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INSTITUTE FOR DEVELOPMENT ANTHROPOLOGY, BINGHAMTON, NY
CLARK UNIVERSITY, WORCESTER, MA
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**SELECTED STUDIES
OF THE HORTICULTURAL SUBSECTOR
AND INFORMAL FINANCE
IN PERI-URBAN BANJUL, THE GAMBIA**

**A Report to the USAID Mission
Banjul, The Gambia**

January 1994

by

Geetha Nagarajan

Douglas H. Graham

and

Richard L. Meyer

The Ohio State University
Department of Agricultural Economics
and Rural Sociology
The Ohio State University
2120 Fyffe Road
Columbus, Ohio 43210-1099
Phone: 614-292-8014 FAX: 614-292-7362

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EXECUTIVE SUMMARY AND OVERVIEW

I. COMMODITY AND FINANCIAL FLOWS THROUGH THE HORTICULTURAL SUBSECTOR

1. Summary: Potential and Constraints

This study has highlighted a number of advantages and limitations that Gambian horticultural producers face in producing and servicing alternate markets, including European markets, for fresh fruits and vegetables. The Gambia does offer a promising tropical climate, a high water table, and good soil texture in peri-urban Banjul. The low costs of labor, good telecommunications and proximity to European markets reinforce the advantage that the natural resource potential offers Gambian producers to compete in several alternate markets.

Nevertheless, serious constraints exist which will continue to moderate the pace of horticultural production and the potential to serve European markets. Physical infrastructure problems stand out with inadequate and unreliable air and sea freight facilities. There is no public cold storage facility at the airport, hence larger commercial farms have been induced to plan and build their own facilities. Without these facilities, the risk of "tarmac spoilage" is high given the irregular air cargo services. More demanding packaging and labeling requirements in Europe make it increasingly difficult for smaller producers to compete.

There is a visible lack of any government research or extension activity for these crop activities. Larger producers, in effect, finance their own research and ad-hoc experiments with different plants, seed varieties and cultivation practices influenced in part by the transmission of knowledge and advice of related family firms or through their private overseas network of input suppliers and buyers.

Information constraints are serious for the majority of large and medium sized producers who have imperfect knowledge of European markets in terms of non-Gambian competitors, new market niches, outlets, agents and prices. In addition, Gambian exporters need to continually monitor changing product standards, labelling, and packaging requirements across EEC countries to maintain their competitive edge. There is no better way to reduce these informational constraints than focused trips to Europe. The government and GAMHOPE, the horticultural producer association could play an important role in furthering this process of learning by financing (in whole or in part) trips for Gambian producers to build up networking contacts and strategic business and market

information by attending marketing and packaging workshops or trade fairs in selected European countries.

2. The Financial Dimension: Summary

The blend of opportunities and constraints outlined above have created through the years a dual structure of horticultural producer/exporters in the country. On top are a handful of big operators who have largely self-financed their successful market entry into European markets through earnings from other business ventures or related family enterprises. These are the only producers that export to European markets on a sustained basis.

Below are a mixture of medium to small producers, some of whom, have sporadically participated in European export trade but none on a sustained basis. These producers currently produce for the hotel market in the tourist sector or as occasional outgrowers for the large producers/exporters. The smaller horticultural producers, particularly women's groups, are supported in part through NGO programs and produce exclusively for the domestic wholesale and retail markets.

The financial dimension of horticultural activity is relatively straight forward and uncomplicated: self-finance and informal finance predominate. Start up investment costs are financed through equity (self) finance. This is to be expected since one could not expect a bank to place its depositor and stockholder funds at risk by issuing investment loans to an untested business in an area as risky as horticultural production and exports. The largest enterprises can draw on conventional overdraft facilities to service some part of their local short-term expenses but not overseas shipments or investment projects. It is also important to point out that the largest firms with established overseas networks and offshore banking accounts can draw upon letters of credit from these off-shore banks to momentarily finance their shipments to Europe. It is relevant to note here that these large producers and even medium sized operators, to a greater or lesser extent, act as creditors by selling their produce on consignment to their buyers in local as well as in export markets. In effect, they offer supplier credit with terms from one to four weeks before receiving payment.

Smaller producers also necessarily engage in self-finance and to some extent can draw on informal sources of finance. Supplier credit and consignment are, however, much less common among these producers. Instead, they expect their buyers to pay in cash or barter. Cooperatives and NGO gardens draw substantially on donor funds to start up or expand operations while indigenous kafo gardens draw on kafo funds.

In short, up to the present, formal finance has played a minor role in financing horticultural activities. Only conventional overdraft facilities are available for traditional short-term finance for the largest producers along with occasional letters of credit from the less expensive off-shore financial centers in the UK to secure export shipments for those few with established overseas operations. Start up expenses and investment costs are serviced

through earnings from other business activities and accumulated retained earnings. This self-finance feature is even more pronounced for medium sized firms.

It is unrealistic to expect commercial banks to assume the risks of financing the investment costs of horticultural export activity in The Gambia given the current uncertainty of returns, especially for all but largest producers. Even for the largest producers it is unlikely that banks should move beyond their current conventional overdrafts into project oriented term loan facilities in which repayment would be subject to enterprise default risks. This is legitimately the area for venture capital from the owner-entrepreneurs themselves or in joint ventures with foreign partners.

3. Policy Recommendations

Government initiatives could make a contribution in the area of information and infrastructure investments. For example, the government in partnership with GAMHOPE could support trips to promising horticultural entrepreneurs to participate in trade fairs and marketing and packaging workshops offered in selected European countries. This allows them to build up a network of contacts and potential marketing agents in Europe. At the same time the government could consider a joint venture to build or expand planned cold storage facilities at the Banjul airport. This should not be done exclusively but rather only when private producers have more than matched the government contributions so that they can manage its operations on a commercial basis.

The government should make an effort to document the on-going flow of horticultural exports in a systematic and timely fashion. Currently, an accurate, comprehensive and up-date periodic record of Gambian horticultural exports is not in place. This could facilitate the marketing agents knowledge of growing or shifting product markets as well as keeping public authorities informed on the progress of this country's non-traditional export efforts.

In summary, the success or failure of the new non-traditional horticultural export sector will rest on the entrepreneurial skills of the participants themselves. A dual market with the largest firms engaging in export markets while medium to smaller firms service the tourist trade hotel market in peri urban Banjul will likely continue this natural evolution in the foreseeable future. Equity capital (self-finance) will logically continue to predominate either individually or through joint ventures with local or foreign partners. NGO finance can make a potential contribution to smaller NGO and kafo gardens. Local bank finance can only realistically play a modest short-term working capital role for only the largest entrepreneurs through overdraft facilities. Investment finance in this riskier area can only logically be serviced through self-finance, retained earnings and venture capital initiatives.

Finally, the government can make a contribution by lowering information costs and building up infrastructure capital through more adequate documentation of horticultural

export flows, partial financing of networking trips for promising horticultural operators, and joint financing of cold storage facilities at the Banjul airport.

II. FINANCIAL INTERMEDIATION THROUGH ROSCAs

1. Summary

Traditional osusus are informal groups found in The Gambia. Though fulfilling some social functions, they principally perform financial intermediation services based on local initiative and savings mobilization. They are not anonymous institutions like formal banks, but embody pre-existing social relations in a community. More importantly, they transform contractual relations from very personalized reciprocal obligations between individuals to an unconditional contract between a group and the individual.

Osusus are composed of a small number of homogenous members to reduce information problems. They allow all members except the last in the list to immediately consume their future savings as a loan beforehand. Loans are free of explicit interest charges and collateral. The group itself constitutes the social collateral for the loans and group members, in effect, monitor and enforce the contracts. Although members who receive their pot or draw (i.e. loans) late in a cycle cross subsidize others who receive it early, the long life of osusus allows persons who receive a pot late in one cycle to be compensated by receiving it early in future cycles. In addition, new and untested members, are placed in the last queue position to establish their credit rating by contributing their savings for others' loans before benefiting from their own draw.

The compulsory savings component imparts a discipline among members to save. In addition, since members are not restricted to the use of funds for productive purposes, osusus help members accumulate savings to purchase durable consumption goods and to smooth their consumption in times of income variability.

Osusus carefully link deposits with lending by matching the debt repayment capacity with the savings capacity of its members through periodic contributions. Therefore, it reduces risks and improves liquidity management. Strict member screening procedures, the use of internally generated funds, the linking of deposits with loans, and the use of social sanctions to insure loan recovery all contribute toward reduction of principal agent problems, better contract enforcement and sustainability of the osusu. Moreover, the ability of osusus to intermediate between small savers and small borrowers without explicit collateral, their flexibility to suit member needs, their adaptability to synchronize member cash flows allow them to design compatible contracts for typical women-specific enterprises. Therefore, it is not surprising to note a strong women's bias among osusus in The Gambia.

Nevertheless, limited geographic and enterprise diversification within a group expose traditional osusus to risks due to the covariance in member incomes. In addition, the

absence of contingency and reserve funds provides them with little protection against shortfalls in funds due to member delinquency or default and inflationary losses. Evidence from the WISDOM osusus, discussed at length in this study, suggests that a careful diversification of the member portfolio in terms of occupations, along with the maintenance of contingency funds and links with formal banks are likely to improve the efficiency of traditional osusu operations.

2. Policy Implications

This study shows that formal finance has failed to provide all the services required by many depositors and borrowers in The Gambia, and that informal finance, despite its limitations, is able to create financial mechanisms such as osusus to serve the needs of its clientele. This leads to obvious questions such as what can formal markets learn from informal markets and what can be done to strengthen the performance of both formal and informal financial markets.

A. Improvements to Formal Finance

First, formal banks need to reduce transaction costs for depositors and borrowers. Informal markets are preferred by numerous borrowers and depositors because of their low transaction costs achieved through their localized operations. Formal banks can, therefore, reduce transaction costs by (i) increasing the number and distribution of branches, and (ii) creating cost effective services through part-time branches or mobile banks in low volume areas servicing a rural clientele.

Second, banks should increase their loan portfolio by productively recycling mobilized deposits. However, it will always be difficult for banks to develop cost efficient mechanisms to collect the information required for standard collateral based loans. They cannot compete with the information advantage of informal lenders for a marginal constituency. Therefore, they need to explore ways to reduce information problems and develop collateral substitutes through the lessons learned from informal markets. One way is by providing group based loans where the savings of the group can be used as a collateral. The experiment by WISDOM in The Gambia that provides loans to osusu members by using their osusu savings as collateral is a good example. Alternatively, wholesalers and retailers can be used as conduits for loans to small producers. This is similar to experiments in the Philippines where rice traders have been used to channel loans to rice farmers.

Third, banks could develop attractive financial instruments to attract new customers. To start with, they can attract their own employees to use banking services by (i) reducing the minimum deposit requirement for savings accounts, (ii) providing automatic deductions out of their pay checks for loan repayments and savings accounts, and (iii) offering consumption loans.

B. Improvements to Informal Finance

Informal financial mechanisms such as osusus will likely have a comparative advantage over banks in reduced transaction costs and risks by their superior access to information and better contract enforcement through peer monitoring of their marginal clientele. But, they are also subject to weaknesses due in part to limited portfolio diversification and constraints on large scale savings mobilization. As a consequence, it may be useful to experiment with ways to more effectively link formal with informal mechanisms such as osusus. Several options to link formal with informal are outlined below.

Osusu rotating funds lie idle with the organizer during the period between fund collection and disbursement. For non-rotating contingency funds this can be a long period of time. These idle funds could be deposited with formal banks to earn interest. This would also reduce the risks of safekeeping and embezzlement. Licensed "osusu collectors" could be used by banks to collect osusu deposits from members and deposit these savings into bank accounts in the name of the osusu.¹ The osusu collectors should be asked to provide "bonds" to the banks which would serve the equivalent function of depositor insurance.

Second, NGOs such as WISDOM that are active in formalizing informal finance can be provided assistance. These NGOs can facilitate informal groups to develop reserve/guarantee funds to meet contingencies and can encourage them to set up interest earning reserves within banks so they can diversify their portfolio. Banks can provide some multiple of the contingency funds as loans to osusu members. NGOs should, however, recognize that osusus are not generic and they are more likely suitable for the typical cash flow profile of women-specific enterprises.

Third, and last, NGOs can directly work with the informal groups to improve their management and bookkeeping skills so that informal finance can function in a more formalized way to improve its efficiency. However, NGOs need to be cautious so that outside intervention does not destroy these carefully designed informal systems in a way that increases risks and costs. For example, NGOs can provide technical assistance and, to a lesser extent, relax their liquidity constraints. But in the process NGOs should not engage in a radical transformation of the informal system that goes far beyond the groups absorptive capacity or accepted practices, thereby creating a moral hazard environment that leads to institutional collapse.

¹ This is similar to "susu collectors" in Ghana. The susu collectors are those who collect deposits from vendors in several markets at frequent intervals and deposit them in formal banks.

III. INSURANCE AND FINANCIAL INTERMEDIATION THROUGH KAFOS

1. Summary and Implications

In summary, kafos have traced out a long historical path through Gambian history. Presumably originating in Mali several centuries ago, these self-help groups moved into The Gambia through migrant settlers. Originally, kafos were created as collective labor arrangements to carry out village labor tasks such as rudimentary infrastructure maintenance or investments as well as harvest requirements on common plots in the village.

In time, these groups became more complex and versatile in meeting changing village requirements. Today kafos have become informal multifunctional mutual aid societies or organizations that meet villager needs in several areas. These functions include original common plot activities and collective labor requirements to gain scale economies in production and marketing; a social role in maintaining community infrastructure; a source of credit for members along with contingent emergency insurance coverage for the elderly and marginal constituencies in the village; and, an organization facilitating social and political activities at the village level. Some of these accumulating functions, in effect, substitute for missing formal markets for insurance, finance and labor services.

As pointed out in this study, NGOs have now appeared on the village scene in The Gambia and, inevitably, have affected the scope, organization and operation of indigenous kafos. NGOs are currently adding additional services to meet village needs in such areas as nutrition, education, and health. However, at the same time they also have been drawing upon kafos to introduce income generating activities in microenterprise activities. In using kafos as an organizational conduit to launch these initiatives, it is apparent that NGO kafos become distinct from indigenous kafos in the functions they perform. Income generation objectives mandate membership in NGO kafos to the economically active population. This necessarily excludes the marginal and elderly population. Also, women are frequently emphasized in NGO kafos whereas indigenous kafos are more inclusive in their membership criteria.

Finally, the most recent initiative by NGO kafos has been their attempts to supply financial services (almost exclusively credit). The presence of NGO kafos alongside indigenous kafos creates the potential for institutional conflict if the NGO kafo offers credit from cheap donor sources at subsidized rates while the indigenous kafo necessarily has to charge higher rates to cover its deposit mobilization costs. Like Gresham's law, cheap money would drive out dear money and indigenous kafos could be damaged by competing on an uneven playing field of finance. This in time will mean that the contingent insurance function covering the marginal population in the village through indigenous kafos would disappear with a commensurate decline in village welfare. NGOs should keep this negative impact in mind when they presume to offer financial services through their kafos so that they do not distort financial markets by underpricing their credit to the detriment of indigenous kafo financial viability.

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Geetha Nagarajan

Richard L. Meyer

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Douglas H. Graham

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Rural Finance Program
Department of Agricultural Economics
and
Rural Sociology
The Ohio State University
2120 Fyffe Road
Columbus, Ohio 43210-1099

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COMMODITY AND FINANCIAL FLOWS THROUGH THE HORTICULTURAL SUB-SECTOR IN THE PERI-URBAN GAMBIA

I. INTRODUCTION

The government of The Gambia (GOTG) has identified the horticultural sector as an important non-traditional export sector. Although efforts have been undertaken to improve the horticultural sector by the government since the early 1970s, it was not until the late 1980s that they gained momentum and emerged as a priority sector. Policies since 1986 include the exemption of horticultural producers/exporters from income and export taxes and relaxed legal restrictions on ownership rights. This has created a favorable environment for foreign and domestic investors in the Gambian horticultural industry. As a result, the share of horticultural products in total agricultural exports has increased from a mere 0.2 percent in 1984/85 to 9.1 percent in 1988/89, and has been increasing steadily (Table 1).¹ A total of 2,236 metric tons of fresh fruits and vegetables were exported in 1991/92 for a value of 1.68 million US Dollars. This represented an increase of 28 and 33 percent respectively, in quantity and value from 1990/91 (Table 2). In addition, nearly 85 percent of the requirements for fresh fruits and vegetables for the growing tourist population in The Gambia has been successfully met by the growing horticultural sector. It has been estimated that a total of 71,000 tourists visited The Gambia in 1992-93 (Table 3).²

The agricultural sector, primarily groundnuts, have accounted for over 50 percent of total employment in The Gambia until the late eighties. Of late, the production and export of non-traditional crops including fresh fruits and vegetables has made the horticultural sector an important employer of agricultural laborers. Nearly 60 percent of total women farmers are estimated to be engaged in individual and communal horticultural activities (NASS, 1992). In addition, large commercial horticultural farms currently employ nearly 4,100 laborers, of which less than 2000 are permanent, to produce primarily for export markets, and to a lesser extent, intra-regional and domestic markets (OSU survey, 1993).

A potential exists for the horticultural sub-sector to expand, become a major foreign exchange earner, and provide year round employment for a growing number of agricultural workers. Since the majority of horticultural operations involve women laborers, the increased employment and income will have a favorable income distribution effect. The

¹ The share of the horticultural sub-sector in total agricultural exports has increased from 0.2 to 9.1% while that of the traditional groundnut and groundnut products has declined from 80 to 56% over the period 1984-89 (Appendix 1). This indicates a shift in the importance of sub-sectors in the country. Groundnuts has been the primary export crop of The Gambia.

² On the average, the tourists stayed for a period of 12 days and the average amount spent by them on food accounted for \$75 per head during their stay (Ministry of Industry and Commerce, The Gambia).

Gambia enjoys several advantages in the production of horticultural crops such as its tropical climate, a high water table in greater Banjul and surrounding peri-urban areas, good soil texture, abundant land, proximity to European markets, good telecommunication systems and the availability of low cost labor. All these factors facilitate the production of horticultural crops at low costs and allow producers to be competitive in inter-regional and international markets, especially in European winter markets. There are currently large and medium sized commercial farms, communal gardens, cooperatives, and small and medium sized individual farmers that engage in horticultural production in the peri-urban area around Banjul. With implementation of the Common Agricultural Policy (CAP) by the European Economic Community (EEC) and the increasing demand for fresh fruits and vegetables in European countries, opportunities exist for The Gambia to compete for a share of the European market.

