



# DRIVERS OF CHANGE IN NORTHERN UGANDA:

Exploring the influence of Village  
Savings and Loans Associations  
among smallholder farmers

A Qualitative Impact Assessment - Summary Report



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# 1. INTRODUCTION

## 1.1 ABOUT AGDEVCO

### **AgDevCo is an impact investor supporting the development of agribusinesses in sub-Saharan Africa.**

The company provides patient capital in the form of debt and/or equity to African-based companies that have the potential to achieve far-reaching development impact. Our vision is a thriving commercial agriculture sector which benefits both people and planet. We contribute to this by investing in and supporting early stage agribusinesses to create jobs, produce and process food and link farmers to markets. We help build sustainability and bankability in these businesses as we work with them during our investment.

AgDevCo's current portfolio has \$135m of committed funds in 50 companies. To date, AgDevCo's investments and technical assistance (current and exited investments) have engaged 526,000 (37% of them women) smallholder farmers and created or sustained 15,000 jobs (22% women).

AgDevCo's Smallholder Development Unit (SDU) works with rural agricultural enterprises to develop equitable outgrower schemes that boost productivity and incomes for smallholder farmers. The SDU is a five-year initiative, supported by the Mastercard Foundation and UK aid, which has partnerships with 23 agribusinesses in eight African countries: Ghana, Malawi, Mozambique, Senegal, Sierra Leone, Tanzania, Uganda and Zambia.

## 1.2 ABOUT GADC

The Gulu Agricultural Development Company (GADC) was established in the aftermath of the war that devastated northern Uganda for nearly 20 years.

The company revived and took control of a cotton ginnery in Gulu in 2009, establishing agricultural buying and value addition operations that have grown rapidly ever since. The company has since expanded to two further ginneries, in Kitgum and Rhino Camp. The company is now active in the cotton, sesame, chilli, sunflower, maize and sorghum value chains, supplying both conventional and organic products to national and international markets.

GADC sources its products from over 80,000 smallholder farmers across northern Uganda, using a network of community-based buying agents. Through this field network and its partnerships, GADC provides agricultural extension services and training for farmers on a variety of topics, including agronomy, organic principles, post-harvest handling, and basic financial literacy. Through this work, the company has achieved rapid growth in its own production capacity and has reinvigorated the whole market in the Northern Region.

AgDevCo provides US\$5 million in working capital to GADC as part of a consortium with other social lenders, in order to enable the company to pre-finance its buying agents.

## 1.3 GADC'S WORK WITH THE SMALLHOLDER DEVELOPMENT UNIT

Between 2016 and 2018, AgDevCo's Smallholder Development Unit partnered with GADC on an initiative to provide smallholder farmers with access to finance, training, and loans for tillage equipment.

**The first phase of the project involved establishing and supporting 500 village savings and loan associations (VSLAs) across two rural districts, Lamwo and Pader.** A programme of training on group management, financial skills and business basics was rolled out to all 15,000 VSLA members, 60% of whom were women.

The training programme emphasised the importance of saving and borrowing for a purpose, encouraging VSLA members to set savings goals – such as saving to finance agricultural investments.

**In the second phase of the project, farmers who had built up a credit history in the VSLAs were offered loans from GADC for tillage equipment – ox ploughs, weeders or planters.** With land in northern Uganda being plentiful, many rural households are constrained in increasing the acreage they farm only by their ability to cultivate the land by hand. By increasing the availability of tillage equipment, GADC and AgDevCo sought to enable smallholder farmers to bring more land into production and increase farm productivity, thereby lifting and stabilising household incomes.



# 60%

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## 2. APPROACH TO THIS EVALUATION

### How can we know what difference GADC's and AgDevCo's work has made in the lives of farmers?

Many changes have taken place in northern Uganda over the last few years, and many different organisations are active there – so understanding whether any changes can be attributed to the impact of this specific project is challenging. To meet this challenge, AgDevCo commissioned Bath Social & Development Research Ltd to carry out this evaluation using their Qualitative Impact Assessment Protocol (QulP). The QulP approach is based on detailed qualitative interviews with individual project participants, supported by focus group discussions. Interviewees are asked about what changes have taken place in their lives over the past several years, and then about what has caused those changes.

