinement of this study to just market-oriented RPOs in the Western Regions of Burkina Faso which has reduced the number of observations. A bigger sample covering the entire country would not only have increased the explanatory power of the entire model but also would have most likely raised the significance of the coefficients including that for village size.

The insignificance of the coefficient associated with household education level means that additional value in household capacity to read and write has no impact on living conditions. This contradicts our expectations that education will empower farmers to better manage their business and earnings. But this result may be explained by the rudimentary nature of the
agricultural sector. In Burkina Faso, farmers still practice agricultural techniques passed on from one generation to another (with no requirements for reading or writing skills) and which relegate agricultural production to a low productivity system. With more training and more access to modern agricultural techniques, farmers would be able to boost their production, access bigger markets and significantly increase their standards of living. Another factor could be the survival of the French Assimilation policies that used to divide society into two categories: a first category made up of uneducated and “uncivilized” members who populate the agricultural sector, and a second category of educated and “civilized” people who work in the secondary and tertiary sectors. With these perceptions at work, farmers who get education tend to move out of the category of “uncivilized” citizens in order to find “better jobs” in the cities where they can work as cooks, cab drivers, etc. This internal mobility could easily offset the effects of education on farming activities.

The fact that the variable Household Head Gender is not statistically significant means that, contrary to expectations, this factor does not influence agricultural outcomes or living conditions, in the Western Region of Burkina Faso. Characterized by abundant rainfall and fertile lands, these regions attract various groups of migrants who come from other regions in the country and create an environment of social and religious heterogeneity. This pluralism may be the main reason why these societies are less prone (than the homogenous regions in the Center and North of the country) to cultural rigidity and to discrimination against women. But one may also suspect that village organizations are divided between women’s and men’s groups, a disposition that prevents a specific gender to dominate the other.
In accordance with expectations, the variables (i) household size, (ii) cultivated land area, (iii) number of households in the village, (iv) remittances, (v) distance from the nearest market, (vi) accessibility during rainy season, (vii) existence of a local market, (viii) distance from a dam, and (ix) distance from a tarred road, all carry the expected signs and are statistically significant.

**Household size and Cultivated Land Size**

Based on the regression results, adding, for example, one more member to the poorest households in the village increases living standards by 1.2% while an additional hectare boosts living conditions by 2.6%. As mentioned earlier, handwork remains the main means of rural economic productivity in Burkina Faso even among the cotton producing communities of the west. In these regions too, agriculture is labor-intensive, relying on large numbers of available hands and of cultivated land area to have impacts on people’s lives.

**Number of households in a Village**

As expected, the coefficient associated with the number of households in a village carries a negative sign and is statistically significant at the 10% level. This result indicates that, for example, by adding one more household to the village this would decrease living standards by 0.014 units or 0.04% for the poorest families in the village. This impact may seem insignificant but in high density regions like the study area, the competition for control of the land is intense and this result may be substantial in reducing available land for grazing and for farming.
Geographical factors -- *Distance from a Market, Village Accessibility during the Rainy Season, Distance from a Dam and Distance from a Tarred Road.*

The coefficients attributed to these geographical factors carry the expected signs and are statistically significant. They suggest that the creation of better infrastructure, allowing farmers to travel easily and to commercialize their produce (e.g. the creation of markets, roads, etc.), substantially impacts living conditions.

*Remittances*

As noted earlier, migration rates are low in the *Western Region* (in comparison to the rest of Burkina Faso). But remittances still play a significant role in improving poor households’ living conditions. The results indicate that if, for example, one more family member were to live abroad, which is assumed to contribute to remittances, this would lead to increasing living conditions by 0.38 units or 1.2% for the poorest households.

*Existence of a local market*

In contrast to big markets where farmers go to sell their produce and buy inputs for their farms, local village markets play the role of pubs where people go to drink and to socialize. Therefore, it is not surprising that the existence of a local market in the village decreases living standards by 12.16 units or 40% for the poorest households.
VIII: CONCLUSIONS AND IMPLICATIONS

What can these findings tell us about RPOs and rural development in Burkina Faso?
The results establish a statistically significant positive relationship between MO membership and living conditions for poor households in the cotton producing region of Burkina Faso even after controlling for other numerous influences. Among those influences or control variables are: village size, household size, land area, number of households in a village, remittances, distance from markets and water and the presence of a local market.

The main channel through which RPOs raise living standards is by providing economic security to their members. RPOs offer numerous benefits to their members, by (a) helping to coordinate activities; (b) providing marketing and/or advocacy services; and by (c) investing in capital-intensive infrastructure and processing equipment.

However, RPOs in Burkina Faso still have much room for improvement. They could be made more effective through the introduction of modern agricultural tools and techniques. If provided with more training and more access to technology, cotton producers will be less reliant on manpower and larger cultivated areas to be competitive.

The findings presented here also suggest that rural poverty can be alleviated by improving farmers’ geographical conditions; easier access to water, better roads and improved infrastructure, all contribute to raising agricultural productivity and income and RPOs have a role to play in this regard.
Finally, the findings shed light on the draining effect of local markets which, in contrast to commercial markets, function essentially as village pubs where farmers spend household savings in local brew and in other community-oriented activities and drastically reduce living standards.
IX: LIMITATIONS AND FURTHER RESEARCH

Limitations of this Research

While this study has provided some useful results, further research that includes important factors as members’ ownership, RPO governing rules and structure, and support from external factors, could be expected to yield additional insights as to important role played by RPOs. Because the present study does not include these factors, its statistical analysis suffers from omitted variable biases. Also, the time period covered by the data (2002-2003) does not allow a robust evaluation of the impact of RPOs on farmers’ living conditions. Panel data covering many years would have afforded us a better assessment of how RPOs contribute to reducing poverty. However such data does not exist.