However, there are several institutional constraints on this favorable scenario. The lack of public sector agricultural research and extension services to develop and disseminate technical details on production and post-harvest technology for horticultural producers is a serious supply side constraint. At the same time, storage and packaging facilities are deficient and there is a general lack of awareness and inability to abide by the quality requirements of the European markets by all but the largest Gambian producers. In general, there is a lack of information about prices and buyers in the European markets, a serious lack of governmental lobbying support for Gambian producers/exporters in European markets along with inadequate air-cargo services and public cold storage facilities at or near the airport. Furthermore, domestic financial markets are limited and off-shore financing is seldom available to finance horticultural production and exports. Therefore, the flow of commodities in the sub-sector is primarily facilitated through self finance and informal sources.

This paper examines the commodity and financial flows in The Gambian horticultural sector, and the potential and constraints faced by this sector in serving alternative markets including domestic, inter-regional and international markets. The objectives of the paper are as follows:

- Document the current status of the horticultural sector in The Gambia in terms of participants at various levels and examine their potential to meet the demand for domestic, inter-regional and export markets;
- Examine the types of production and marketing arrangements followed by the heterogeneous agents to facilitate a smooth flow of commodities in The Gambia;
- Analyze the financial arrangements among various agents and the importance of financial constraints on the sub-sector's potential to serve alternative markets;
- Provide recommendations to improve conditions for Gambian producers/exporters.

This paper is organized as follows: after describing the methodology, a description will be provided of the flow of commodities and finance through various agents in the Gambian horticultural sub-sector. This will be followed by discussion about potential and constraints faced by producers/exporters in serving alternative markets. Policy implications and recommendations are presented at the end of the paper.

II. METHODOLOGY

This study follows a modified sub-sector framework that incorporates financial flows that accompany the commodity flows to examine the horticultural sub-sector in The Gambia.³ The methodology employed includes the following key elements:

- identification of the size, functions and type of formal and informal market channels in the horticulture sector along with the principal participants involved in each channel;
- identification of the contract terms and conditions that link the heterogenous participants within the marketing channels in a given market and with related markets including finance, insurance, transport and communication;
- collection of quantitative and qualitative data through an examination of official records, field interviews with sector participants at various levels in several markets using systematic sampling procedures, and the direct observation of key operations; and
- examination of the competitiveness and coordination among various market channels as affected by the efficiencies in several related markets to assess the implications of proposed changes in inter and intra-channel relationships.

Table 4 presents the composition and size of the sample interviewed at all stages in the horticultural sub-sector. The majority of the fruits and vegetables marketed domestically and internationally are produced in the urban and peri-urban areas of The Gambia. Therefore, the sample for the study was drawn from Banjul and surrounding areas. Specifically, the sample was drawn from urban Banjul, Bakau and Serrakunda, and peri-urban Brikama, Sanyang, Pirang, Sinchu-Alhaji, Sinchu-Baliya and Sukuta.⁴ The sample size at each level

³ The traditional sub-sector framework proposed and refined over the years by the researchers at Michigan State University considers the physical flow of commodities in input or product markets, but excludes explicit treatment of financial and informational flows that accompany the commodity flows. Since financial markets are imperfect and access to finance and information often affect the efficiency of various participants in a sub-sector, the modified framework extends the sub-sector framework by incorporating finance and information that accompany commodity flows. See Nagarajan and Meyer, 1993 for details on the modified sub-sector framework.

⁴ See Roth (1993) for explanations for the choice of villages included in the peri-urban sample.

was dictated by logistical reasons. While the majority of commercial producers, cooperatives, hotels and restaurants, telecommunication agents in The Gambia were interviewed due to their small number, a stratified random sampling procedure was followed to choose the communal and individual producers and market agents interviewed.

Some of the information needed for this study may be considered sensitive, especially for private entrepreneurs involved in exporting. Therefore, data collected for this study followed more closely the rapid appraisal approach rather than the application of a long structured questionnaire to gather information from commercial horticultural producers, and financial and communication agents. Qualitative data and a limited amount of quantitative data were collected through informal interviews about the nature of their operations, number and type of clients, sources of finance, type of competitors, and major constraints faced by the respondents. On the other hand, market vendors (retail and wholesale), some individual producers, and informal financial groups, such as ROSCAs, were willing to reveal more information about their operations. Therefore, a structured questionnaire was used to gather quantitative information about their mode of operation, number and type of clients, scale of operations, income and sources of finance, and major constraints faced by them. Furthermore, information was gathered about the entire sub-sector through direct observation.

Official documents and statements were consulted to gather information regarding the aggregate level of horticultural production in the country. There is, however, very little aggregate data available in The Gambia about the details of the importance and size of the horticultural sub-sector, and the value and volume of horticultural exports. The collection of data about the horticultural sector was begun only in 1991 as part of the regular nationwide survey on agricultural activities. It was discontinued, however, in 1993. Furthermore, since the majority of products are exported by private entrepreneurs through various private airlines, accurate records are not maintained by the customs department on the volume of exports. The little data that were available were often incomplete with internal discrepancies and not up to date. Nevertheless, this report attempts to utilize the fragmented information that was provided by official agencies.

III. ANALYSIS: COMMODITY AND FINANCIAL FLOWS IN THE HORTICULTURAL SUB-SECTOR

Although the horticultural sub-sector is considered to be a priority sector by the GOTG, little official documentation exists on the participants and magnitude of their operations, and commodity and financial flows. This section, based on our research, attempts to fill that void. Figure 1 presents a schematic diagram about the flow of products and finance through various agents/participants in the horticultural sub-sector. The participants include a variety of producers, consumers, agents who provide marketing, financial, insurance,

transport and communication services and a supporting institution, GAMHOPE. Reference will be made to this flow diagram as we discuss the various sections of this report.

1. Producers

Fruits and vegetable gardening activities have always been an integral part of Gambian life, especially for women. These women have traditionally worked in communal or individual gardens primarily to supplement their diet and, to a lesser extent, to sell their surplus in local markets. With the recent liberalization of the economy and the increased demand for fresh produce in domestic and international markets, several private entrepreneurs have entered into commercial horticultural production. Furthermore, several NGOs have become active in sponsoring communal gardens to promote income generation activities in rural and peri-urban areas and many of these are targeted at women producers. As a result, the set of horticultural producers has expanded in the past decade from small indigenous communal and individual farmers to commercialized large producers and cooperatives.

A. Commercial Farms

The GOTG identified the horticultural sector as a potential sub-sector for earning foreign exchange and creating employment. Therefore, it encouraged private entrepreneurs to set up large commercial farms to produce for export markets. With the increased accessibility to subsidized small enterprise credit from the Gambia Commercial and Development Bank (GCDB) in the early 1980s, several Gambians invested in small and medium scale industries. However, several factors led to the failure of several of these investments. Therefore, some of the entrepreneurs shifted to farming and this led to the emergence of large commercial farms. These commercial farms became active in the mid 1930s. Furthermore, the more favorable macro economic policies and production environment encouraged a few foreign nationals to invest in commercial farming in the country. As a result, there are about 12 to 15 large farms that are currently active in the commercial production of fruits and vegetables.

Table 5 presents the area, crops grown and activities of the major commercial farms interviewed. The majority of farms were started in the mid to late 1980s and are primarily located in the peri-urban areas surrounding greater Banjul. A total of approximately 1070 ha. is owned by commercial producers that employ about 4,100 laborers (of which less than 2000 were permanent laborers). The operational farm sizes, however, range from 400 to 3.5 ha. with an average of 95 ha. Seldom do these farms specialize in a single crop but rather produce a wide variety of crops. The major crops grown included Asian, African and

European vegetables to supply the domestic, inter-regional and international markets.⁵ The majority of farms perform several activities including production, marketing and exporting rather than specializing in one activity such as production and sales in spot markets. Self finance was the primary source of capital to meet start-up and operational costs. Financing through domestic and off-shore banks is limited to only those farms owned by foreign nationals who had established a banking reputation through their earlier business transactions overseas.

The majority of farms produced all the commodities that they traded. They directly sold their produce in domestic and international markets. Some farms including FARABA, Niamina, YAMS and TAMBATO, however, also functioned as outgrowers to other larger commercial farms. Furthermore, one farm, GHE, did not produce but procured all their export products from outgrowers (Table 6).

The type of clients to which these commercial farms sold their production and the mode of payment used are diagrammed in fig.1 and described in Table 7. Domestic clients include local markets, hotel suppliers, other commercial farms, hotels and restaurants while foreign markets include the UK, Germany, Holland, etc. Inter-regional trade among neighboring countries, especially Senegal, was also observed.

The majority of farms use equity finance (self finance) to cover operational, shipping and freight costs since trade credit has been negligible from domestic and off-shore banks. At the same time, the majority of clients, including European importers, require supplier credit from these farms in the form of delayed payments for received produce. Immediate cash payment was observed only with individual local customers who purchased fresh produce in local spot markets.

Few farms fix the prices for the produce sold. They are usually negotiable between buyers and sellers. Some of these commercial producers have established contacts in international markets through family connections and agents who specifically lobby for and consummate transactions on their behalf.⁶ However, the majority of farms do not have established links with specific agents or clients in either domestic or foreign markets. Therefore, they sell to several buyers largely based on prices offered by the buyers.

⁵ Asian vegetables include okra, brinjals, bittermelons (karila), ribbed melons, chilies, spinach, cluster beans, etc. African vegetables include bitter tomatoes, spinach, hot peppers, palm fruits, etc. European vegetables include carrots, cabbage, cauliflower, lettuce, potatoes, tomatoes, french beans, etc. Tropical fruits such as melons, mangoes, papayas, bananas, citrus, avocados were also grown on these farms.

⁶ Indeed, those farms (invariably owned by foreign nationals) with established contacts in both domestic and international markets have better bargaining power and a competitive edge over new farms that are typically owned by Gambian nationals.

B. Cooperatives

The current horticultural cooperatives were started in the early eighties as Cooperative Thrift and Credit Societies (CTCS) for women growers by the Gambia Cooperative Union (GCU), a government parastatal. However, these CTCS became cooperative societies in 1989 after their divesture from a reorganized and privatized GCU. Currently, there are three cooperative societies registered under the cooperatives act and managed by the Women's Horticultural Cooperatives (HCO).

The characteristics and operational features of two horticultural cooperatives, Bakau and Lamin, are presented in Table 8. Until 1990, the gardens were sponsored by the Norwegian government which provided the land and made grants in the form of seeds, implements and plant protection materials. In addition, the UNDP, the U.S. Embassy and the British High Commission also provided financial assistance to fence the garden and dig wells. The members are primarily women and were selected based on their previous performance with the CTCS and recommendations of respected CTCS members. The HCO supervises and coordinates the activities of these cooperatives. However, decisions on cropping schemes and marketing in each cooperative are made by a democratically elected committee made up of seven executive members, one farm manager and two marketing representatives. Each member of the cooperative is allotted an equal number and size of vegetable beds on a lottery basis to grow crops that are decided by the executive committee. Technical assistance on production practices is provided by the agricultural department of the GOTG. While the Norwegian government provided grants in terms of inputs until 1990, the members are currently required to pay a levy to procure inputs for their plots. However, the inputs are supplied at a subsidized rate by the HCO through a grant by the Norwegian government.

The total crop produced in the cooperative is sold in local markets through a wholesale agent.⁷ The wholesale agent purchases the produce on a consignment basis and pays the cooperatives after it is completely sold. It was reported that the wholesale agent paid them two to three weeks after their sales. The proceeds of the sale are divided among the members based on their contribution to the quantity sold. Of late, Lamin cooperative is also functioning as an outgrower for a large commercial farm/exporter. The cooperative provided the commercial farm with two week suppliers' credit.

C. Communal Gardens

The communal gardens include indigenous gardens that were sponsored and operated by the villagers, and NGO donor gardens that were sponsored by NGOs but operated by the villagers.

⁷ Previously, the produce was sold by each member in local markets but this did not prove profitable. Therefore, they decided to collectively sell their produce to a wholesaler in the local market and also to an exporter. The proceeds are then divided among members based on their volume of production.

a.) Indigenous communal gardens: Kafos

Indigenous communal gardens called kafos are commonly found among farming communities in The Gambia. These kafos are cohesive units that are usually homogenous in terms of geographic proximity, gender, age, ethnicity and occupation but with varying membership sizes. They perform several functions including insurance, financial intermediation, labor mobilization and socio-political activities.⁸ These communal gardens generally perform insurance functions through mutual aid. The garden, fences and wells are collectively owned by the kafo. But members are allotted individual plots and are free to choose their own cropping schemes and the quantity to be marketed. The members are, however, required to contribute a fixed amount to a common kafo fund from the proceeds of the produce grown in the kafo garden. The common fund is used to mitigate aggregate kafo level risks such as drought, fire etc. and, to a lesser extent, member level contingencies such as funerals, medical expenses etc. In general, each village was observed to have at least one kafo garden that is usually operated by women. A survey conducted by NASS shows an existence of about 985 kafo gardens that covers approximately 287 ha. of land with about 21,678 participants. The vegetables produced in these gardens are often consumed by the members and 58 percent was sold in local spot markets (Table 9).

Our interviews revealed that the operational costs of the gardens are usually self financed, although a limited amount of common funds are loaned out to deserving members at interest rates decided by a committee. The produce sold in local spot markets involved a down payment or barter transactions. This indicates that these kafo gardens are primarily formed to function as mutual aid associations and to supplement the dietary needs of the members and not for a commercial purpose. This is also reflected in the decision making which rests with individual members. These features constrain the kafos from becoming potential exporters or outgrowers to exporters or reliable suppliers to local markets.

b.) NGO sponsored communal gardens

NGOs became active participants in village level community development activities in the early 1980s by sponsoring several gardens in rural and peri-urban areas to improve the nutritional level of communities and promote income generating activities, especially for women. Currently, there are about five NGOs including Caritas, Action Aid, Save the Children, and three international agencies including the U.S. Embassy and the EEC that actively sponsor communal gardens in The Gambia. NGOs generally provide the garden land, fence it and dig wells.⁹ Later, the members collectively own the land, fences and wells provided by these NGOs. But, each member is allotted a fixed number of beds to grow

⁸ See Nagarajan, Graham and Meyer, 1994a for details.

⁹ The lands were previously owned by the village. The NGOs need to get the permission of the village leader (alkalo) to allocate land for the garden. In some villages, the NGOs were required to pay a certain amount to the village leader to get access to the garden plot.

vegetables and each can decide on cropping schemes and marketing outlets. A NASS survey conducted in 1991 by the Government of The Gambia estimated the presence of at least 115 donor sponsored gardens covering 201 ha. benefitting about 23,142 participants. The majority of the participants in these donor gardens were women (Table 9).

In general, the donors finance the purchase of land, fencing and the digging of wells. Often grants are given out in terms of inputs at the beginning to meet operational costs of gardening. However, seldom do NGOs provide technical advice on production or arrange for the marketing of the produce. The decisions about cropping schemes are left to members. Therefore, the crops grown in a donor garden are highly heterogeneous. This limits the volume of a single crop produced in a garden. Members sell their produce individually in local spot markets for cash or barter exchanges (see Figure 1). No long-term or forward contracts with exporters or wholesalers were reported.

D. Individual Medium Sized Gardens

There are several medium sized vegetable farms (about three to ten hectares) owned and operated by individuals. The operators are primarily men who grow vegetables and fruits for commercial purposes. They grow a variety of African and European vegetables including cabbage, cucumber, bitter tomatoes, chilies, okra, sweet peppers, bananas, mangoes, watermelons and sweet corn. They usually produce all the crops they market. However, they also have contractual relationships with small individual women outgrowers and school gardens to produce certain crops for them. The outgrowers are usually paid in cash but some are only paid two to three weeks after their sales to these producers. Although inputs are not provided by these medium sized farms to their outgrowers, a limited quantity of interest free consumption credit is provided to meet emergency needs.

These producers sell their crop to wholesalers, retailers, hotel suppliers, hotels/restaurants and hospitals. These farms also function as outgrowers for large commercial farms/exporters including GHE and HORTMARC. These commercial farm buyers seldom offer a down payment for the produce sold. Instead, the produce is provided on consignment or the buyers negotiate to pay two to four weeks after the sale.

Most of the operations are self financed. Some farms report that they obtained small loans from the GCDB using their house/buildings (not land) as collateral. Some also have a credit line with the Meridian bank for other business activities that they use for farming. Some were also engaged in other business activities that helped them to cross-subsidize their horticultural activities.

E. Individual Small Gardens

These gardens are generally small and are owned and operated by women. In general, the majority of these women operate individual small gardens irrespective of their participation in communal gardens, commercial farming and food crop production. Vege-

tables and fruits grown in these gardens are primarily used to meet household consumption needs. The excess produce is usually exchanged among neighbors and, to a lesser extent, sold in the local spot markets for cash or barter. It is estimated that approximately 54,646 farmers (of which 92 percent are women) participate in individual and indigenous communal gardens in the country (Table 9). These operations are self financed through profits from their food production or by participation in Rotating Savings and Credit Associations called osusus and kafos.¹⁰

2. The Consumers

With an active tourism industry and growing urban affluence in The Gambia, and increased nutritional awareness and trade liberalization in European countries, the potential set of domestic, intra-regional and international consumers for Gambian fresh produce has expanded over the past decade. For this report, domestic consumers are defined as hotels and restaurants, local consumers and Gambian exporters. Inter-regional consumers are largely limited to consumers in Senegal, while international consumers refer to buyers European markets (see the consumer profile in Figure 1 with their corresponding market channels).

A. Domestic Consumers

a.) Hotels and Restaurants

The tourist industry in The Gambia has been active and growing since the early 1980s (Table 3). Therefore, the number of hotels and restaurants serving the growing tourist population and their demand for fresh produce has increased commensurately in the last decade.

Currently, about 12 major hotels serve the tourist population in the country. Table 10 lists some of the major hotels, their source of fresh produce and the value of purchases. These hotels spend approximately D 110,000 (US \$12,500) per week on fresh produce during the peak season that ranges from late October to Early April. Roughly, US \$450,000 was reported spent by these hotels in 1991/92 on fresh fruits and vegetable purchases from The Gambia. Of course, this does not represent a major share in the purchase of Gambian horticultural produce compared to the European markets that imported about US \$ 1.68 million in 1991/92. Nonetheless, this represents significant multiplier effect for local producers and traders.