To avoid any risk of bias in the interview process, the field work was carried out 'double blind', meaning that neither the interviewers nor the respondents were given any information about the project being evaluated or the organisations involved. While it was clear to both parties that the interviews were focused on the activities of the VSLAs, they were not told about the connection to GADC or AgDevCo.

Interviews were carried out with 48 members of eight VSLA groups, half located in Pader District and half in Lamwo District. Four of the VSLAs were selected for inclusion in the study on the basis that there were multiple asset-loan borrowers among their members; the other four VSLAs were selected for logistical reasons within the same sub-counties. Those who had received asset loans were prioritised for interview (though ultimately only six of the 48 interviewees said that they had received asset loans), with the remaining interviewees being selected at random from among the members of each VSLA. The interviews were supplemented with focus group discussions with the members of an additional eight VSLAs.

The interview transcripts were systematically coded and analysed in order to capture positive and negative outcomes, the reasons for those outcomes, and whether these changes could be attributed to GADC's and AgDevCo's work. Quotations in this report are the respondents' words, as translated into English and recorded by the field interviewers during the interview.



### 3. SUMMARY OF THE FINDINGS

**Narratives from the interviews and focus groups provided strong evidence of how saving and borrowing with VSLAs had led to positive changes in smallholder farmers' lives over the past three years.**

Most respondents did not mention GADC explicitly in these narratives, but almost all of the VSLA groups that were referred to in the interviews were those that had been supported under the GADC/AgDevCo project.

#### RESPONDENTS' NARRATIVES FOCUSED ON THREE MAIN AREAS

## 4.1



Saving and borrowing with VSLAS has led to positive changes in smallholder farmers' lives, including:

- > Increased investment in farming and other businesses
- > Improved ability to cover households' day-to-day needs and emergencies
- > Improved financial planning
- > Better community relationships

+ See page 6

## 4.2



Increased earnings and increased saving in VSLAs have resulted from:

- > Healthy market demand and good prices for cash crops
- > Use of ox ploughs and improved agronomic practices
- > Increasing activity in side businesses

+ See page 10

## 4.3



Challenges that led to decreased earnings, reduced saving and borrowing from VSLAs. These difficulties were primarily caused by:

- > Bad weather, especially heavy rainfall and flooding
- > Decreased market demand and prices
- > Ill health

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## 4. DETAILED FINDINGS

### 4.1

#### SAVING AND BORROWING



**Saving and borrowing in the VSLAs is leading to increased investment in farming and other businesses, improved ability to cover households' day-to-day needs and emergencies, improved financial planning, and better community relationships.**

##### DETAILED FINDINGS:

- > **47 out of 48 respondents mentioned saving and borrowing with a VSLA in their interviews.** Most of these linked that activity to positive changes in their lives over the past three years.
- > **All but one of the 16 VSLAs were still in operation during interviews and group members were found to have a clear understanding of the VSLAs' operating procedures and protocols.** The one VSLA not operating was said to have been under temporary hiatus, as many members had moved to distant fields for the duration of the farming season.
- > **36 of the 48 respondents reported borrowing money from the VSLA to invest in farming or business activities.** Examples include hiring farm labour, purchasing seeds, and hiring ox ploughs – these investments meant that more land could be cultivated, and harvests and earnings were increased. Investments were also mentioned in side businesses such as small-scale animal husbandry and brewing or selling alcohol. Increased earnings from farming or side-businesses feeds back into increased saving in the VSLAs.

**"I save in my VSLA group and I can borrow to facilitate my farming through buying seeds and also hire more equipment like ox-ploughs and also hire more labour if need be. The more I input in my farming, the more I earn from it and the trend has shifted positively compared to the past three years."**

**"My savings have increased because I do business and earn more, I sell alcohol, chicken and I have cultivated more land. I save more because from my first saving I started buying chicken cheaply and selling them at a higher price and I get profit that I kept on saving on top of my weekly savings."**

- > **Many respondents reported borrowing from the VSLA to cover household or emergency needs, in particular to pay increasing school fees and to cover medical expenses.** This has enabled some respondents to seek better quality education for children in private schools rather than government-run schools, or to visit private clinics for health care.