RPO Effectiveness

Based on the statistical significance of RPO impacts on living conditions, one final question that one may want to ask is how to strengthen RPO capacity and sustainability in Burkina Faso. The literature identifies various interconnected areas in which RPO capacity needs to be strengthened. Those areas include: (i) members’ ownership, (ii) governance improvement; (iii) marketing strategies, (iv) business management and (v) trade linkages. In areas requiring technical knowledge and expertise for example, market research, access to market services, and advocacy, RPOs may need to hire professionals or seek assistance from external agencies.27

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27 These include agencies that are currently active in Burkina Faso such as the African Development Bank, the World Bank, the Canadian Agency for International Development, the U.S. Agency for International Development, Oxfam, etc.
(i) Members’ Ownership

RPOs can only become successful producer-owned and producer-controlled businesses if their members have the capacity to do so. Very often, members’ ability to exercise control over their own organization is constrained by local traditions, the rules governing the organization and the relationships among the members themselves. In those critical areas, RPOs need to develop members’ skills, including numeracy and literacy as well as their business and market management capacities. Developing trust and confidence through transparent management practices is also crucial for members to identify with the organization.28

(ii) Governance and Leadership

Formal structures and rules aim to give all members the right to participate on an equal basis within an RPO. But more than formal rules, effective governance requires a certain level of trust (social capital) within an organization. Working towards building a common identity (through frequent meetings and interactions, for instance), setting common goals and discussing the strategies to achieve such goals are important measures for effective governance within an RPO.

(iii) Developing a Marketing Strategy

Once its marketing options are identified, an RPO needs to develop a marketing strategy based on a careful assessment of those options (domestic or export markets) and on the priorities

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of the group in terms of business and social objectives and the balance between risk and profitability.²⁹

(iv) Strengthening Business Management

Managing an RPO business involves managing people, finances, facilities, operations, and different management activities including planning, organizing, and monitoring. Business planning, including analyzing the business and market systems and developing a realistic business strategy, is essential for RPOs to become profitable and generate benefits for their members. Many producer organizations fail to achieve their goals because they do not analyze their business cost carefully, and because their business strategy does not account for the costs of accessing market services or borrowing money which, in the long run, have to be covered by the business income. Whenever possible, RPOs should try to raise some of their capital from members’ contributions in order to increase their ownership and commitment to the business.³⁰

(v) Developing Trade Linkages³¹

In order to negotiate efficiently, RPOs need to develop bargaining power; but to take full advantage of any bargaining power, they need to develop their capacities in the following areas:

³⁰ p.113
³¹ pp. 123-125.
**Business understanding and judgment**

RPOs must develop this understanding and judgment through formal business training or by organizing exchange visits to other businesses. Particular attention may need to be given to ensure that women and other minority members are able to participate in such activities.

**Negotiation skills and confidence**

Basic negotiation strategies can be taught, but real skills and confidence are only acquired through practical experience and working alongside experienced professionals. Here also, special consideration should be given to ensure that women can also benefit from such initiatives.

**Market Information**

In order to negotiate efficiently, RPOs need to have access to up-to-date information on market prices and conditions.

**Reputation**

Unless a producer organization develops a good reputation as a reliable supplier, it will struggle to find buyers or negotiate favorable sales contracts. RPOs will gain bad reputation if they are unable to meet specific demands for quality or consistency or if their members sell their products to other traders, making the organization unable to meet existing sales agreements.

External agencies can also play a role in assisting RPOs in areas where they do not currently have the skills. However, it is important that these agencies not replace the active engagement of the RPO. Considering the risk of dependency associated with the involvement of
external actors in the management of an RPO, it is preferable that agencies avoid acting as brokers or trade partners, except for a limited period of time and when a clear exit strategy has been agreed with the RPO and the buyer. This exit strategy should involve considerable investment in RPO staff to ensure that they develop the necessary skills and confidence to take over the agency’s role. Where possible, agencies should instead focus on acting as coordinator and advisor for RPO trading linkages and overall business management.
APPENDIX

Creation of the Dependent Variable “Household Living Conditions” (hhlc)

To create the index household living conditions, we rate the assets owned by a household. Those assets include livestock (donkeys, horses, cows, sheep, pigs, etc.) and concrete houses (cchouse). Household living conditions (hhlc) is the sum of two sub-indexes “lstock” and “cchouse” which refer, respectively, to the monetary values of the total number of animals and the monetary values of the concrete houses owned by the same household. In mathematical terms, the sub-indexes lstock and cchouse were created as follows:

\[ lstock = \text{monetary value of all animals owned by a household} \]
\[ cchouse = \text{monetary value of all concrete houses owned by the same household} \]

For each household, lstock and cchouse gave us different values which we graded according to the distribution of those values under a normal distribution curve. For each household, we used the sum of those graded values as proxy for living conditions. In mathematical terms, hhlc = (graded value lstock) + (graded value cchouse). The lowest value on this final index is 30; the middle vale is 50 and the highest is 100. Households with an index value superior to 30 and inferior to 50 are considered poor; households with an index value superior or equal to 50 but inferior to 100 are considered less rich; those with standards superior or equal to 100 are considered rich.
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