¹⁰ In an osusu, a group of members get together and agree to contribute a fixed amount of cash and/or kind into a common pot at regular intervals until a cycle is completed. This pot rotates among members through allotment of the pot to one member in each rotation period based on some previously agreed pot allocation methods. See Nagarajan, Graham and Meyer, 1994b for details.

The majority of these hotels purchase the fresh produce primarily from hotel suppliers who are usually women and play the role of a middle (wo)man between various producers and the hotels. However, some hotels have shifted to open spot market purchases because of increasing problems with these hotel suppliers in terms of timely supply and quality. Large commercial farms including YAMS, Farabo, SIFOE and Radville also supply these hotels and restaurants. Our interviews revealed that the hotels in general prefer hotel suppliers to large farms. Large farms were often reluctant to supply small quantities, were unreliable and supplied second grade export rejects.

b.) Gambian Exporters

Although the majority of Gambian exporters produce the commodities that they export, several of them also have outgrower relationships with other commercial farms, cooperatives, medium and small individual producers. The outgrowers are usually employed to produce commodities that do not require economies of scale in production and close monitoring. Some exporters offer inputs to their outgrowers through contractual arrangements that provided the outgrowers with inputs and technical advice for production and ensured market outlets. However, the majority procure the produce using production management contracts where exporters do not provide any inputs but have control over the quantity and quality of crops produced by the outgrowers or market specification contracts that closely resemble spot markets by offering only market outlets and no inputs or technical advice. Some commodities are also purchased in open spot markets where transactions are primarily consummated through immediate cash transfers.

B. Inter-regional Consumers

The liberalized economy of The Gambia combined with porous borders with neighboring Senegal, have facilitated the active trade of several commodities including fruits and vegetables. The majority of transactions are informal through cross border sales. Therefore, no official data are available on total volume or value of sales. We observed several Senegalese traders who regularly visit weekly markets (Lumos) to procure fruits and vegetables from both retailers and wholesalers.¹¹

Our interview with a Senegalese trader revealed that the majority of products procured include mangoes, bananas and African vegetables such as bitter tomatoes, hot peppers and yams. The majority of the transactions were effected in spot markets involving cash transactions. However, long term customers were able to get a limited amount of one to two week supplier credit, especially from wholesalers. Some of the Senegalese traders with communal and familial links also established forward contracts with communal gardens producing mangoes and bananas. These forward contracts only assured a market outlet for the

¹¹ Weekly markets called lumos are special markets that meet on specific days of the week. Usually, these markets are organized in a big town/village that is accessible to several small and medium sized villages.

produce and did not provide any inputs to the producers. The prices were usually fixed at the time of the purchase and no advance payments or inputs were given to the producers.¹²

C. International Consumers

Gambian produce is exported to several European markets, especially Anglophone countries. European importers/distributors in turn cater to the demand for fresh produce by the customers of supermarkets, wholesale markets and ethnic markets in Europe. Currently, there are eight Gambian producers who exported about 2,236 metric tons of fresh fruits and vegetables for a value of 1.68 million US Dollars in 1991/92.¹³ Importers include Belgium, Germany, Holland, Sweden, France, Norway and Switzerland. However, the United Kingdom imported nearly 96 percent of the Gambian horticultural produce accounting to 95 percent of the horticultural export revenues in 1991/92 (Table 2).

3. The Market Agents

Several agents including middleman, wholesalers and retailers perform the marketing functions in the country. These agents operate either individually or from a market to facilitate the smooth flow of commodities from producers to domestic and foreign consumers (see fig. 1).

Invariably, each village has a small daily market located at the middle of the village. In addition, weekly *lumos* are organized in large villages in rural areas where sellers and buyers from the same and neighboring villages meet to effect transactions. In urban and peri-urban areas, regular large markets built and operated by area councils mediate transactions between buyers and sellers including retailers and wholesalers.¹⁴ These regular markets consist of stalls, tables and floor spaces which are rented on a first come first served basis. They are managed by market managers assisted by several security officers and tax collectors. The market manager generally allots the spaces, settles disputes and enforces the market rules. Table 11 shows the approximate size of the urban and peri-urban markets sampled for this study. Interviews with market managers revealed that nearly 20 percent of the stall and 75 percent of the table and floor vendors sell fruits and vegetables. Other products sold include food commodities, fish and fish products, clothes and utensils. The

¹² These type of contracts are usually referred to as 'strategic alliances' in the theoretical literature. Alliances represent flexible vertical control and are often characterized by each firm to the alliance being a stakeholder but not necessarily a shareholder. See Nagarajan and Meyer, 1994 for details.

¹³ Note that the data provided by the individual exporters is a little higher than what is reported here.

¹⁴ The Serrakunda and Banjul markets were originally built by the area councils that were comprised of citizens in those areas. External donors and The World Bank, however, are now providing assistance to expand the markets and improve their drainage systems.

stalls are leased out to wholesalers for a year and they pay D 60 per month as rent in addition to a fixed deposit of D 300-1,500/stall. The table and floor vendors are required to pay a market tax of D 1 per day and their space is leased out on a monthly basis.

A. Hotel Suppliers

These market agents operate independently, are usually women and specialize in supplying to local hotels and restaurants. They play the role of a middle (wo)man between various producers and the hotels/restaurants. It is estimated that about 12 women and three men are the major suppliers for hotels/restaurants in the country. They secure purchase orders from the hotels at regular intervals. They usually do not produce the fruits and vegetables. Instead, they buy from various sources including small producers, communal gardens and commercial farms to fill the hotel orders. Indeed, some hotel suppliers travel to Dakar, Senegal to purchase fruits and vegetables that are not available in local markets.

The hotel/restaurants seldom change their core of hotel suppliers. Several hotel suppliers reported they have been supplying the same hotels for more than five years. These hotel suppliers compete for hotel contracts based on quality, price and timely supply of produce. However, they usually collaborate among themselves to fulfill orders. In general, the hotels/restaurants choose their suppliers and fix the prices paid for the produce. There has been instances, however, where these suppliers colluded among themselves to negotiate for better prices and an extension of time to fill orders.¹⁵

In general, the hotel head chef or procurement manager produces a list of the fresh produce required for the next one to three days and meets with the hotel suppliers. The suppliers usually take turns in fulfilling the orders placed by these hotels. For example, assume that a hotel buys from ten suppliers and places orders for fresh produce twice a week. The suppliers then organize into two groups of five members each, and each group supplies the hotel once each week.

Hotel suppliers usually finance their operating costs with their own funds and producers credit. In general, they have established relationships with local producers who often supply the produce on the basis of a two to three week credit without explicit interest. Hotel suppliers also buy from spot markets and often obtain two to three day credit from these retail sellers.¹⁶ Formal credit is not available for such operations. Informal mechanism such as osusus are frequently used for this purpose since they are generally popular among participants with steady flows of income and reside and/or work within close geographic proximity. Hotel suppliers are usually active only during the tourist season, are paid

¹⁵ Indeed, these suppliers have become so powerful that some hotels report it is now difficult for them to switch to spot markets or other modes of purchase without facing severe political and social consequences.

¹⁶ Spot market purchases are resorted to only in cases where the regular retailers are unable to fulfill their demand. The regular retailers often introduces them to the new retailers and stands as their guarantor.

irregularly by the hotels and do not work in a single market place. Therefore, credit from producers and sellers is the only accessible financial mechanism for this type of market agent in the absence of sufficient liquidity and savings to self-finance the transactions. These hotel suppliers in turn provide the hotels with a two to four week interest free credit.

It is estimated that the suppliers earn a profit of one dalasi for every four kilos of produce sold. After paying a transport cost of D 25, a net profit of D 50 is estimated to be made by each supplier for each shipment made to the hotels.

B. Wholesalers

Wholesalers usually transact in larger volumes compared to retailers and they operate from stalls located within a market. The stalls can be leased-in for a year from the area council. Wholesalers are required to pay a fixed deposit of D 300-1500 and a monthly rental of D 60. The majority of wholesalers are men. Wholesalers sell produce either produced by them or procured from other producers which include commercial farms, communal gardens, cooperatives and individual producers.¹⁷ However, several products including bananas, pineapples, mangoes, potatoes and onions are imported from neighboring countries such as Senegal, Guinea-Bissau and Mauritania.¹⁸ These suppliers usually provide the wholesalers with a two-three week line of credit without explicit interest. Some foreign suppliers, however, insist on advance payment for at least half the value of the produce sold. The rest is paid upon receipt of the produce. Prices are usually fixed by the suppliers.

The clients of these wholesalers are comprised of retailers, hotel suppliers, hotels/restaurants and individual customers. The hotels and restaurants and hotel suppliers usually purchase on two to four week credit without explicit interest. However, retailers are required to pay in advance or immediately upon delivery of the produce. Long-term retail customers are, however, provided with a limited amount of interest free emergency loans. The volume of produce purchased by the various types of clients was stated as the principal reason for the differences in contractual arrangements that range from immediate down-payment to short-term credit.

All marketing activities of wholesalers were generally self financed. A limited amount of supplier's credit was also available. While they used formal financial institutions for deposit services, informal sources including osusus, kafos, friends and relatives were used for loans. The majority of wholesalers participated in osusus. The amount of osusu contributions was larger and the frequency of pot allocation was longer compared to osusus whose members were retailers and hotel suppliers.

¹⁷ Radville, a big commercial farm, also has a wholesale stall in the Serrakunda market.

¹⁸ It was estimated that an average of 702 tons of onions/garlic and 698 tons of potatoes valued at US \$ 703,146 and 192,254, respectively are imported into the country by these wholesalers (Bojang, 1993).

C. Retailers

Whereas some retailers operate either from small corner stores or carry the produce on their heads and sell it on the streets, the majority of retailers operate from an organized market place. The retailers who operate within a market usually rent tables or floor spaces from the area council and pay daily taxes (D1/day).

Table 12 summarizes the findings from the survey conducted among 23 table and 22 floor retail vendors from five major urban and peri-urban markets. The majority of the retailers were women. On average, a retailer sold about four horticultural products including cabbage, tomatoes, onions, potatoes, lettuce, spinach, egg-plants, okra, bitter tomatoes, peppers, chilies, bananas and mangoes.

Generally, retailers did not produce the commodities they traded. Instead, they were procured from local producers, wholesalers, middle-(wo)men and fellow-retailers depending on the prices offered. A substantial majority of their transactions with suppliers were effected through spot market transactions involving immediate cash payment. Consignment contracts were not reported and long-term relationships with suppliers were seldom reported. About 11 percent of the retailers reported paying in advance to their suppliers, especially to Senegalese suppliers for products like bananas, mangoes and peppers. However, about 40 percent of the retailers were able to obtain short-term supplier's credit from wholesalers in the same market for a period of one to two weeks. The loan sizes ranged between D 60 to 9000 with an average of about D 650 and with no explicit interest charges.

The clients for these retailers included local Gambians, expatriates, hotel suppliers, fellow-retailers from other markets and, to a lesser extent, hotels and restaurants. The majority of the clients were non-regular in nature. Therefore, the majority of transactions involved immediate payment in cash. Regular buyers including smaller traders from other markets and hotel suppliers constituted only 20 percent of the retailers portfolio. These regular buyers were able to some extent to obtain products including mangoes, onions, potatoes and tomatoes on short-term credit for one to three weeks. The amount of these short-term supplier's credit ranged from D 55 to 5500 with an average loan size of about D 850. An implicit monthly interest of 10 to 30 percent was reported. No advance payment was required from the clients.

Since the quantity of products sold at this level was usually small, weighing scales were seldom used. Instead, the products were sold in heaps. Scales were observed, however, to be used by large retailers at the Bakau market which specifically caters to the needs of expatriates and hotels.

The major portion of the retailer's trading activity is self financed. Formal loans were not available but informal loans from friends and relatives were reported. Finance for these largely women retailers was generated through participation in osusus. Osusus are used to finance short-term working capital needs for these traders who work in close proximity

mity and have daily contact. They are a less useful vehicle for widely dispersed independent agents. Nearly 72 percent of the sample participated in at least one osusu that was usually organized within the market. These osusus were generally headed by women. They functioned all through the year although they tend to slow down during the months of April to October due to a slack in production and marketing activities. Osusus were generally homogenous in their member composition in terms of gender, occupation and level of income. This ensured a good flow of information among members. The homogeneity in levels on income also helped to synchronize the rotation length with the cash flow of all the members. On the average, an osusu was comprised of 24 members with each member contributing an average of D 25 every four days.¹⁹ The contributions were often made through daily installments although the pot was allocated less frequently. Since the majority of members operated in the same market, they took their contributions to the organizer rather than the organizer collecting from them. The allotment of the pot was usually fixed based on the order of recruitment of the members into the osusu or by a member's request (for emergencies) rather than on a random lottery or bidding basis (Table 13).

Only six percent of the sampled retailers reported deposits with formal banks. Osusus, kafo groups and moneykeepers supplied reliable substitutes for deposit mobilization services. Nearly 38 percent of the sample participated in kafos that performed rotating and non-rotating savings and credit functions, while 72 percent participated in osusus. Kafos are generally homogenous in terms of members' gender, occupation and geographic proximity. They were large with an average membership size of 68 with a range of 28 to 300 members. Only 18 percent of the sample reported using moneykeepers to save their excess funds (Table 13). They preferred osusus rather than moneykeepers for saving.²⁰

4. Financial Agents

Formal financial markets consist of commercial banks and The Gambia Cooperative Union, neither of which are active in financing horticultural enterprises. While financial instruments including overdraft facilities, letters of credit and medium-term loans were available for various other trading activities, they were not accessible to finance horticultural activities from these sources. In addition, letters of credit and loans from off-shore banks are generally available to only the largest horticultural producers who are also engaged in

¹⁹ The size of osusu ranged between 2 to 78 while the size of contribution per member per rotation ranged between D 3 to D 200. In general, pots were allotted every three to four days. However, the time interval between each pot falls to one to two days during peak seasons and increases to seven to ten days during slack seasons.

²⁰ Moneykeepers are individuals who hold savings on behalf of others. Often no interest is paid on these savings but the money keeper may be expected to make emergency loans to frequent savers (Meyer and Meyer, 1992).

several other overseas businesses. The few large commercial farms are clearly acceptable, creditworthy customers for domestic financial institutions. However, these large farm operators tend to self-select themselves out of the domestic formal credit market due to high interest rates. Instead, they draw upon cheaper alternative sources of credit from off-shore banks. Furthermore, deposit and checking account services from these formal institutions in The Gambia were accessible to only the large horticultural enterprises and dealers. The minimum deposit requirement of D 500 for maintaining savings accounts was reported to be high for many small producers and retailers.

Several NGOs provide limited finance through grants made in seeds, equipment and infra-structure facilities to members of their sponsored gardens. But, the majority of production and marketing operations of horticultural producers and traders are self financed. Informal financial markets are active in providing financial services through osusus, kafos, and moneykeepers. Also, informal credit from suppliers and several arrangements including resource providing contracts facilitate flow of commodities in the sub-sector. However, short-term supplier's credit was accessible only to market agents and consumers and not to producers. Small producers were dependent on self finance and informal financing through osusus and kafos and, to a lesser extent, on contractual arrangements with outgrowers that provided them with inputs on credit.

5. Insurance Agents

Formal insurance for horticultural enterprises is absent in The Gambia. While the Senegambia Insurance Company underwrites life insurance and insures selected enterprises, it does not insure horticultural producers, market agents and exporters. Producers, both small and commercial, are usually self-insured through their own funds and participation in mutual aid kafos or through assistance from family and friends to meet production and marketing contingencies. Exporters are not insured for the quality of their shipped produce. Furthermore, they are unable to access export guarantees provided by importers in the UK and Germany because of the poor credit rating of The Gambia in foreign capital markets. Air cargo companies usually offer general liability insurance for cargoes at US \$20 per box. But, it is not available for horticultural exporters. They are only offered a limited insurance at a premium rate of \$0.50/kg. to meet losses due to flight delays over six hours. They do not cover losses due to pilferage and spoilage during transport. In general, importers reject about 15-20 percent of the cargo shipped by Gambian exporters due to damage. Losses due to rejection at the port of entry due to damage and poor quality are borne entirely by the exporters.

6. Communication and Information

GAMTEL, a French based company offers excellent fax, telex and direct dialing long distance telephone services to Gambian exporters at competitive prices.

Information on domestic market prices for horticultural products are not published and, therefore, not available to the majority of producers and market agents. Although the majority of European markets disseminate information on weekly market prices, they are not accessible to the majority of the participants in the Gambian horticultural sub-sector. Several magazines such as Fresh Produce Journal, Eurofruit Magazine and Fresh Fruits and Vegetable Newsletter provide information on European markets on a regular basis. However, only two of the large commercial farm operators reportedly subscribe to one of the journals.

The majority of the exporters/producers were informed of the prices that prevail in European markets through their agents overseas. Furthermore, the exporters/ producers were generally unaware of the market size, type of outlets, consumer tastes and preferences, quality requirements in European markets, and legal procedures that are to be followed for exporting perishable commodities. The segmentation of European markets due to regional differences further adds to the problem of unavailability of information. There exists no support institution in The Gambia that can gather and disseminate information on the situation of alternative markets that are available for the Gambian producers/exporters. Our interviews clearly revealed that there is an information vacuum that constrains producers and market agents to quickly respond to market signals and compete in alternative markets.

7. Transport

The perishable nature of horticultural products requires the quick movement of products from producers to consumers. This requires good transportation facilities to coordinate the efficient flow of commodities from producers to final consumers. In addition, meeting the demand of international consumers requires efficient air-cargo facilities. Transport services in The Gambia to facilitate inter and intra-regional trade and international trade, however, are minimal. There is a lack of good roads and transportation vehicles for transport of produce from rural to major urban marketing centers. Furthermore, the country has limited air and sea freight facilities.

A. Air-freight

Air-cargo services in The Gambia are limited to one cargo company, REDCOAT, and four commercial airlines including Sabena, Air Gambia, Swiss Air and Gambia Airways.