**"Most times I borrow to fill the missing gaps in my life, for example to pay school fees, medical bills... Borrowing has enabled me push on with life in times when I am helpless. I believe borrowing is a good thing but should be done with loyalty."**

- > **19 respondents and five of the focus groups mentioned having received training on financial management** – and several of them specifically mentioned GADC as the provider. This training had enabled respondents to plan and budget, and to keep records of their spending, saving and borrowing.

**"I have changed how I plan and how much because now I have school fees to pay, household needs and emergency medical expenses... I continue to save the little I have after receiving training from GADC on financial management and basic business skills... We were trained two times on how to make money, how to save, manage finances and investing. For example, we watched videos of successful business people in farming and how and why they were successful farmers."**

**"I track better my savings compared to three years ago. Currently I ask the secretary for my records of savings every month compared to when I previously only asked for my records once a year. I felt I needed to know my saving records so that I can plan on how to borrow and repay my loans without defaulting."**

- > **11 of the 48 respondents mentioned having bank accounts or borrowing from a formal bank or a Savings and Credit Cooperative Organisation (SACCO), in addition to the VSLA.** It was not clear from the responses that increased use of formal banks is a direct result of the VSLA activities, but there were some indications that this is the case. Some respondents appreciated the security that saving with a bank offers, while others preferred the convenience and accessibility of the VSLAs.



“I save both in the VSLA ... and in July 2017, I started saving in Centenary Bank... Money saved in the VSLA is to help me in farming and meet emergency needs... The interest has increased because many members have learnt how to manage money, save and make money... I have been borrowing from VSLA, now I also borrow from Centenary Bank. I borrow to expand my business, and I plan to borrow to buy land.”

- > **VSLA membership provides a space to share ideas, advice and support, and to carry out communal work, including collective farming projects.** This leads to women’s empowerment and improved community relations.

“In our group farming, we decide which crops to plant and how the money should be shared among members. We planted maize and cotton as a group – from this, we were able to raise 280,000 shillings from selling these crops. This money has been saved in the group accounts and will be shared among members.”

“In the community group, members make decisions because both the opinions of men and women are heard. Previously, women’s opinions were not respected but this has changed.”

- > **Several respondents also said that VSLA membership has improved marital relationships and reduced domestic violence.** Some women related that husbands sometimes forcibly confiscated their income, or became violent if they asked for money for household expenditures. However, once they could save and borrow money directly from the VSLA, some of these confrontations could be avoided.

“Before I joined the VSLA in 2017, the relationship in my household was rough. My husband was so violent because I used to burden him a lot financially. And if he didn’t give me money for what I have asked for, we would argue. But now that I have joined the VSLA, currently the relationship has improved. He is no longer violent because I don’t ask him for money. I have actually earned respect and confidence in my house. For example, when children have been chased from school, I borrow from VSLA and pay their school fees without asking him for money. Sometimes I inform him of the money borrowed to pay school fees and we work together to repay the loan. We also agree on how much to borrow for medical bills.”



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## CASE STUDY

**This case study brings together many of the positive changes that are linked with VSLA membership.**

“Before I was spending less on school fees because my children were young. Now that all my children are in private boarding schools, I am spending more on school fees. I prefer private schools because government schools have poor level of education. Children tend to perform poorly compared to private schools. I send my children to private schools to broaden their knowledge and with the hope that when they complete their studies, they can become doctors, pilot and members of parliament. These jobs are well paying so they will be able not only to support themselves but also support me as well in the future. ... I have changed how much to spend. For example, I draw a budget on how much to spend on school fees, medical bills and small businesses.

In 2016, I saved only 100,000 shillings [approximately \$29] because I had limited knowledge on how the VSLA operates and how to multiply interest. But currently, I have saved 1,000,000 shillings [\$267] after receiving training from GADC in 2016, where we were trained two times on budgeting skills, importance of farming, benefits of farming, access to financial services such as VSLA, how to manage money and invest. I save both in the VSLA and in 2017, I started saving in one of the commercial banks in Gulu District...

This year I have borrowed more to pay school fees and accumulate interest. I only borrow from the VSLA and I don't borrow from the bank... I plan to borrow from the bank only when I have a big project such as constructing a permanent house. I borrow [from the VSLA] to hire farm workers to weed my garden on time so that I can get better yields. ... I plan to borrow from the bank in 2020 and buy a motorcycle... Borrowing is good because it helps you to achieve your plan on time. It also helps you to solve emergency needs such as school fees.