A new air-cargo company called REWARD is scheduled to operate with a capacity of 20 tons per flight from Banjul to London beginning in 1994.

a.) REDCOAT

The cargo company, REDCOAT, is a British based company that began its services in The Gambia in 1976 as a Britannia Freighter aircraft around the west coast. British Airways used to be the primary carrier of air-cargo from the country. With the retreat of British Airways in 1991, however, the company began operating cargo flights under the name REDCOAT. It currently serves producers from The Gambia, Sierra Leone and Liberia. Boeing 707 aircraft with a carrying capacity of 40 tons are used to transport cargoes.

REDCOAT has an office in Banjul. Cargo planes originate from the UK and head south to African countries, especially to Nigeria, carrying food and other commodities. These planes stop at Banjul on their return trips to the UK from Nigeria. The REDCOAT office in Banjul solicits and confirms reservations for cargo space from local exporters. The arrival of the plane and the allotment of the requested space are, however, determined by the quantity of produce exported on a given date since a minimum of 15-20 tons is needed per flight for the company to break-even. In general, two flights are operated per month out of Banjul during the peak seasons. In the 1992-93 season, however, REDCOAT operated nearly four flights a month. A total of 931 tons of cargo was transported by the company during October 1992 - April 1993, the peak season for horticultural exports to winter markets in the UK (Table 14). This represents roughly 40 percent of the total volume of fresh fruits and vegetables exported in 1991/92 from The Gambia to European markets. One of the commercial farms in The Gambia reported that nearly 50 percent of its cargo was spoiled due to flight delays and lack of cargo space. Some unhealthy competition was also reported among the leading exporters for the limited cargo space during the peak seasons.

A flat rate of US\$ 0.77/kg is charged for the members of the Association of Gambian Horticultural Producers and exporters (GAMHOPE) and US \$1.01/kg for others to transport fruits and vegetables. Flowers are charged differently since they occupy more space. The company is currently constructing a "Customs Shed" at the Banjul International airport to receive, screen and transport both loose and pre-packed cargoes.

b.) Commercial airlines

Four commercial airlines including Sabena, Gambia airways, Air Gambia and Swiss Air also carry fresh produce to European destinations. Their capacity, however, is limited to only about four to five tons per flight. In addition, availability of this cargo space is based on the volume of passengers on the flights to Europe. Furthermore, the frequency of flights into Banjul are dependent on the volume of tourists visiting the country. On the one hand, the peak tourist season coincides with the winter months in the UK, thus helping the horticultural exporters to serve European winter markets for fresh fruits and vegetables.

On the other hand, only seven flights per week were reported to depart for European destinations from Banjul during the months of December to Early April in 1992/93. Approximately, this works out to about 700 tons as the carrying capacity of these commercial airlines, which is about 30 percent of the total exports of fresh fruits and vegetables from The Gambia in 1991/92. With REDCOAT transporting about 40 percent and the commercial airlines having a capacity to transport about 30 percent of the total exports of fresh fruits and vegetables, there is substantial excess demand for cargo space from the exporters.

B. Sea-freight

There are only a few commercial sea-cargo vessels from the UK that dock at Banjul. Therefore, some exporters tried the nearest port in Dakar, Senegal to export non-perishable horticultural items to Europe. But huge transaction costs due to transportation to Dakar and export duties in Senegal constrain the use of Dakar's ports. A potential exists to develop Banjul as a sea-port to facilitate exports through sea-freight.

8. GAMHOPE

The Association of Gambian Horticultural Producers and Exporters (GAMHOPE) is a support institution for horticultural entrepreneurs in the country. It was formed in 1991 to promote the interests of local horticultural producers and exporters with the Government of The Gambia and donor communities. It is managed by an executive committee of six elected members.

GAMHOPE participates in developing a national industrial policy and lobbies for exporters regarding air cargo issues. Currently, it proposes to build, own and manage a national horticultural market that will function as an association within the private sector. This market will comprise of: (i) a wholesale market with stalls that can be leased to local producers and traders in horticulture and agricultural products; and (ii) a packing house and multi-compartment cold storage facility to centralize export facilities for small and large producers. The wholesale market is expected to: (i) promote competition in producing and marketing quality produce; (ii) encourage group marketing arrangements for exports through consolidation of produce and to attract additional air cargo capacity into the country; (iii) offer an efficient, reliable and low cost outlet to the hotels and restaurants and supermarkets in the country; and (iv) serve as a center for information dissemination by the government and NGOs and the promotion of policies regarding exports and local marketing. The proceeds from the wholesale market are to be used to promote Gambian produce internationally, and to enhance local production and marketing. GAMHOPE has requested the GOTG to provide land, duty free fuel, a continuous supply of electricity, an exemption from area council taxes for wholesalers and producers utilizing this facility for at least the first 10 years, and an exemption from income taxes for traders.

The above discussion describes the types and interaction between various participants in the horticultural sub-sector that facilitate the smooth flow of commodities from producers to ultimate consumers. A potential exist for the sub-sector to serve various types of markets but there are several factors that constrain its ability. The next section addresses these issues.

IV. CONSTRAINTS AND POTENTIAL TO SERVE ALTERNATIVE MARKETS

1. Potential

A potential exists for the sub-sector to expand and serve alternative markets comprised of domestic, intra-regional and international markets. An expanded horticultural sub-sector can become a major foreign exchange earner and provide year round employment to several thousand agricultural workers. Since the majority of horticultural operations involve women laborers, the increased employment and income will have a favorable gender based distributional effect. The tropical climate, a high water table in greater Banjul and surrounding peri-urban areas, good soil texture, abundant land, proximity to European markets, good telecommunication systems and the availability of low cost labor facilitate production of horticultural crops at favorable costs and allow producers at the farm level to be competitive in European winter markets. Implementation of the Common Agricultural Policy (CAP) in Europe by the European Economic Community along with increased demand for fresh fruits and vegetables in European countries, creates opportunities for The Gambia to compete for a share of the European markets. The organizational patterns and market technologies adopted by Gambian producers/exporters from vertical integration to spot markets influence their potential to serve a range of domestic, inter-regional and international consumers. Table 15 presents selected organizational features of producers/exporters and explores their potential to serve domestic, inter-regional and international markets.

The largest commercial farms are vertically integrated from production to exports. They are able to efficiently monitor labor, access finance, strategic market information and production technologies, and finally achieve economies of scale and scope in their operations. Their centrally integrated decision making strategy helps achieve cost economies in management and high quality standards. Therefore, they have a high potential to serve domestic, inter-regional and international consumers.

The operations of communal gardens and small individual producers are highly fragmented and follow spot market technology. This tends to reduce their ability to efficiently serve inter-regional and export markets. This is because of their cultivation of several crops of different varieties in small quantities. Therefore, they are most often not able to meet a regular schedule of harvesting and packing required by exporters. Several exporters who

employed them as outgrowers expressed dissatisfaction of their production ability and untimely delivery of quality produce. Therefore, while they can serve domestic markets, they are not reliable sources to serve domestic hotels, inter-regional and international consumers.

Cooperatives can be reliable outgrowers for exporters since the decision on cropping schemes and varieties grown are made by committees. Thus, these cooperatives are able to produce large quantities of similar crops and varieties at a specified time. Nevertheless, the potential to export is limited due in part to their limited access to finance and information on markets and technology.

Medium sized farms are usually organized as quasi-integrated operations. They have a high potential to serve domestic hotels and inter-regional consumers. However, their limited access to information and finance might constrain them from serving international markets. However, they can be reliable outgrowers for exporters.

The potential for Gambian producers/exporters to expand into alternative markets is constrained by several factors that are discussed in the next section.

2. Constraints

Gambian producers/exporters are faced with several constraints that limit their potential to meet the changing demand of European consumers. Principal among them are the following:

A. Physical Constraints

There is a serious lack of infrastructure facilities including good roads and transportation vehicles. In addition, air and sea freight services are inadequate and unreliable for export markets. Furthermore, there is no public cold storage facility at the airport. Hence, large commercial farms have been induced to build their own. Cold storage facilities are important to mitigate production and marketing uncertainties of perishable commodities. They are especially important when the exporters are left with huge quantities of perishable commodities due to inadequate cargo services. The thin domestic markets and lack of processing industries aggravate these problems due to glut and underscores the need for cold storage facilities.

In the European markets, the growth of private labels provides opportunities for co-packing for European retailers and increases the market opportunity for exporters. However, packaging requirements are becoming strict in EEC countries. Most packaging materials for Gambian exporters including cardboard boxes are imported from Senegal. Small producers report that it has been difficult for them to import the items individually and break-even.

B. Research, Development and Extension Constraints

There has been a serious lack of public investment on researching new production and post-harvest technologies for horticultural crops by the GOTG. The limited amount of research is currently undertaken by the private commercial farms operated by foreign nationals. In addition, the available extension services in the country are more suitable to provide technical assistance and disseminate information on new food crop technologies rather than horticultural crop technology.

C. Information Constraints

There is lack of information about the alternative markets available for Gambian horticultural products. For example, the majority of medium sized commercial producers are unaware of European markets in terms of non-Gambian competitors, market size, niches, outlets, agents and prices. Gambian exporters are faced with challenges including product standards, labelling and packaging requirements, all of which will be made consistent across the EEC countries with the adoption of the Common Agricultural Policy. Exporters need to monitor continuously the changing standards across EEC countries to maintain their competitive edge.

D. Financial Constraints

Domestic banks are too high cost and inexperienced to finance participants in the horticultural sector from investments to working capital needs to service the flow of commodities from producers to final consumers. Access to off-shore financing is limited to only the largest producers who have established their reputation through earlier overseas transactions related with other business activity. Therefore, the majority of the participants including the medium sized commercial farms are dependent on self finance and informal finance. Fortunately, several informal mechanisms such as producer's credit, outgrower contractual arrangements, osusus and kafos are in place to facilitate their operations.

E. Insurance

There is lack of export guarantee schemes to insure exports of perishable commodities. The risks are borne entirely by the exporters.

F. Government Support

There is no government lobbying for Gambian exporters with European countries. In addition, the GOTG does not finance trips for Gambian exporters to build networking contacts and information by attending marketing and packaging workshops or trade fairs in selected European countries. Therefore, Gambian exporters may be unable to consistently supply quality products and adopt technologies to quickly respond to the changing demands of EEC consumers. It is important to remove the constraints to develop a strong

horticultural sub-sector that is capable of serving alternative markets including European markets. In this respect, the lessons learnt from other developing countries that serve European markets will be useful in developing policy recommendations for The Gambia.

3. Lessons for Gambian Producers/Exporters from Kenya²¹

Kenya was a pioneer in Africa in horticultural exports. It dominated the export markets for horticultural produce in Europe from Africa for over two decades since the late 1960s. In recent years, however, this export growth has slowed and the quality of Kenyan products has been reduced (Nyoro, 1993). Kenya has lost its competitive edge in European markets and the major African exporters to Europe now include South Africans and Moroccans (Western Europe, 1992). The lessons learnt from the Kenyan experience as summarized below can provide guidelines for The Gambia that is venturing into horticultural export markets.

- The private sector, both local and foreign, played a dominant role in commercial production and marketing. The government played an important facilitating role during the take-off stage by providing marketing infrastructure.
- Very favorable international market conditions and prior or parallel development of complementary industries lowered the infrastructure investment costs during the take-off stage in 1968-1975.
- While domestic markets remained decentralized, export markets were highly concentrated in a few firms due to several economic factors. Vertical integration/coordination of production through contract farming and marketing activities was the prominent marketing technology followed by the exporters.
- The lack of public investment in research and extension activities resulted in the inability of small farmers to compete with large private firms that developed their own research units. The private firms were, however, unable to compete with South Africa or Israel where public investments in horticultural research facilitated success in international markets.
- An indiscriminate policy towards the licensing of exporters in the 1980s without adequate information on size of export markets, available air-cargo space, and infrastructure facilities resulted in unfair competition among the exporters and emergence of several vertically integrated private firms. In addition, domestic financial markets could not serve

²¹ This section is compiled from information gathered through several personal interviews conducted by the authors, Jaffee (1992, 1993) and Nyoro (1993).

small farms and foreign capital was also not available for small Kenyan-African farms. This also constrained the development of commodity specific brand names for Kenyan products.

- While Israeli and South African governments collected and disseminated market information and represented the interests of their exporters in world markets, Kenya depended on private firms to represent its horticultural products. The Kenyan governmental efforts to collect and disseminate market information was inefficient.

For the above reasons, although the horticultural sector still remains a high-value export sector, Kenya has lost its competitive edge in the international markets.

V. CONCLUSIONS AND RECOMMENDATIONS

1. Summary: Potential and Constraints

This review has highlighted a number of advantages and limitations that Gambian horticultural producers face in producing and servicing alternative markets, including European markets, for fresh fruits and vegetables. The Gambia does offer a promising tropical climate, a high water table, and good soil texture in peri-urban Banjul. The low costs of labor, good telecommunications and proximity to European markets reinforce the advantage that the natural resource potential offers Gambian producers to compete in several alternate markets.

Nevertheless, serious constraints exist which will continue to moderate the pace of horticultural production and potential to serve alternative markets such as European markets. Physical infrastructure problems stand out with inadequate and unreliable air and sea freight facilities. There is no public cold storage facility at the airport, hence larger commercial farms have been induced to plan and build their own facilities. Without these facilities, the risk of "tarmac spoilage" is high given the irregular air cargo services. More demanding purchasing and labeling requirements in Europe make it increasingly difficult for smaller producers to compete.

There is a visible lack of any government research or extension activity for these crop activities. Larger producers, in effect, finance their own research and ad-hoc experiments with different plants, seed varieties and cultivation practices influenced in part by the transmission of knowledge and advice of related family firms or through their private overseas network of input suppliers and buyers.

Information constraints are serious for the majority of large and medium sized producers who have imperfect knowledge of European markets in terms of non-Gambian competitors, new market niches, outlets, agents and prices. In addition, Gambian exporters need

continually to monitor changing product standards, labelling, and packaging requirements across EEC countries to maintain their competitive edge. There is no better way to reduce these informational constraints than focused trips to Europe. The government and GAMHOPE, the horticultural producers and exporters association could play an important role in furthering this process of learning by financing (in whole or in part) trips for Gambian producers to build up networking contacts and strategic business and market information by attending marketing and packaging workshops or trade fairs in selected European countries.

2. The Financial Dimension: Summary

The blend of opportunities and constraints outlined above have created through the years a dual structure of horticultural producer/exporters in the country. On top are a handful of big operators who have largely self-financed their successful market entry into European markets through earnings from other business ventures or related family enterprises. These are the only producers that export to European markets on a sustained basis.

Below are a mixture of medium to small producers, some of whom, have sporadically participated in European export trade but none on a sustained basis. These producers currently produce for the hotel market in the tourist sector or as occasional outgrowers for the large producers/exporters. The smaller horticultural producers are supported in part through NGO programs, particularly women's groups, and produce exclusively for the domestic wholesale, retail and hotel markets.

The financial dimension of horticultural activity is relatively straight forward in which self-finance and informal finance predominate. Start up investment costs are financed through equity (self) finance. This is to be expected since one could not expect a bank to place its depositor and stockholder funds at risk by issuing investment loans to an untested business in an area as risky as horticultural production and exports. The largest enterprises can draw on conventional overdraft facilities to service some part of their local short-term expenses but not overseas shipments or investment projects. It is also important to point out that the largest firms with established overseas networks and offshore banking accounts can draw upon letter of credit from these off-shore banks to finance their shipments to Europe. It is relevant to note here that these large producers and even medium sized operators, to a greater or lesser extent, act as creditors by selling their produce on consignment to their buyers in local as well as in export markets. In effect, they offer supplier credit with terms from one to four weeks before receiving payment.

Smaller producers also necessarily engage in self-finance and to some extent can draw on informal sources of finance (friends, family and osusus). Supplier credit and consignment are, however, much less common among these producers. Instead, they expect their buyers

to pay in cash or barter. Cooperatives and NGO gardens draw substantially on donor funds to start up or expand operations while indigenous kafo gardens draw on kafo funds.

In short, up to the present, formal finance has played a minor role in financing horticultural activity. Only conventional overdraft facilities are available for traditional short-term finance for the largest producers along with occasional letters of credit from the less expensive off-shore financial centers in the UK to secure export shipments for those few with established overseas operations. Start up expenses and investment costs are serviced through earnings from other business activities and accumulated retained earnings. This self-finance feature is even more pronounced for medium sized firms.

It is unrealistic to expect commercial banks to assume the risks of financing the investment costs of horticultural export activity in The Gambia given the current uncertainty of returns, especially for all but largest producers. Even for the largest producers it is unlikely that banks should move beyond their current conventional overdrafts into project oriented term loan facilities in which repayment would be subject to enterprise default risks. This is legitimately the area for venture capital from the owner-entrepreneurs themselves or in joint ventures with foreign partners.

3. Policy Recommendations

Government initiatives could make a contribution in the area of information and infrastructure investments. For example, the government in partnership with GAMHOPE could support trips to promising horticultural entrepreneurs to participate in trade fairs and marketing and packaging workshops offered in selected European countries. This allows them to build up a network of contacts and potential marketing agents in Europe. At the same time the government could consider a joint venture to build or expand planned cold storage facilities at the Banjul airport. This should not be done exclusively but rather only when private producers have more than matched the government's contributions so that private operators can manage its operations on a commercial basis.

The government should make an effort to document the on-going flow of horticultural exports in a systematic and timely fashion. Currently, an accurate, comprehensive and up-to-date record of Gambian horticultural exports is not in place. This could facilitate marketing agents knowledge of growing or shifting product markets as well as keeping public authorities informed on the progress of this country's non-traditional export efforts.

In summary, the success or failure of the new non-traditional horticultural export sector will rest on the entrepreneurial skills of the participants themselves. A dual market with the largest firms engaging in export markets while medium to smaller firms service the tourist trade hotel market in peri urban Banjul will likely continue this natural evolution in the foreseeable future. Equity capital (self-finance) will logically continue to predominate

either individually or through joint ventures with local or foreign partners. NGO finance can make a potential contribution to smaller NGO and kafo gardens. Local bank finance can only realistically play a modest short-term working capital role for only the largest entrepreneurs through overdraft facilities. Investment finance in this riskier area can only logically be serviced through self-finance, retained earnings and venture capital initiatives. Finally, the government can make a contribution by lowering information costs and building up infrastructure capital through more adequate documentation of horticultural export flows, partial financing of networking trips for promising horticultural operators, and joint financing of cold storage facilities at the Banjul airport.

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Table 1. Share of Horticultural Sector in Total Agricultural Exports in The Gambia, 1984-1989.

Years	Total Agricultural Exports ^a ('000D)	Horticultural Exports ^b ('000D)	% Share of Horticultural Exports to Total
1984-85	78,810	163	0.2
1985-86	86,216	177	0.2
1986-87	76,007	584	0.8
1987-88	94,493	3,458	3.7
1988-89	85,802	7,787	9.1

a Includes export of groundnut & groundnut products, cotton, palm kernels, fishery products, hides & skins, meat products, horticultural products and soft drinks.

b Includes fresh fruits and vegetables.

Source: Ministry of Finance and Economic Affairs, The Gambia.

Table 2. Value and Volume of Fresh Fruits and Vegetables Exports to European Countries from The Gambia, 1990-1992.

Country	1990/91		1991/92	
	Quantity (tons)	Value ('000D) ^a	Quantity (tons)	Value ('000D)
Belgium	18	116	3	32
Denmark	42	223	-	-
Germany	4	15	21	153
Holland	8	61	12	104
Sweden	54	284	40	372
Norway	-	-	1	9
France	-	-	5	69
UK	1,621	10,252	2,154	13,853
Total	1,747	10,951	2,236	14,593

a 1 D = US\$ 8.9.

Source: Ministry of Trade Industry and Employment, The Gambia.

Table 3. Number of Tourists Visiting The Gambia, 1981-1993.

Year	Number of Tourists ^a (in '000)
1980-81	21.3
1981-82	17.1
1982-83	27.8
1983-84	36.7
1984-85	49.3
1985-86	50.8
1986-87	48.5
1987-88	49.9
1988-89	54.4
1989-90	57.1
1990-91	58.1
1991-92	90.1
1992-93 ^b	71.1

a British, Swedish and German tourists account for 75% of the total tourists visiting The Gambia.

b Estimated number.

Source: Central Statistics Department, The Gambia.

Table 4. Roster of Participants Sampled and Interviewed in the Horticultural Sub-Sector in The Gambia and UK.

Particulars	Number of Respondents
1. Producers	
a. Commercial farms	10
b. Cooperatives	2
c. Donor gardens (communal)	8
d. Non-donor communal vegetable gardens (kafos)	9
e. Individual vegetable gardens	5
2. Marketers	
a. Hotels suppliers	7
b. Market vendors (retail)	45
c. Market vendors (wholesale)	5
3. Consumers	
a. Exporters	8
b. Senegalese traders	1
c. Hotels/restaurants in The Gambia	7
4. Financial Agents	
a. Formal financial intermediaries (MERIDIAN, Std. chartered)	2
b. Informal groups (osusus)	32
c. Moneykeepers	4
d. NGOs	3
5. Transport and Communication	
a. Air-cargo agent (REDCOAT)	1
b. Telecommunication (GAMTEL)	1

Source: OSU Survey, 1993.

Table 5. Area, Crops Grown, Activities and Source of Finance for Major Commercial Farm/Exporters in The Gambia.

Name of the Farm	Year Started	Area Operated (ha)*	No. of Workers Employed	Crops Grown	Activities	Source of Finance	
						Start-up	Operational
Radville	1986	400	1000-1800	Asian vegetables, melons, french beans, zucchinis, mangoes	Production; buys from outgrowers, sells to local markets; hotels and hotel suppliers; export.	Parent company in UK	Parent company in UK
SIFOE	1981	125	400-650	Melons, eggplant, chilies, limes and mangoes	Production; sells to local markets, hotels and hotel suppliers; exports.	Self-finance (holding company)	Self-finance (profits from other business activities)
GHE (Gambia Horticultural Exports)	1990	0	0	None	Buys from outgrowers; sells to local markets and exports.	GCDB	Occasional overdraft from Meridien Seeds on credit from Holland
Faraba	1985	13	5-27	Melons, chilies, okra, chrysanthemums	Production; sells to local markets; outgrower to exporter; exported in 1986.	Std Chartered Share holders	Radville gives inputs on credit
Pamona	1987	104	600-1300	Corn, carrots, cauliflower, onions, mangoes, grapefruit, lime, lemon, melons, beans, eggplant, okra, tomatoes, zucchini	Production; buys from outgrowers; exports.	Punjab National Bank, India	Line of credit in local bank
Niamina Enterprises	1989	12.5	27	Mangoes, oranges, papaya, eggplant, chilies, tomatoes, cucumber, zucchini, cabbage, carrots, onions, okra	Production; sells to hotels and local markets; outgrower for exporter.	Self-finance	Profits from other businesses

(Continued)

Table 5. Area, Crops Grown, Activities and Source of Finance for Major Commercial Farm Exporters in The Gambia, (continued).

Name of the Farm	Year Started	Area Operated (ha) ^a	# of Workers Employed	Crops Grown	Activities	Source of Finance	
						Start-up	Operational
YAMS	1989	240	200	Irish potato, onions, chilies, okra	Production; sells to local markets, hotels and hotel suppliers; outgrower for exporter; exporter.	Self-finance	Self-finance
Tambato	-	20	40	Okra, eggplant, chilies, tomatoes, onions	Production, buys from outgrowers, sells to hotels and hotel suppliers, and outgrower to exporter	Self-finance	Self-finance
Sinchi	1988	100	14	Eggplant, chilies, okra, onions	Production, sells to local markets, exported until 1991	Self-finance	Self-finance
Farrato	1988	64	22-70	Okra, chilies, cabbage, tomatoes, eggplant, snowpeas, lettuce, cucumbers, beans, potatoes	Production, buys from outgrowers, sells to hotels, exported until 1991	Self-finance	Self-finance

a Source: Area owned is given in parenthesis. OSU Survey, 1993.

Table 6. Classification of Large Commercial Farms by Type of Activities Performed.

Types	Sampled Farms
I. Export using own production and outgrowers	Radville, SIFOE, YAMS, Faraba, Pamona, Farato, Sinchu, Hortmarc
II. Export using outgrowers only (no own production)	GHE
III. Produce and Contract Outgrowers to Sell to Exporters (no own exports)	Niamina, Tambato

Source: OSU Survey, 1993.

Table 7. Type of Clients and Mode of Payment to Clients by Major Commercial Farm Exporters in The Gambia.

Name of the Farm	Clients	Outgrowers/ Contract Farms	Finance to Clients	Price Setting	Importing Agent	Volume of Exports
Radville	UK, local market, hotels, hotel suppliers, outgrowers	HORTMARC local producers, Faraba, YAMS	Outgrowers: Inputs on credit	Fixed by Radville for local markets; Fixed by parent company for importers	Parent holding company in UK	2000-2500 tons per year (99% of production)
SIFOE	Germany, Holland, Belgium, Sweden, London, Local market, hotels, hotel suppliers	None	Supplier credit to importers (1-2 months); Supplier credit to hotels & hotel suppliers (2-4 weeks)	Fixed by SIFOE	Several importers in UK wholesale market (wholesalers in New Covent Garden)	\$4.0 millions per year (92% of production)
GHE	UK, local markets, outgrowers	Lamin Cooperative, local producers, Niamina Farms	Provide seeds on credit to outgrowers; Supplier credit to importers (1 month)	Importer gets on consignment; Negotiable at local market level	Several wholesalers in UK wholesale market	Not available (60% of procurement)
Faraba	Used to export to UK; local markets, outgrower to Radville	Outgrower to Radville	None	Fixed by buyers but negotiable	Used to be a wholesaler in UK market	-
Pamona	UK, outgrowers	Lamin cooperatives	Supplier credit to buyer in UK (2-4 weeks)	Fixed by importers/distributors in UK	Importer/distributing firm in UK	Not available (100% of production)
Niamina Enterprises	Local markets, hotels, hotel suppliers, GHE	Outgrower to GHE	Supplier credit to hotels (1-2 mo.); Supplier credit to GHE (1-2 mo.); Supplier credit to hotel suppliers (2-4 weeks)	Fixed by Niamina	-Not applicable-	-Not applicable-

(Continued)

Table 7. Type of Clients and Mode of Payment to Clients by Major Commercial Farm Exporters in The Gambia, (continued).

Name of the Farm	Clients	Outgrowers/ Contract Farms	Finance to Clients	Price Setting	Importing Agent	Volume of Exports
YAMS	UK, local markets, hotels, hotel suppliers, Radville	Outgrower to Radville	Supplier credit to importer (3 mo.); Supplier credit to hotels and hotel supplier (2-4 weeks)	Fixed by Radville; Fixed by importer; Market prices	Wholesale agent in UK market	70-100 tons/yr.
Tambato	Hotels, outgrowers, HORTMARC	Outgrowers to HORTMARC	Supplier credit to hotels (3-6 weeks); Supplier credit to hotel suppliers (1-2 weeks)	Fixed by Tambato	-Not applicable-	-Not applicable-
Sinchu	Used to be UK; sells to local markets	None	Supplier credit (1 weeks)	Fixed by Sinchu	Used to be partner in UK	-Not applicable-
Farrato	Used to be UK; outgrowers, hotels	Local producers	Supplier credit to hotels (1 month)	Fixed by hotels but negotiable	Used to be wholesalers in market	-Not applicable-

Source: OSU Survey, 1993.

Table 8. Horticultural Cooperatives in The Gambia: Characteristics and Operational Features.

Features	Bakau Society	Lamin Society
1. Year Started	1987	1987
2. Sponsors	Norwegian government British High Commission	Norwegian government
3. Size of the garden	9 ha (7.5 operable)	15 ha (4 ha operable)
4. Members	500 women	170 women
5. Share capital/member	D 10	D 100
6. Entrance fee/member	D 2.50	D 50
7. # of beds/member (1.5 x 5 meter beds)	10	7
8. Method for allotment of beds	Lottery	Lottery
9. Crops grown by each member (mandatory)	6 beds onion 4 beds cabbage	3 beds onion 1 bed eggplant 1 bed chili 2 beds tomatoes
10. Decision units for cropping & marketing scheme	Committee	Committee
11. Source of finance ^a		
a. fixed costs	Norwegian government	Norwegian government
b. variable costs	Norwegian grants until 1989; Members contri- bution to cooperative funds from 1990 [D50/yr/member]	Norwegian grants until 1989; Members contri- bution to cooperative funds from 1990 [D75/yr/member]
12. Source of technical assistance	Department of Agri- culture, Government of The Gambia	Department of Agri- culture, Government of The Gambia
13. Source of marketing outlet	Wholesaler in the Serrakunda market	Wholesaler in the Serrakunda market; Private exporter (GHE)
14. Net income earned/member	D1300-1500/yr	D1050-1200/yr
15. Export potential	Limited; can become outgrower	Limited; can become outgrower

a No osusus were reported among the cooperative members.
Source: OSU survey, 1993.

Table 9. Area and Number of Participants in Individual, Non-Donor and Donor Communal Gardens in The Gambia, 1991.

Particulars		
1.	Estimated total population of vegetable producers in village-based non-donor communal and individual farms	54,646
	a. Male	4,641
	b. Female	50,005
2.	Communal (non-donor) gardens	
	a. Estimated area (ha)	287.6
	b. Estimated number of participants	21,678
	c. Proportion of vegetables marketed to total vegetables produced	58
	d. Average size of garden (ha)	0.4
	e. Average number of participants/garden ^a	22 (74)
3.	Donor gardens	
	a. Estimated area (ha)	201.8
	b. Estimated number of participants	23,142
	c. Average size of gardens (ha)	1.7
	d. Average number of participants/garden	216 (91)

a Figures in parenthesis gives percentage of women to total participants.

Source: NASS report, 1992; Philip Decosse, 1990; OSU Survey, 1993.

Table 10. Type of Suppliers, Expenditure and Mode of Payment for Fresh Fruits and Vegetables by Selected Hotels in The Gambia.

Hotel/Restaurant	Suppliers ^a	# Women Suppliers	Ordering Frequency	Amount Spent per Week ('000 D)	Mode of Payment/Finance	Price Fixation
1. Senegambia	Women (60%) ^b YAMS (40%)	25	Every 2 days	50-60	Supplier credit (2 weeks)	Negotiable
2. Sunwing	Women (50%) Farabo (50%)	4	Every day	16-20	Down payment	Fixed by hotels
3. Kolali (Scala restaurant)	One supplier in Bakau markets (100%)	None	Every day	12-14	Down payment & sometimes 1 week supplier credit	Seller's price but negotiable
4. Kairaba	Women (75%) Raville YAMS } (25%) SIFOE }	25-30	Once a week	5-7	Suppliers credit (2 weeks)	Fixed by hotels
5. Amies Beach	Once supplier in the market (100%) ^b	None	Every day	2-2.5	Down payment & sometimes 2 week supplier credit	Seller's price but negotiable
6. Palm Grove ^c	Market (100%)	None	Every day	3.5-4	Down payment & sometimes 2 week supplier credit	Seller's price but negotiable
7. Atlantic	Radville (60-80%) Women (40-20%)	13	Every day	2.5-3 - Women 7-10 - Radville	Supplier credit (1 or 2 weeks)	Radville - Seller's price Women - Buyer's price

a Women refers to women who specifically supply to hotels and restaurants.

b Figures in parenthesis give share of that supplier in total quantity procured by the hotel.

c They used to procure from women suppliers, but stopped in the past two years due to several problems with the women.

Source: OSU survey, 1993.

Table 11. Size of the Market and Sample for the Study.

Name of the Markets	Market Size ^a	Sample Size ^b
1. Banjul	2000	12
2. Bakau	150	10
3. Serrakunda	2500	20
4. Sukuta	150	6
5. Brikama	1700	18

a Gives the average number of participants, retailers and wholesalers, in the market. This includes all vendors such as food, cloth, utensil and fruits and vegetables sellers.

b Includes only vendors of fruits and vegetables, both retailers and wholesalers.

Source: Market Master, Serrakunda who serves all the above markets (OSU Survey, 1993).

Table 12. Contractual Relations of Retail Traders with their Suppliers and Buyers.

Items		
1.	No. of sample retailers	45
2.	Markets sampled	Banjul, Bakau, Serrakunda, Brikama and Sukuta
3.	Gender (% of total sample)	
	a. Female	85
	b. Male	15
4.	Type of transactions with suppliers	
	a. Credit (% of contracts in sample)	72
	(i) Type of suppliers	wholesalers
	(ii) Average loan size (D)	650
	(iii) Average length of credit (days)	15
	b. Advance payment (% of contracts in sample)	6
	(i) Type of suppliers	foreign
	(ii) Average length (days)	10
5.	Type of transactions with regular buyers	
	a. Credit (% of contracts in sample)	16
	(i) Average loan size (D)	850
	(ii) Average length of credit (days)	15
	(iii) Average implicit int. rate (%/month)	15
	(iv) Type of clients	hotel suppliers, hotels
	b. Advance payment & Consignment (% of contracts in sample)	0

Source: OSU Survey, 1993.

Table 13. Characteristics of Informal Financial Markets for Retailers.

Items		
1.	Sample size	45
2.	Percent participating in informal financial markets	
	a. ROSCAs (osusus)	72
	b. Kafos	44
	c. Moneykeepers	8
3.	Characteristics of ROSCAs:	
	a. Ave. membership size	24
	b. Ave. contribution/member/meeting (D)	25
	c. Ave. length of drawing (days)	4
	d. Method of pot allocation	Fixed by order of recruitment
	e. Membership criteria	Occupation, gender, geographic proximity
4.	Characteristics of kafos:	
	a. Ave. membership size	68
	b. Ave. contribution/member (D)	20
	c. Membership criteria	Occupation, gender, geographic proximity, ethnicity

Source: OSU Survey, 1993.

Table 14. Volume of Cargo Transported by Redcoat from The Gambia to UK, 1992-1993.

Date	Kilos
October 1, 1992	12,962
October 26, 1992	15,377
November 3, 1992	14,172
November 24, 1992	20,644
November 27, 1992	11,134
November 30, 1992	37,290
December 8, 1992	38,456
December 13, 1992	39,074
December 15, 1992	39,096
December 18, 1992	37,784
December 22, 1992	38,424
December 28, 1992	39,938
December 29, 1992	39,011
January 8, 1993	40,512
January 18, 1993	39,826
January 19, 1993	39,651
January 26, 1993	39,044
February 3, 1993	39,578
February 9, 1993	34,810
February 16, 1993	32,282
February 23, 1993	39,967
February 28, 1993	30,453
March 7, 1993	31,325
March 14, 1993	37,015
March 23, 1993	35,639
March 28, 1993	32,011
April 4, 1993	27,798
April 14, 1993	24,493
April 18, 1993	23,821
Total	931,587 kgs.