In our community groups we do participatory decision making. Members bring ideas and we agree as a team according to what works best for us. For example, we make decisions on communal farming where group members agree to help one another with farm work at a fairly cheap rate compared to hiring a non-group member. We also make decisions on how to promote peace and security in our community, care for one another in times of social struggles. We make decisions on issues of loan payment, saving and investments of our group... In 2016, we received training from GADC on how to make money and invest, on budgeting skills, and on the importance of farming and the benefits of farming.”





## 4. DETAILED FINDINGS CONTINUED

### 4.2

#### DRIVERS OF INCREASED EARNINGS



The majority of respondents in the evaluation (29 out of 48) said that their earnings had increased over the past three years – and an even larger number (36 out of 48) said that they felt confident that their earnings would increase in the future.





Key drivers of increased income mentioned often in the survey included healthy market demand for crops, diversified cash crop production, development of side businesses alongside farming, and – importantly for the project activities – the use of animal traction in farming.

- > **Respondents reported how they adapted to market demand and prices by starting or increasing production of various cash crops.**

Some respondents specifically referred to selling crops to GADC.

“Previously, I was growing sesame for sale. I was not earning much from only one crop so I decided to add cotton in 2019. there is a good ready market so I started to sell to GADC.”

- > **Farmers in Pader District also mentioned resilience to weather conditions and ease of harvesting as important factors that influence their decisions about which crops to produce.** Several members of a single VSLA mentioned having switched to farming soya for these reasons, while others found that their land was more appropriate for rice.

“I decided to start growing soya because sesame, beans and sorghum were dying in the garden before harvest due to the heavy rains, but soya can withstand this kind of weather condition and I get to plant it in two different seasons... There has been a positive change because the price of soya has gone up compared to three years ago.”

- > **Training on good agricultural practices, the use of demonstration plots and the provision of seeds have all contributed to increased farm productivity and increased income.** Nine respondents and one of the focus groups cited GADC as an important provider of agronomic training – other organisations were mentioned much less frequently.

“In 2017, GADC conducted a two-day training of farmers on improved agronomic practices with emphasis on organic production of sesame. This training equipped me with skills and knowledge on use of high-quality seeds, timely planting and weeding and post-harvest management... Through their training I have adopted some of the recommended agronomic practices such as timely planting, weeding and harvesting which has contributed to increased production... [and] improved agricultural production techniques such as use of animal traction... Production of cash crops that fetch more money has contributed to my earning.”

- > **Increased use of tillage equipment – such as ox ploughs – has led to an increase in the acreage that farmers are able to cultivate,** which has in turn resulted in increased crop production and income.

- > **Five respondents reported having taking a loan for tillage equipment from GADC or the VSLA, and one from another programme.** Of these, one person said that her oxen had since died, so she gave the plough to a neighbour. None of the borrowers mentioned any difficulties in repaying the loan. Two respondents said that they provide tillage services as a service to other farmers to generate income, but only one of those had received the tillage equipment under the GADC loan scheme.