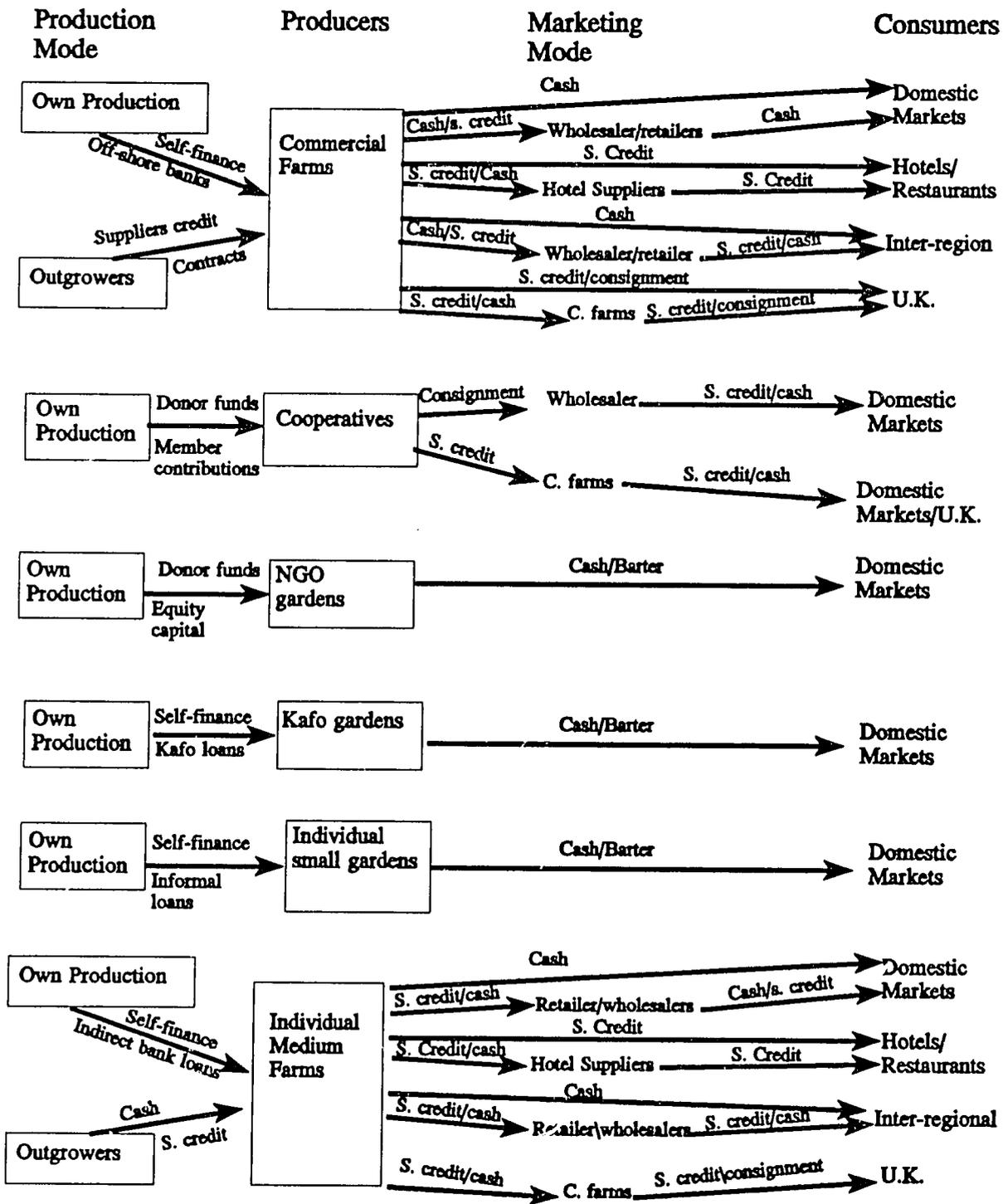
Source: Redcoat, The Gambia.

Table 15. Organization Pattern and Potential of Various Types of Producers to Serve Alternate Markets.

Particulars	Commercial Farms	Cooperatives	Donor Gardens	Indigenous Kafo Gardens	Individual Medium Producers	Individual Small Producers
1. Sponsors	Self	Norwegian government	NGOs, American Embassy, EEC, etc.	Villagers	Own	Own
2. Participant gender	Mostly men	Women	Women	Mostly women	Most men	Mostly women
3. Ownership						
a. Vegetable beds	Producer	Individual member	Individual member	Individual member	Owner	Owner
b. Wells, fence, etc.	Producer	Collective	Collective	Collective	Owner	Owner
4. Decision making unit						
a. Cropping scheme	Producer	Committee	Individual member	Individual member	Owner	Owner
b. Marketing	Producer	Committee	Individual member	Individual member	Owner	Owner
5. Source of funds						
a. Fixed capital	Self-finance, Offshore	Donors	Donors	Communal funds	Self-finance	Self-finance
b. Working capital	Other business profits, equity	Member fees	Donors	Communal funds	Self-finance; limited bank loans	Self-finance
6. Potential to serve domestic hotels	Good	High	Medium	Medium	Good	Poor
7. Potential to serve intra-regional markets	Good	Medium	Poor	Poor	Good	Poor
8. Potential to serve European markets	Good	Poor (can be an outgrower to an exporter)	Poor	Poor	Medium (can be outgrowers to exporters)	Poor
9. Market technology	Complete to quasi-vertical integration; contractual arrangements	Spot markets; market specification contracts	Spot markets	Spot markets	Spot markets to quasi vertical integration; contractual arrangements	Spot markets

Source: OSU Survey, 1993.

Figure 1. Commodity and Financial Flows Through Various Channels in the Horticultural Sub-sector



Key: C. farms: Commercial farms, S. credit: supplier's credit.

Appendix Table 1. Change in Shares of Different Sectors in Domestically Produced Exports in The Gambia, 1984-1989.

Sector	1984/85 (%)	1988/89 (%)
Groundnut & Groundnut Products	80.1	56.1
Fisheries	11.3	23.5
Horticultural Products	0.2	9.1
Other Agricultural Products	8.4	11.3

Source: Agriculture and Natural Resources in The Gambia, USAID, Banjul 1991.
(p. 20)

**FINANCIAL INTERMEDIATION THROUGH ROSCAS
IN PERI-URBAN BANJUL, THE GAMBIA**

by

Geetha Nagarajan

Douglas H. Graham

and

Richard L. Meyer

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Rural Finance Program
Department of Agricultural Economics
and
Rural Sociology
The Ohio State University
2120 Fyffe Road
Columbus, Ohio 43210-1099

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FINANCIAL INTERMEDIATION THROUGH ROSCAs IN PERI-URBAN BANJUL, THE GAMBIA

I. INTRODUCTION

Rotating savings and credit associations (ROSCAs), the informal group mechanisms that provide financial services, are widely found in developing countries (Bouman, 1992).¹ ROSCAs are flexible, informal and voluntarily formed associations primarily composed of homogenous members (Besley, Coate and Loury et al., 1993). In a ROSCA, a group of members get together and agree to contribute a fixed amount of cash and/or kind into a common fund or "pot" at regular intervals. The pot is then allotted to one member (sometimes more) based on some previously agreed criteria that may involve some fixed order or through a lottery or auction.² Each member contributes a fixed amount at each turn and receives the pot once until the cycle is completed; then the group may disband or the cycle may recommence with the same or different set of members and terms and conditions.³ This general operational design is usually invariant among the ROSCAs found in developing countries. However, the terms and conditions, such as cycle length, number and type of members, amount of contribution and type of pot allocation are custom designed by each ROSCA to meet member needs.

In The Gambia, such ROSCAs are called "osusus".⁴ In general, these traditional osusus are voluntarily formed and use collective mechanisms to intermediate between deficit and surplus members. Members who receive their pot before the end of the entire cycle essentially get an interest free loan. These deficit members repay their loans in installments through their subsequent regular contributions to the pot that goes to other members in the queue. The last member to receive the pot is a typical surplus member (saver) who has

¹ They are known as tontines in francophone West Africa, dashi and isusu among various tribes in Nigeria, susu in Ghana, ekub in Ethiopia, gamias in Egypt, upatu in Tanzania, and chilemba in several parts of east Africa, to name a few (van den Brink and Chavas, 1991).

² Pot and fund are used interchangeably in this paper.

³ Each ROSCA fixes a "rotation" period where all members want to make their contributions and allots the pot to a member at each of these "rotation" meetings. A "cycle" is an aggregate of rotations and by the end of a cycle all members of the ROSCA would have received their pots at most once (but continuing to contribute for all the other turns). Typically, ROSCAs have a life span of more than one cycle.

⁴ The current form of osusus that involves cash/kind are a slight variant of earlier forms that rotated labor among farming communities and food among house wives. However, we call the current form of osusus traditional osusus to distinguish them from osusus formed by NGOs.

given out an interest free loan.⁵ The traditional osusus perform several functions. They (i) provide a low cost savings outlet to small savers, (ii) provide access to untargeted loans with no explicit interest or collateral,⁶ and (iii) strengthen communal ties that provide insurance through mutual aid.⁷

The organizational structure of the traditional osusus have several built-in institutional safeguards to reduce transaction and information costs. The use of self-generated funds to provide financial services to members helps maintain organizational autonomy, increase incentives for peer monitoring and attain self-sufficiency. Furthermore, the informal nature of the transactions among occupationally homogenous members with geographic proximity reduces the principal-agent problem related to asymmetric information.⁸ In addition, members are disciplined through social norms and customs. As a result, transactions are carried out more efficiently (i.e. at lower costs) than occurs with formal financial institutions.

The traditional osusu model, however, has limitations. It typically functions among members who reside within a limited geographic region. This reduces their ability to mitigate risks due to covariance in member incomes.⁹ The gain in information obtained through limited portfolio diversification that can reduce costs is somewhat offset by region specific covariant risks. In addition, there is limited financial intermediation since no interest income is generated from the transactions. Nonetheless, osusus efficiently fill in for missing formal financial and insurance (contingent) markets in The Gambia, especially in rural and peri-urban areas where few bank branches exist. The traditional osusus are found to be the predominant type of informal mechanism found among various microenterprises in the peri-urban Gambia (Graham et al., 1993).¹⁰

⁵ The osusu members, however, consider that the forced savings for the late pot receivers is valuable enough to offset the interest loss (Shipton, 1992).

⁶ Our interviews revealed that the shame attached to taking a loan from informal or formal financial lenders was not attached to loans from osusus since every member contributes towards the pot. Indeed, getting a pot early in the cycle was considered like winning a lottery rather than a loan. Therefore, many respondents preferred to be members of an osusu rather than getting a loan from credit markets.

⁷ Provision of informal insurance through mutual aid is especially important in regions subject to high levels of income uncertainties and where contingent markets do not exist.

⁸ Principal-Agent problems would arise if the members (i.e. agents) are not committed to contribute into the osusu after they have received their pot and the osusu leader (i.e. principal) would be unable to identify such uncommitted members due to limited information about him/her. As mentioned above, these principal-agent problems are minor to non-existent in most osusus.

⁹ For example, the covariance of risk arises when a natural calamity in the locality causes all members to be delinquent on their payments at the same time.

¹⁰ See Chapter VI in Graham et.al, 1993.

Whereas the majority of osusus in the Gambia are voluntarily formed by their members, a national NGO, Women in Service, Development, Organization and Management (WISDOM), is actively organizing osusus in several peri-urban areas.¹¹ Differences in design features exist between the traditional and WISDOM osusus that eventually affect their efficiency in providing financial services. Indeed, the WISDOM osusus emulate many features of the traditional osusus but they include additional features in fund collection and allocation that are an improvement over the traditional model.

This paper presents the results of a detailed survey of 93 traditional and WISDOM osusu leaders from six different enterprises in the peri-urban areas of The Gambia. It describes and compares their organizational features, provides insights into the strengths and weaknesses of their designs, and derives policy implications for donors, NGOs and formal financial intermediaries.

II. METHODOLOGY

The survey was conducted in two phases during February - April of 1993 in six urban and peri-urban villages surrounding greater Banjul.¹² The first phase of the study used a rapid appraisal approach to identify the key participants in osusus. In the second phase, qualitative and quantitative information were collected through detailed interviews with osusu leaders. The sample included the enterprises/entrepreneurs that were identified in the first phase as active osusu participants.

1. Phase I

In order to determine the importance of osusus for persons employed in various enterprises, we conducted a quick random survey of 116 economically active individuals located in Banjul, Bakau, Brikamma, Serrakunda and Sukuta in early February, 1993. The sample included a random selection of retailers/wholesalers of fruits and vegetables, suppliers of fruits and vegetables for hotels, farmers, craftsmen, tie-dye sellers and bank employees. Table 1 provides the sample size and levels of participation in osusus by the respondents. The sample size was dictated by logistical reasons. The majority of the sample for farmers, hotel suppliers, tie-dye sellers were women since the population is primarily composed of women in tie-dye enterprises (Baydas, 1993), and in small scale vegetable

¹¹ WISDOM was founded in 1989 and has to date organized about 130 osusus in Banjul and its surrounding peri-urban areas (according Mrs. Loum, WISDOM coordinator; For more details about WISDOM, see chapter II in Graham et al., 1993).

¹² See Roth (1993) for explanations about the selection of sample villages.

production and marketing to hotels (Nagarajan et.al., 1993). Therefore, the study is not biased by the substantial number of women in the sample. The respondents were asked to provide information on the following: (i) if they had ever heard of osusus, (ii) if they had ever participated in an osusu, (iii) what their current level of participation was in osusus, and (iv) the addresses of their leaders.

2. Phase II

Whereas the majority of osusus were voluntarily formed by their members, NGOs have begun to actively organize osusus in urban and peri-urban areas. WISDOM is a local NGO engaged in organizing osusus and providing technical assistance to these groups in urban and peri-urban areas. Therefore, in the second phase we randomly selected five WISDOM osusus in Banjul to examine the differences between exogenous and voluntarily formed osusus. The osusu leaders were selected at random from eight urban and peri-urban areas surrounding greater Banjul. Table 2 lists the sample size by type of employment and location.

We conducted detailed interviews using a structured questionnaire with leaders of 93 traditional and WISDOM osusus.¹³ Since the respondents in the phase I survey provided the names and addresses of their leaders, we were able to contact roughly 45 percent of those leaders for this phase of the study. The leaders provided information on membership type, size and composition, length of cycle, frequency and methods of fund collection and allocation, and screening, monitoring and contract enforcement mechanisms.

Information was collected only from the osusu leader so it is osusu rather than member specific. The data were collected by trained enumerators and cross checked with the secretary of the respective osusu to ensure data quality. The majority of the respondents were very cooperative in sharing information about the functioning of their osusus. However, the quantitative information is limited due to their failure to maintain accurate records about all the transactions during the entire life of the osusu. Therefore, data were collected concerning only the immediately completed osusu cycle.

¹³ See Appendix 1 for a sample questionnaire.

III. DATA DESCRIPTION

1. Phase I Survey

Phase I helped to identify the level of participation in osusus by individuals engaged in various types of activities. It also examined the reasons for their participation. Invariably, all respondents were aware of osusus and roughly 75 percent reported participating in an osusu in the past. This illustrates the ubiquitous nature of this informal type of financial intermediation. Table 1 shows that 50 of the 116 (43 percent) persons interviewed currently participated in 71 different osusus indicating multiple osusu participation. Differences in participation level were, however, noticed among the different types of employment. More than 45 percent of the individuals employed as fruit and vegetable wholesalers/retailers, women tie-dye sellers and bank employees currently participate in osusus. Furthermore, several of these individuals participate in more than one osusu at a time. Conversely, less than 25 percent of the farmers, craftsmen and women hotel suppliers participate in osusus. Women tend to participate more frequently than men.¹⁴

The characteristics of the type of enterprises in which the respondents are employed is one of the factors that explain participation in osusus. The enterprise characteristics are listed in table 1. A steady income is a necessary condition for osusu participation since it enables the member to make regular contributions. Access to external sources of credit such as supplier's credit is also positively associated with osusu participation since the cash flow of the entrepreneur need not be locked into advance payments to the supplier and therefore can be contributed into osusus. It can be postulated that enterprises that require a small volume of working capital but produce a rapid turnover in capital, involve steady cash flows and have access to external sources of informal credit (eg. supplier's credit) are associated with high levels of osusu participation. Conversely, lower levels of osusu participation should be associated with individuals engaged in economic activities that involve long gestation periods, do not yield steady income and have less access to credit markets. The high levels of participation among market vendors (49 percent) and tie-dye sellers (71 percent) and the low levels of participation among farmers (23 percent) provide strong evidence towards these postulates.¹⁵

¹⁴ Our results corroborate those of Shipton (1992) who reported that osusus were important among market women in towns and junior civil servants in Banjul. Women were observed to participate more frequently in osusus than men.

¹⁵ See Besley and Levenson (1993) for results from Taiwan that show a high level of ROSCA participation among paid employees compared to farmers.

It was rather interesting to observe high levels of participation among the bank/civil employees (50 percent) who presumably should have easy access to formal financial markets.¹⁶ On the one hand, the high level of participation among bank employees is related to the stable income earned by them. On the other hand, it is also due to the failure of the formal financial system in The Gambia to offer attractive financial instruments to mobilize savings and provide loans.¹⁷ For example, a large minimum deposit is required by formal banks for savings accounts, and banks do not make rapid disbursement of consumption loans even to bank employees.¹⁸ In contrast, osusu loans are generally used to buy consumption goods and no minimum deposit is required to be an osusu member. Furthermore, membership in an osusu is often considered a social obligation. For these several reasons, therefore, even bank employees participate in osusus to obtain desired financial services.

2. Phase II Survey

In order to examine the characteristics of various osusus, we selected 88 osusus at random from among those identified as operating among food, fruits and vegetable retailers, tie-dye sellers, and bank/civil employees. In addition, we gathered information from five osusus organized by WISDOM. This section is based on detailed interviews conducted with the osusu leaders of the 93 osusus selected for this study.

A. Design Characteristics: Traditional and WISDOM osusus

The majority of osusus are voluntarily formed by their members. Recently, however, a national NGO, WISDOM, has become active in organizing osusu-like groups for women and linking them with formal financial institutions. The WISDOM osusus are a variant of the traditional osusus. There are interesting similarities and differences between the design features of traditional and WISDOM osusus. The following discussion outlines the organizational pattern of WISDOM osusus and compares them with traditional osusus.

¹⁶ Baydas et al., (1993) also observed in Egypt a high participation of bank employees in ROSCAs.

¹⁷ Besley and Levenson (1993) claims that ROSCAs are less likely to be valuable in an economy with fully developed financial markets. However, ROSCAs will be able to function in situations where capital markets are less than fully developed since ROSCAs are equipped to circumvent information and enforcement problems that constrain financial markets in their early stages of development.

¹⁸ Depositors in all commercial banks in The Gambia are required to maintain a minimum of D 500 in their savings accounts to avoid penalty charges. This compares to the average osusu contribution of D 300 per member.

a.) Organizational pattern of WISDOM

WISDOM, a national NGO, was launched in 1989 to: (i) provide technical skills and functional literacy to women microentrepreneurs and farmers; (ii) create awareness on gender issues; and (iii) organize women into functional groups such as osusus and strengthen these groups to become viable and reliable financial institutions. Currently, WISDOM covers about 300 villages in the country serving 9,000 members.

The financial services including short and long term credit and deposit mobilization are channelled through Wisdom Indigenous Lending and Savings Societies (WILSS). The flow of funds through WILSS is presented in Figure 1. While loans are only accessible to WISDOM osusu group members (i.e., women), deposit services are provided to both osusu and non-osusu members. Four branches of WILSS were established in 1992 in the urban and peri-urban areas of Banjul, Njau, Bansang and Soma. Although WISDOM supervises these units in WILSS, they are managed by village committees formed by WISDOM osusu group members.¹⁹ WISDOM has so far organized about 400 osusu groups in various parts of the country. Of this, 130 osusus with about 3,000 women operate in Banjul and surrounding peri-urban areas. Each osusu group is managed by a committee comprised of a president, vice-president, secretary and treasurer. The osusu groups are generally comprised of about 20-30 occupationally heterogeneous women residing and/or working in close proximity. The members periodically contribute a fixed amount to a common pot that rotates among them until every one has received the pot at most once. The member who receives the pot contributes about five percent from her pot to a contingency fund and to meet administration costs, before using the rest. In general, each member pays about D 10-30 for the osusu leader and D 20-50 to WISDOM for organizing osusus; about D 50 to 100, i.e. about one to two percent of the pot, to a contingency fund (minimum of D 50). The contingency fund is used to give emergency loans to members during mid-rotation periods and to smooth out short falls that arise due to member delinquencies because of income fluctuations. This contingency fund is deposited in the osusu account maintained at WILSS.

In addition to organizing osusus, WILSS also provides individual and group loans to its osusu members based on the recommendations of the village committees formed by WISDOM osusu members. The village committee screens borrowers and stands guarantor to its members to obtain individual production loans. WILSS has so far made loans to about 300 individuals from 200 WISDOM osusu groups. Loan sizes range from D 200 to 3,000 with an average of D 1000 for a period of six to eight months. Group loans are also given to finance gardening and microenterprise activities. Annual interest rates are fixed at 24 percent irrespective of the project financed. The savings of the member/group and group liability are used as collaterals.²⁰ The loan activities are partially financed through

¹⁹ The WILSS is not regulated by Central Bank of The Gambia since it is not registered as a bank under Financial Institution Act.

²⁰ The borrower cannot withdraw her savings until the loan is repaid.

grants from OXFAM, an international donor, interest earnings and regular deposits mobilized from individuals and groups.

The WILSS mobilize regular deposits both from individuals and groups. There is a minimum deposit requirement of D 50 and members are eligible to borrow at least twice their savings as production loans. An annual interest of 12 percent is paid on deposits. The mobilized savings are usually invested in Treasury bills that earn about 18 percent per annum. Of late, part of the savings are also used to provide short term loans (four months) to women microentrepreneurs at a 24 percent annual interest rate. In addition to regular deposit services available for individuals and osusus, the osusu groups are further allowed to deposit their contingency fund and osusu funds that were collected prior to pot allotment at WILSS in their osusu accounts. These osusu funds also earn a 12 percent annual interest rate.

b.) Traditional and WISDOM osusus: A comparison

Table 3 compares WISDOM and traditional osusus. In both models, the members voluntarily agree to contribute a fixed amount of money at fixed periods to a common fund/pot that rotates among the members. While the members may contribute in installments any time before the pot is distributed, the pot will be allotted only at the agreed allocation time. Osusus are generally smaller in total membership than are other informal groups including kafos.²¹ The membership homogeneity and small size help reduce principal agent costs that arise due to information asymmetries that is inherent in financial transactions. In addition, the close proximity among members reduces transaction costs.

Several differences were noted between the two models in the formation of the osusu and in fund use and allocation. First, traditional osusus are voluntarily formed by individuals who are homogenous in occupation, gender, age, ethnicity and geographic location. In contrast, WISDOM osusus are organized by volunteers who often reside outside the area served by the osusu. The members of WISDOM osusus are usually engaged in various types of economic activities but reside and/or work in close geographic proximity while the majority of members in traditional osusus are engaged in similar economic activities. Second, in the traditional osusus, the funds that are collected for the pot before it is allocated is held with the organizer. At the predetermined time, the entire pot will be given to one member based on some previously agreed fund allocation method which may be by

²¹ Kafos are informal but strong and cohesive village groups that are multifunctional in nature. They perform several functions including insurance, financial intermediation, labor and socio-political services. These groups are homogenous in terms of member's age, ethnicity, heritage, gender and occupation but have various membership sizes. They are commonly observed in peri-urban and rural areas among the farming communities (see Nagarajan, Graham and Meyer, 1993 for details).

lottery, order of recruitment or by request.²² In the WISDOM osusus, however, the funds collected by the organizer prior to the day the pot is allocated. The pot is then deposited with the Wisdom WILSS that pays a 12 percent annual interest rate. The pots are allotted only through lotteries.

Third, in WISDOM osusus, the member takes about 98 percent of the pot on the allotment day and contributes about two percent to a contingency fund maintained at WILSS.²³ This contingency fund is used to cover member delinquencies due to income fluctuations, and to a lesser extent, to give contingency loans to members. In addition, the winner of the pot is required to pay a fixed commission, roughly two to three percent of the pot, to the osusu leader and to WISDOM for organizing the osusu. Traditional osusus allot the entire pot to one member and do not maintain contingency funds; it is an individual member's discretion to compensate the leader for the efforts in organizing the osusu. These design features have various implications for the operational methods of the osusus as will be seen in the following sections.

B. General Characteristics of Sample Osusus

Table 4 presents general characteristics of the sampled osusus by type of employment. In general, women actively participate in osusus; nearly 79 percent of the osusus were headed by women.²⁴ Each member participates on average in two osusus. The opportunity to save more than is possible by being a member in only one osusu²⁵ and access to consumption or working capital loans at various times through multiple pots were reported as the primary reasons for multiple osusu participation. Some members also opted to participate in several osusus because: (i) long cycles occur with a large membership with commensurately slow rotation of the pot in the primary osusu; (ii) family members would demand loans if the savings were available and known; and (iii) social obligations.²⁶ Although multiple osusu membership was observed, nearly 19 percent of the osusus restricted their membership to a single osusu. This was especially true among bank

²² For example, assume that ten members agree to contribute D 10 every five days. A member may choose to contribute D 2 every day. But the pot of D 100 will be allotted to one member only on the fifth day. Until the fifth day, the funds are held by the osusu organizer.

²³ A WISDOM official is present at every drawing of the lottery in an osusu and collects the contribution to the contingency fund plus a fee for organizing the osusu.

²⁴ The WISDOM osusus were designed to be headed only by women. Also, women members are preferred to men.

²⁵ Some osusus did not allow members to contribute more than one share (i.e., play more than one hand thereby earning a larger pot in his/her turn) in order to avoid domination by multiple share (hand) holders. Instead, they allowed the members who wanted to save more to participate in other osusus.

²⁶ Some members reported participation in multiple osusus to fulfill social and familial obligations since they were organized by their friends/relatives.

employees where contributions were high (10 to 30 percent of the members' net income went into osusus). Multiple osusu membership combined with large contributions per osusu were reported by osusu leaders to increase delinquency in payments. As a result, this led to limitations on multiple membership among bank/civil employees.

C. Membership type, Composition and Size of Osusus

Of the 93 osusus sampled, 65 were composed of only women members while four were exclusively men and 24 were of mixed gender. Table 5 gives the membership size and composition of the sampled osusus. The majority of the osusus were purely for women. In mixed gender osusus, men represented only a minor proportion. Generally, each osusu consisted of 22 members, 19 women and 3 men, although it varied slightly among the enterprises. There were, however, several interesting cases regarding membership size. Six traditional osusus reported hidden members. These are persons who play partial hands, that is they share in the hand (and the contributions) of directly recruited members but are not actually counted as members of the osusus. For example, one of the sampled osusus had 32 directly recruited members who represented about 92 other indirect members. On the other hand, 11 traditional osusus reported members who played multiple hands. For example, one of the sampled osusus had eight directly recruited members who contributed more than one hand each so the total contributions were equivalent to 23 members; these multiple hands were treated as if they were different members.²⁷ The age of the members usually ranged between 21 to 45 indicating the representation of economically active population in osusus.

The majority of traditional osusu members were homogenous in terms of their occupation, gender and area of operation. However, they usually resided in different areas. The WISDOM osusu members, on the other hand, were engaged in heterogenous occupations, but were homogenous in their gender and area of residence and/or operation of their businesses. The WISDOM members are usually engaged in marketing or trading activities that involve clothes, food, utensils, fruits and vegetables, tie-dye fabrics, and in dress making and civil service employment.

D. Length and Continuity of osusus

It has been reported that some osusus have functioned continuously for over ten years.²⁸ The average age of osusus in our sample was, however, about 2.5 years with 150 days as the average length of each cycle. This works out to an average of six cycles having been completed by each osusu (table 6). The cycle length for osusus composed of tie-dye and market vendors with high turnover and volume of business rotated faster compared to

²⁷ Care was taken to identify such polar cases in our sample. We counted the number of full contributions as the number of members. This indicates that numbers on membership tend to get underreported when there are partial hands and overreported when there are multiple hands.

²⁸ See Shipton (1992) for details.

farmers with uncertain and unstable income and civil service/bank employees with steady incomes received at fixed intervals. Indeed, the cycle length is determined by the number of members and the frequency of contributions into the osusu. This will be discussed later.

All osusus reported that they recommenced with the same membership size and terms and conditions immediately after completing each cycle. However, the reputation gained in previous cycles determines the continuance of membership by an individual in subsequent cycles. Members who default or are frequently delinquent in their contributions without genuine reasons were excluded in subsequent cycles and were replaced by new members. The long life of osusus with repeated cycles has four effects: (i) it allows the osusus the flexibility to adapt their terms and conditions to changing socio-economic and political conditions; (ii) the threat of eviction because of wilful default or delinquency functions as an effective penalty mechanism and thereby reduces moral hazard problems; (iii) it encourages all members to stay in the group, especially the unlucky ones who received their pots at the end of a cycle;²⁹ and (iv) it reduces the search and screening costs of selecting new members, and the monitoring costs as reputations for "good" members increase with each cycle.

The multiple cycles of osusus does not necessarily mean that all osusus function continuously throughout the year. While 81 percent of the osusus functioned continuously, others were seasonal in nature (table 6). This was especially true among farmers whose osusus usually functioned only during the dry seasons. The osusus among the tie-dye sellers either slowed down during the off seasons for tourists or shut down completely. All the osusus among bank and civil servants with steady incomes, however, functioned continuously. These observations indicate that osusus adapt themselves to suit the income flows of their members by synchronizing osusu cycles with these cash flows.

E. Fund Collection and Allocation

In several osusus, funds are all collected in one day and the pot is allocated to a selected member on the same day. In other cases, however, funds are collected more frequently than they are allocated. For the entire sample, funds were collected on the average of every 4.2 days and were allocated to one member every 6.8 days (Table 7). Differences in the frequency of fund collection and allocation were explained by differences in the frequency of member cash flows. For example, funds were collected and allocated more frequently among tie-dye sellers who receive income more frequently than bank employees who are paid once a month.

²⁹ The participation in an osusu should be considered not a one-shot affair but a repeated game in which net benefits can be realized by playing over more than one cycle.

Figures 2a-2d present the number of osusus and the frequency of fund collection and allocation among the members engaged in various activities.³⁰ There exists a gap between the frequency with which funds are collected and are subsequently allocated for market vendors, tie-dye sellers and WISDOM osusus. For example, for osusus among the fruit and vegetable vendors, funds were collected almost every day but were only allocated once a week. This indicates that the majority of fruit and vegetable vendors contributed partial payments almost every day in order to accumulate their entire share so that it was available to be allocated at the end of the week. While the funds collected prior to allocation in WISDOM osusus are deposited in formal financial institutions, this was not the case with traditional osusus. In the majority of traditional osusus, the organizer holds the fund and seldom recycles it in loans or deposits it in banks. This has implications for improving the financial intermediation of the traditional osusus that will be discussed later.

F. Size and Use of Funds

Individual contributions ranged from D 2 to D 2,250 every rotation with an average of D 45. The level of contribution varied with the type of enterprise in which the members were engaged. In general, bank employees and civil servants contributed more than tie-dye sellers, market vendors and farmers.³¹ The wide range in contributions among WISDOM osusus is explained through the multiple types of enterprises that are serviced by these units. The low level of contribution among farmers is due to their low level of income and their infrequent participation in village kafos that also require fixed contributions for several of their activities. The average fund size per rotation (i.e. pot) was D 2,981 with a range of D 50 to D 33,750 per osusu. As expected, the pot size was smaller among farmers and market vendors compared to bank employees and WISDOM osusus that were comprised of businesswomen. Only 29 percent of the sampled osusus reported that funds were collected by their organizers, the exception being WISDOM osusus (Table 8). The majority of members bore the transaction costs of delivering their contributions to their organizers. However, the osusus were generally organized among members who worked and/or resided in close locations so the transaction costs incurred by members were low despite their frequent contributions.

³⁰ The osusus among bank and USAID employees collected and allocated their pots on the same day. Although there were differences in osusus among farmers in the frequency of fund collection and allocation, they were very small. Therefore, we did not consider osusus among bank and USAID employees and farmers for this exercise.

³¹ The level of contributions are directly related to the level of income realized by individuals employed in various enterprises (Besley and Levenson, 1993).

The untargeted nature of osusus allowed their members to use their funds for both production and consumption purposes.³² The majority of tie-dye sellers and market vendors reported using their funds to finance their businesses, while roughly 75 percent of the bank/civil servants and farmers used their pots for buying consumption goods including clothes, jewelry, utensils, household appliances and to invest in schooling. The reported use of osusu funds reflects the lack of alternative sources of working capital loans for market vendors and consumption credit for paid employees and farmers.

G. Fund Allocation Methods

Several methods including fixed order criteria and lotteries were used to allocate the pots among the members. These methods function as mechanisms to ration access to the funds by the members. The method for allocation was usually fixed at the beginning of each cycle. In general, the organizer proposed a method and the members voted on it.³³ The following methods were reported among the sampled osusus:

a.) Fixed by order of recruitment

The members were listed according to the order in which they were recruited into the osusus and the funds were allocated according to the list. In general, the leader of the osusu is the first on the list followed by his/her close friends and relatives and persons they recommend. Although the list is permanent, a few osusus reversed the order of the list every cycle to provide an equal opportunity to members recruited late into the osusus.

b.) Fixed by age or seniority

This list is prepared according to age or seniority. Seniority is decided by either the number of hands played by a member or the number of members recruited by the member into the osusu. The pots are allocated according to the list. In case of a tie, the social position of the member and reputation are used to resolve the problem.

c.) By request

Funds can be allocated based on member requests on a first come first served basis. However, members with emergency needs due to funerals, medical expenses, theft and fire

³² This is in contrast to Besley and Levenson (1993) who reports that the majority of ROSCA funds among Taiwanese households were used to finance the purchase of indivisible consumption goods including household appliances and equipments. Perhaps access to alternative sources for working capital loans contributed to this trend in Taiwan.

³³ The method of pot allocation can be considered a powerful and flexible management tool available to the organizer to screen potential members (van den Brink and Chavas, 1991).

losses are given priority. In general, the members come to agreement with the leader about the recipient of the pot in a particular rotation.

d.) Lottery methods

A lottery is drawn at the beginning of the cycle or every rotation period to allocate funds. Some osusus, especially among bank employees, use the names of the members for the lottery. However, some osusus including the WISDOM osusus use the recruitment number of members into the osusus or the order of payment of their contribution in that rotation period to draw the lots. The members who have received their pots, of course, are excluded from subsequent lotteries. Some osusus among tie-dye sellers reported they do not include in their lottery the names of members who are delinquent in paying their contributions.

Regardless of the allocation method, members are allowed to informally swap their turns. Osusu leaders report that several members deferred receipt of their pots and informally lent it to another member because they did not have a good use for it at the time it was allotted to them. Generally, new members were placed in the last positions.

Table 9 presents the number of osusus by methods of fund allocation method among the sampled enterprises. The majority of osusus allocated funds to members based on request. This was followed by the order of member recruitment into the osusu. Lottery methods were generally used among bank/civil employees and WISDOM osusus that are organized by external agents.³⁴ The assurance of funds in times of need provides an implicit insurance vehicle for members. Furthermore, the flexibility in fund allocation allows the members to design their decision to borrow or save with the osusu based on their cash flows. Our interviews revealed that the flexibility offered through the allocation of funds by request is preferred among members who participated in multiple osusus. This allowed them to reduce the mismatch that might occur between their cash flows and the rotation periods of their primary osusu.

H. Interest rates and Collateral

There is neither explicit interest paid on deposits nor explicit interest charged on loans received in the osusus. However, the insurance for savers through mutual aid (i.e. emergency loans from other members) was a benefit reported to offset the losses in their not receiving interest earnings. Furthermore, in the absence of alternative deposit mobilization mechanisms, the discipline to save which accompanies osusu membership was very

³⁴ It is interesting to note that in Bolivia and several other Latin American countries several ROSCAs use lottery methods followed by order of recruitment to allocate funds (Adams and Canavesi, 1992), while Asian countries such as Taiwan and Korea use lottery and bidding systems (Besley and Levenson, 1993). However, several ROSCAs in African countries including Niger have allocated the funds based on request of their members, suggesting that African ROSCAs are more sensitive to meeting contingencies (Graham, 1992).

much appreciated. Since osusus function for several cycles, members who receive their pots late in a rotation were eventually compensated by opportunities to receive their pots early in subsequent cycles and, therefore, get the equivalent of an interest free loan.

Osusus are based on mutual trust among members so no explicit collateral is required to get a loan from an osusu. The "collective" cosigns for the loan and thus the group itself serves as a "social collateral" (Besley and Coate, 1993). Furthermore, the recommendations by reputed members and good information about members also function as collateral substitutes. This is especially helpful in the absence of alternative mechanisms for obtaining loans without explicit collateral.

I. Screening Devices, Monitoring and Contract Enforcement

The sustainability of an osusu depends on its ability to reduce principal agent problems. These agency problems arise when the members (i.e., the agents) are not committed to contribute into the osusu after they have received their pot and when the osusu leader (i.e., the principal) is unable to identify such uncommitted members beforehand due to limited information about him/her. Several screening mechanisms have been used to identify uncommitted members to reduce these agency problems. Strict membership criteria function as the primary screening device. The criteria listed in table 10 shows that membership was primarily restricted to members residing and/or working in close proximity, engaged in similar occupations, and are of the same gender. The homogeneity in occupations, gender and geographic locality helped reduce asymmetric information among members and allowed for peer monitoring. Furthermore, the size of osusus were usually kept small and the membership restricted to homogenous members in order to increase the information available among members and reduce moral hazard problems.³⁵ In addition, the fund allocation methods functioned as an indirect screening device. For example, new members were always placed at the end of the list to receive the pot. This gave the osusu members an opportunity to test their commitment to regular savings.