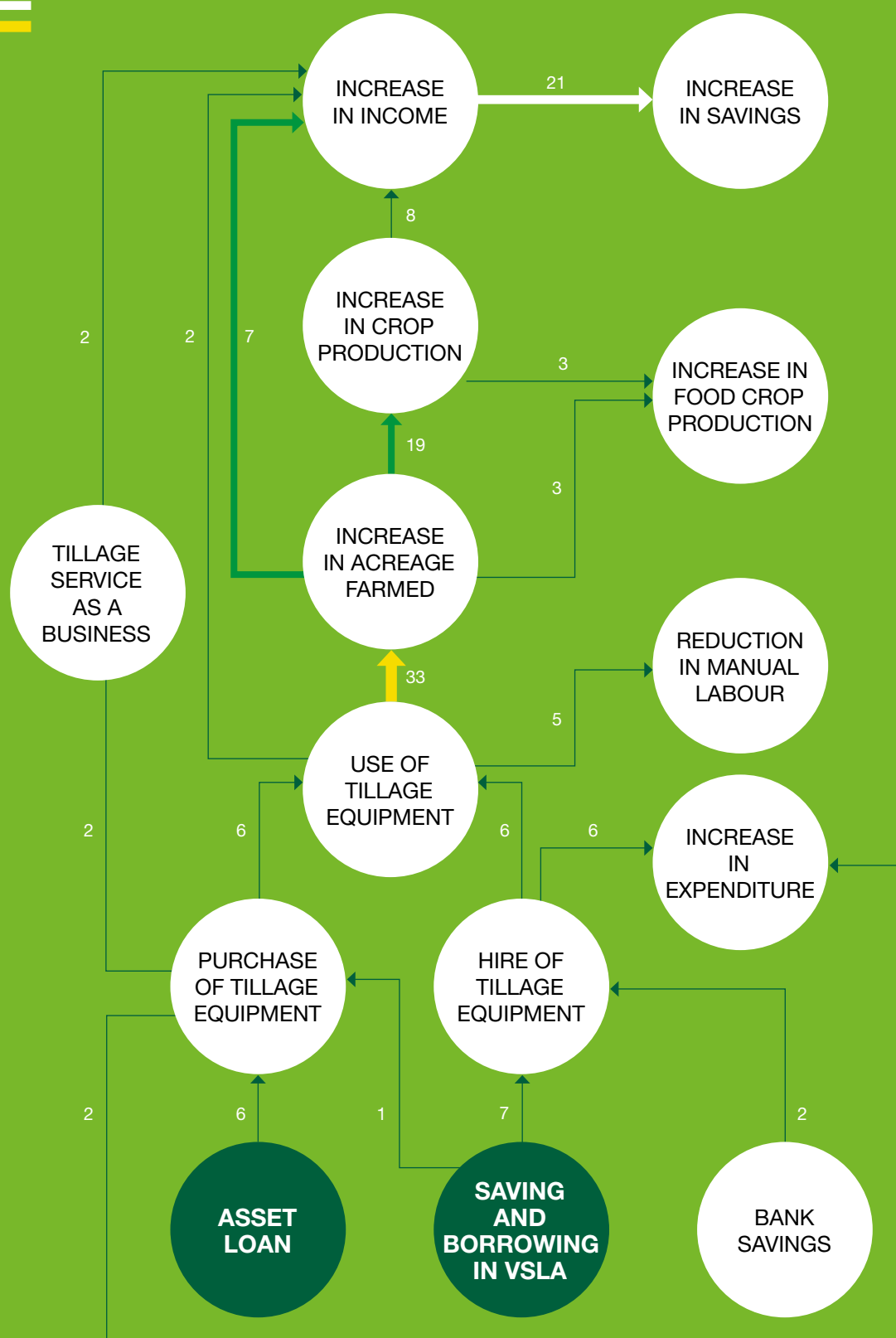
“In 2018 I took an asset loan from the group [VSLA] to buy an ox plough that I paid on a monthly basis for period six month ... It has also become another source of income as I rent it out to other people... .... I am planting more food and cultivating more land now that I have an ox plough. ... The money I earn has increased because I am now digging using an ox plough so I produce more harvest, but also renting out the ox plough brings in more money as well. Most of the money I am making I basically save it and some is for buying food. I have also invested in silver fish retailing. I also spend on medical bills when the occasion arises. ... I spend money on weeding of the garden. Part of my money also goes to paying for the loan that I took as an ox plough from the group.”

- > **Respondents generally took a positive view of asset loans** and said that they would like to acquire not only tillage equipment but also other productive assets such as a grinding mill or motorcycle (which can be used for transporting crops to market).
- > **Another factor in increasing household earnings in the past three years has been new or increased side businesses, especially alcohol brewing or selling or rearing small livestock herds (goats, pigs, cattle or poultry).** Some of these investments have been made from savings or borrowing from the VSLA group, and the revenue these activities have generated has in turn translated into increased savings being deposited with the group.

## CAUSAL LINKS IDENTIFIED BY RESPONDENTS IN CONNECTION WITH THE USE OF TILLAGE EQUIPMENT

Width and colour of the arrows represents the number of respondents who mentioned each link.

0 - 10 ———  
 11 - 20 ———  
 21 - 30 ———  
 31 - 40 ———





## 4. DETAILED FINDINGS CONTINUED

### 4.3

#### DEALING WITH CHALLENGES



**The experiences related by respondents in the evaluation were not exclusively positive. 18 of the 48 respondents said that their income had decreased over the past three years, and 24 said that the amount they save had decreased.**

- > **The primary reason for these decreases in income and savings was unfavourable weather conditions** – particularly excessive rainfall and flooding. In one VSLA in Pader District, all six of the members interviewed said that floods had damaged their crops and led to a decrease in their earnings.

“Heavy and constant rains throughout the year ... destroyed my crops in the garden. I plant seven acres of sesame and before I would harvest about 10 to 12 bags, but now I can only harvest two bags from these seven acres.”

- > **Some respondents also mentioned falling market demand and a decrease in prices for crops such as maize, millet, and cassava.** Some are dependent on selling to middlemen or retailers, and said that they felt cheated by the low prices they receive. However, they are unable to sell to wholesalers because they lack the means to transport their produce, or lack contacts to buyers in other markets. Both chili and tobacco are crops which farmers have been encouraged to grow in the past (including by GADC, in the case of chili), but for which there is no longer a good market.

- > **Several respondents also reported reverting from the use of ox ploughs to hand hoes following oxen being stolen, lost or dying.** Some had hired traction animals, but found this expensive and so used them less frequently than when they had access to their own oxen. Six respondents mentioned that the cost of hiring traction animals had been increasing.

“Initially I acquired an ox plough that I was using but the cow died. The quantity of crop has reduced because initially I had full-time oxen for ploughing and ploughed whenever I wanted but now I do it for just a short time because I hire from someone... Now that I don’t have oxen for the plough I am not spending as much time on crops for sale.”

“Before I acquired oxen in 2017, I used hand hoes for land clearing but when I started using animal traction, my total acres of land under food crop cultivation increased from 2.5 acres to 5 acres and those for cash crop production increased from 2 acres to 6 acres. I acquired the ox plough through an asset loan from GADC... Unfortunately my oxen died in April 2019 leaving me with no option than to give away the plough to a neighbour who can open more land using her oxen...”

- > **Old age and ill health were also mentioned as factors in reducing the acreage that could be cultivated**, so reducing earnings while increasing medical expenses. In one village in which a malaria outbreak had occurred, all nine respondents said that the cost of medical treatment had been a significant burden.

When income decreases, or when expenditure on school fees or medical expenses increase, this in turn means that less is being saved in the VSLA. The cyclical way that VSLAs operate means that this reduces the funds available to lend out to members – and members anyway become more reluctant to borrow if they are uncertain about their ability to repay. While the evaluation shows clearly that VSLAs can help to enable people to save and borrow for investments during periods of growth, their potential to enable people to weather a shock that affects many members at the same time is more limited.

## 5. FUTURE PLANS/WAY FORWARD



The evaluation has shown that the GADC's and AgDevCo's work has had a significant positive impact on saving and borrowing, on agricultural production, and on the incomes of VSLA members. While the QulP methodology does not allow us to quantify the size of those impacts, the rigorous approach (including the double-blinding) provides a high level of confidence in the results.

One clear message from the evaluation is that there is still unmet demand for tillage services among rural communities in northern Uganda. Rather than providing further loans itself, GADC is now working with local banks to facilitate access to asset loans for farmers (e.g. to purchase tillage equipment), building on the credit records they have established in the VSLA groups. To date, 489 VSLA groups have engaged with formal financial institutions, with 59 groups already accessing loan products.

AgDevCo's Smallholder Development Unit is now building on the achievements of GADC's work with VSLAs in partnership with another successful agribusiness in the region, Shares Uganda. With AgDevCo support, Shares is taking a similar approach to GADC in building the capacity of VSLAs so as to enable 28,000 smallholder farmers to save and borrow for productive investments in their farms. Tracking the outcomes of this initiative will allow AgDevCo and its partners to continue learning about the most effective ways to facilitate access to finance and increasing incomes for smallholder farmers.





## FURTHER INFORMATION

AgDevCo's Smallholder Development Unit (SDU), with the support of the Mastercard Foundation and UK aid, supports rural agricultural enterprises to develop equitable schemes to boost productivity and incomes for smallholder farmers in Zambia, Mozambique, Malawi, Tanzania, Uganda, Ghana, Senegal and Sierra Leone.

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