Osusus are not legally recognized so loans made cannot be enforced through the courts, but peer pressure and social norms facilitate contract enforcement. Indeed, default rates were minimal and only about eight percent of the osusu leaders report having dealt with defaulters who discontinued making periodic payments after receiving their pot.³⁶ However, several osusus experienced delinquency in payments by their members. In the case of acceptable reasons such as death in the family, health reasons and unforeseen events, the delinquent members were forgiven and allowed to make late payments and

³⁵ Moral hazard problems arise when the members do not give their best efforts to keep their commitments to the osusu once their pot is realized, and, therefore, do not act according to the osusu objective.

³⁶ If the net benefits of defaulting and becoming a social outcast are less than the net benefits of continued ROSCA participation, members will choose not to default ex ante (van den Brink and Chavas, 1991). Under this condition, osusus are self-enforcing despite the absence of legally binding contracts.

continue in the osusus. Defaulters and delinquent members without genuine reasons were, however, excluded from subsequent osusu cycles.

The traditional osusus did not maintain contingency funds to mitigate shortfalls due to delinquency or default. Several mechanisms, however, were used to manage the shortfall. The majority of osusus either delayed allocating the pot until all the members had paid their dues or simply allotted smaller pots. The members who received the smaller pots were then allowed to not contribute during the delinquent members turn. The delinquent member was often pushed back in the queue irrespective of his/her recruitment order or lottery number. Social pressure was applied to collect the dues from the delinquent member. In contrast, WISDOM osusus, maintained a contingency fund to draw upon to fill in the shortfalls.

IV. ORGANIZATIONAL PATTERN OF OSUSUS: STRENGTHS AND WEAKNESSES

The above discussion provides an insight into the operational methods of osusus. This section, based on the above discussion, summarizes the strengths and weaknesses of the osusu model compared to formal financial institutions.

1. Strengths and Weaknesses of the Traditional Osusu model

A. Strengths

a.) Low agency problems

Principal agent problems arise due to imperfect or limited information that leads to the adverse selection of members (i.e., agents) by an osusu leader (i.e., the principal) and moral hazard behavior among members (i.e., not maintaining their contributions after receiving the pot). The limited liability of members in osusus can provide incentives for members to be delinquent or default and thereby lead to moral hazard problems and, eventually high agency problems. However, the small number of members who are carefully selected using strict member criteria reduces information problems (i.e., the adverse selection problem). Furthermore, homogeneity among members increases opportunities for peer monitoring and facilitates contract enforcement, thereby reducing moral hazard. In short, agency problems are observed to be low in osusus compared to formal financial institutions.

b.) Low transaction costs

Transaction costs are the implicit and explicit expenses incurred by participants in financial markets including borrowers, depositors, lenders, deposit mobilizers and regulators to effect financial transactions. This excludes interest payments, cost of funds and loan

losses (Adams, 1993). Transaction costs are generally low in osusus since they are not regulated by formal agencies, and loans and deposits are integrated in an osusu framework. Furthermore, there are few cash costs in an osusu. Only a few of the osusus report that funds were collected by their organizers. In these cases, the organizer usually received a small commission from the member who received the pot. In addition, osusu transaction costs are also low because they do not require the complex and elaborate paper work required by formal financial institutions. Non cash costs of membership are also low. The majority of members take their contributions to the osusu organizer during their off-market hours which have negligible opportunity costs. Indeed, members considered their time spent as time invested in strengthening social ties among the osusu members. The geographic closeness of the members also reduced the time and money spent in traveling to make their payments.

c.) Multiple functions

Osusus perform several functions including financial intermediation, social services and insurance. The regular contributions impart savings discipline among the individuals who might otherwise be tempted to spend on less productive activities. These contributions also take the money out of their households thereby avoiding demands for cash grants from family and spouses. In addition, membership in an osusu provides access to explicit interest and collateral free loans to individuals who would otherwise be ineligible to obtain credit. The osusus also help in financial deepening by circulating money between surplus and deficit members. This is especially important in environments where few alternative sources exist to mobilize small deposits and provide small loans that can be productively used in economic activities. Furthermore, the mutual aid guaranteed through close member contacts provide a form of insurance (i.e. loans) to members in emergencies. Indeed, several osusus reported organizing special collections apart from regular osusu collections to help members in need. Social activities during Ramadan and harvest periods are also organized among osusu members.

d.) High level of flexibility and adaptability

Osusus are highly dynamic, flexible and adapt their terms and conditions to suit member needs, and socio, economic and political conditions. They are highly adaptable across several micro and macro environments as evidenced by the wide presence of osusu-like groups in several parts of The Gambia. For example, while the osusus are independent groups in urban and peri-urban areas, they are usually attached to kafos, the strong social structures in rural areas.

e.) Efficient service to women

There are few financial mechanisms that are accessible to women in The Gambia. High minimum deposit and collateral requirements for loans make them ineligible for services offered by formal financial institutions. Women generally save frequently in small amounts, and their economic activities require small but frequent loans. In addition, they

are generally unable to offer any tangible collateral. Their small, frequent deposits and demand for small loans involve high transaction costs for both the financial institutions and the women. Osusus, however, are custom designed to suit small savers and small borrowers without adequate collateral. Therefore, they are preferred by women and women-specific enterprises. Furthermore, the osusu member can choose the osusu with the size, cycle, and periodic savings that fits her cash flow and credit requirements. In these several ways, the osusus offer women an effective financial alternative compared to formal financial institutions. This implies that the osusus are more allocatively efficient in servicing women than formal financial markets.

B. Weaknesses³⁷

a.) Limited portfolio diversification

Portfolios can be diversified by (i) offering various types of financial instruments, (ii) wider geographic coverage, and (iii) including occupationally heterogeneous members. This portfolio diversification will help reduce risks due to covariance in member incomes. However, the traditional osusus are limited in their portfolio diversification since they restrict membership only to individuals who reside and/or work in the same geographic area and to members of the same occupation. Although the limited portfolio diversification help reduce agency and transaction costs for osusus, it nevertheless increases their risks due to covariance in incomes. For example, a sudden drop in tourism will cause all members of an osusu composed of only tie-dye sellers to be delinquent on their payments at the same time unless they are able to cross subsidize their tie-dye activities with other businesses.

b.) Limited financial intermediation

The osusus are limited in financial intermediation to simply matching surplus and deficit members within an osusu group. The funds held by organizers are idle for a period between receipt and disbursement. The funds are not moved across long distances from surplus to deficit regions or across osusus. Therefore, in emergencies due to income covariance (such as a widespread drought), the osusus cannot transfer emergency loans from other regions or osusus to restart economic activities. Furthermore, the osusus are generally limited in their ability to make large, long-term loans for investment.

c.) Enterprise specific

The osusu design is best suited to enterprises that require only small amounts of working capital, a rapid turnover of inventory, and generate a steady cash flow. Therefore, they are better suited to several of the typical women-specific microenterprises than for

³⁷ Several of the weaknesses identified here are typical of ROSCAs generally found in Africa. There are exceptions, however. The well known "tontines" in Cameroon have grown in membership and fund size far beyond what is found in most other countries and resemble credit unions (Bouman, 1992).

farming and many men-specific enterprises. In other words, they are not generic financial mechanisms that can be adopted by individuals engaged in all types of economic activities.

d.) Lack of reserve funds

Traditional osusus maintain no contingency fund as reserves to mitigate risks due to either covariance in member incomes or shortfalls due to member delinquencies and defaults. Therefore, members run into risks similar to "bank runs" or loan size rationing in case of shortfalls.³⁸ For example, in case of shortfalls due to member delinquencies, the osusus generally delayed the pots until all members paid their dues or allotted smaller pots.

e.) Limited screening devices

Osusus are highly information intensive and are dependent on the information that members can obtain through close geographic proximity and frequent interactions. This constrains the expansion of osusu membership to potential but unknown members. For example, no osusus were found among the tie-dye sellers in one of the newly formed tourist markets around Bakau because the entrepreneurs required time to observe and gather information about each other before organizing an osusu. Several entrepreneurs, therefore, did not have a method to systematically save or obtain working capital loans. It was reported that it required at least a year for an individual to operate in a market before becoming eligible for osusu membership.³⁹

f.) Inadequate record keeping

Although the time of fund collection is not immediately matched with the time of fund allocation, few osusus maintained records about member payments. Few members, however, complained about being cheated by their organizers. The informal style of record keeping characteristic of most osusus is feasible when the membership size is small and contributions are systematic and regular. Nonetheless, the organizers have a prudential responsibility to maintain adequate records when pots are not allocated on the same day of collection.

g.) Limitations on membership size

Membership size is always kept small to reduce information problems. In addition, members were seldom allowed to play more than one hand to keep terms simpler and avoid dominance by multiple share holders. The small membership size, however, limits the osusu to a small pot size. Since osusus are information intensive, the intermediation benefits of

³⁸ Loan size rationing occurs when the borrower is supplied with a smaller loan than is demanded.

³⁹ Alternatively, personal recommendations and guarantees from other respected and long-term members were required for membership.

larger membership size is traded off for the potential losses that might occur due to reduced information among a large number of less well known members.⁴⁰

2. Strengths and Weaknesses of WISDOM osusu model

A. Strengths

The strengths include all those listed under the traditional osusus plus several additional benefits that are gained by relaxing some limitations of traditional osusus.

a.) Portfolio diversification

Although they are not geographically diversified, their diversification in terms of occupationally heterogenous members help deal with risks due to covariance in incomes.

b.) Financial intermediation

The linking of osusus with WILSS provides opportunities for increased financial intermediation. WILSS moves funds over large geographic areas, pays interest on the funds deposited, and provides access to production and contingency loans for its members. The osusu deposits function as loan collateral for its members and the deposited funds earn interest.

c.) Reserve funds

The contingency funds created through member contributions help smooth out shortfalls due to income fluctuations of members. These funds assure members they will receive a full pot despite savings shortfalls due to member delinquencies. In addition, the funds provide emergency loans to members during mid-rotation periods. They also earn interest and function as collateral for members to borrow from WILSS.

B. Weaknesses

a.) Limited geographic diversification

The WISDOM osusus usually are limited to members who reside and/or work in close proximity to reduce information problems. The limited geographic coverage, however,

⁴⁰ The pot size increases with membership size. However, this also crowds out members in need of loans quickly through short cycles and creates new problems in fund allocation (Cornes and Sandler, 1986). In addition, the marginal benefit of another member declines with the size of the group while marginal monitoring and enforcement costs could be expected to increase (Besley and Coate, 1993).

offers less protection against risks due to region specific unanticipated shocks such as floods, drought, communal/political riots, etc.

b.) External assistance

These osusus are organized through the efforts of an external agency. They are provided with technical assistance regarding operational techniques and are linked with banks. It is not clear if these osusus will continue to function using the same model once the external technical assistance from WISDOM in organizing osusus and linking them to WILSS are phased out. Furthermore, it is also not clear if WILSS will accept deposits from non-WISDOM osusus.

c.) Limited screening devices

These osusus are entirely dependent on the information gathered through informal means about the creditworthiness and reputation of their members. This information is used to screen borrowers by the osusu leader and WISDOM so that loans to members out of the contingency fund are offered without collateral. This practice could, however, cause default problems since members are not consulted in screening borrowers and therefore they may reduce their peer monitoring efforts.

d.) High administration cost

In general, the osusu leader and WISDOM maintain records and transactions involve some paper work. In addition, the organizer collects payments from members and a WISDOM official is present during pot allocation. The osusus are required to pay a fixed amount as an administrative fee for the services of the organizer and WISDOM. This fee is absent in traditional osusus.

3. Are WISDOM Osusus an Improvement Over Traditional Osusus?

Since osusus are information intensive, there is a need for some degree of homogeneity among members. The homogeneity can be in terms of geographic proximity and/or occupations of members. The WISDOM osusus are composed of occupationally heterogeneous members who reside and/or work in close proximity. In contrast, the traditional osusus are composed of occupationally homogenous members who work but may not necessarily reside in close proximity. The effect of geographic diversification depends on whether or not it dominates the effect due to inclusion of occupationally diversified members in an osusu. This is because the region specific risks may have a differential impact on members engaged in several types of income generating activities. Therefore, the aggregate shocks may not affect an osusu composed of occupationally heterogeneous members. The fortunate members may co-insure the less fortunate members assuming a cohesive

osusu consisting of members bonded by moral obligations. Furthermore, not much information is lost through this type of diversification since all members reside and/or work in close proximity. Therefore, the agency problems through diversification are less likely to increase compared to traditional osusus. For these reasons, the benefits through inclusion of occupationally diversified members in WISDOM osusus are likely to outweigh the benefits associated with occupationally homogenous traditional osusus.

The inclusion of contingency funds in WISDOM osusus help meet shortfalls due to member delinquencies and provide contingency loans to members during mid-rotation. Furthermore, since the contingency fund is placed in WILSS, it can be used as collateral to obtain member loans from WILSS. These factors provide an insurance to members and thereby increase the incentives for members to continue in the osusu. The contingency fund also increases the stake of the members in the osusu.

The increased financial intermediation through links with formal banks is another favorable feature of WISDOM compared to traditional osusus. Since WILSS are geographically dispersed, the funds are recycled across regions and earn interest. The funds deposited with WILSS also function as collateral to osusu members. Furthermore, it helps members shed their inhibitions toward banks and encourages regular banking habits. In contrast, the funds collected in traditional osusus prior to allocation are held idle.

WISDOM is also cautious in extending external assistance to osusus. Although it organizes the osusus and provides technical assistance in operational methods including bookkeeping, it does not inject any external funds into the osusu. The distinct positive feature of encouraging osusus to function on self-generated funds is well protected. Thus, the above features of WISDOM osusus over traditional osusus lead to institutional improvement and additional gains to the public.

V. CONCLUSIONS AND POLICY IMPLICATIONS

1. Summary

Traditional osusus are informal groups found in The Gambia. Though fulfilling some social functions, they principally perform financial intermediation services based on local initiative and savings mobilization. They are not anonymous institutions like formal banks, but embody pre-existing social relations in a community. More importantly, they transform contractual relations from very personalized reciprocal obligations between individuals to an unconditional contract between a group and the individual.

These osusus are composed of a small number of homogenous members to reduce information problems. They allow all members except the last in the list to immediately

consume their future savings as a loan beforehand. Loans are free of explicit interest charges and collateral. The group itself constitutes the social collateral for the loans and group members, in effect, monitor and enforce the contracts. Although members who receive their pot or draw (i.e. loans) late in a cycle cross subsidize others who receive it early, the long life of osusus allows persons who receive a pot late in one cycle to be compensated by receiving it early in future cycles. In addition, new and untested members, are placed in the last queue position to establish their credit rating by contributing their savings for others' loans before benefiting from their own draw. The compulsory savings component imparts a discipline among members to save. In addition, since members are not restricted to the use of funds for productive purposes, osusus help members accumulate savings to purchase durable consumption goods and to smooth their consumption in times of income variability.

Osusus carefully link deposits with lending by matching the debt repayment capacity with the savings capacity of its members through periodic contributions. Therefore, it reduces risks and improves liquidity management. Strict member screening procedures, the use of internally generated funds, the linking of deposits with loans, and the use of social sanctions to insure loan recovery all contribute toward reduction of principal agent problems, better contract enforcement and sustainability of the osusu. Moreover, the ability of osusus to intermediate between small savers and small borrowers without explicit collateral, their flexibility to suit member needs, their adaptability to synchronize member cash flows allow them to design compatible contracts for typical women-specific enterprises. Therefore, it is not surprising to note a strong women's bias among osusus in The Gambia.

Nevertheless, limited geographic and enterprise diversification within a group expose traditional osusus to risks due to the covariance in member incomes. In addition, the absence of contingency and reserve funds provides them with little protection against shortfalls in funds due to member delinquency or default and inflationary losses. Evidence from the WISDOM osusus suggests that a careful diversification of a member portfolio in terms of their occupations, maintenance of a contingency fund, and the links with formal banks are likely to improve the efficiency of traditional osusu operations.

2. Policy Implications

This study shows that formal finance has failed to provide all the services required by many depositors and borrowers in The Gambia, and that informal finance, despite its limitations, is able to create financial mechanisms such as osusus to serve the needs of its clientele. This leads to obvious questions such as what can formal markets learn from informal markets and what can be done to strengthen the performance of both formal and informal financial markets.

A. Improvements to Formal Finance

First, formal banks need to reduce transaction costs for depositors and borrowers. Informal markets are preferred by numerous borrowers and depositors because of their low transaction costs achieved through their localized operations. Formal banks can, therefore, reduce transaction costs by (i) increasing the number and distribution of branches, and (ii) creating cost effective services through part-time branches or mobile banks in low volume areas servicing a rural clientele.

Second, banks should increase their loan portfolio more by productively recycling mobilized deposits. However, it will always be difficult for banks to develop cost efficient mechanisms to collect the information required for standard collateral based loans. They cannot compete with the information advantage of informal lenders for a marginal constituency. Therefore, they need to explore ways to reduce information problems and develop collateral substitutes through the lessons learned from informal markets. One way is by providing group based loans where the savings of the group can be used as a collateral. The experiment by WISDOM in The Gambia that provides loans to osusu members by using their osusu savings as collateral is a good example. Alternatively, wholesalers and retailers can be used as conduits for loans to small producers. This is similar to experiments in the Philippines where rice traders have been used to channel loans to rice farmers.

Third, banks could develop attractive financial instruments to attract new customers. To start with, they can attract their own employees to use banking services by (i) reducing the minimum deposit requirement for savings accounts, (ii) providing automatic deductions out of their pay checks for loan repayments and savings accounts, and (iii) offering consumption loans.

B. Improvements to Informal Finance

Informal financial mechanisms such as osusus will likely have a comparative advantage over banks in reduced transaction costs and risks by their superior access to information and better contract enforcement through peer monitoring of their marginal clientele. But, they are also subject to weaknesses due in part to limited portfolio diversification and constraints on large scale savings mobilization. As a consequence, it may be useful to experiment with ways to more effectively link formal with informal mechanisms such as osusus. Several options to link formal with informal are outlined below.

Osusu rotating funds lie idle with the organizer during the period between fund collection and disbursement. For non-rotating contingency funds this can be a long period of time. These idle funds could be deposited with formal banks to earn interest. This would also reduce risks of safekeeping and embezzlement. In addition, licensed "osusu collectors" could be used by banks to collect osusu deposits from members and deposit these

savings into bank accounts in the name of the osusu.⁴¹ The osusu collectors should be asked to provide "bonds" to the banks which serve the equivalent function of depositor insurance.

Second, NGOs such as WISDOM that are active in formalizing informal finance can be provided assistance. These NGOs can facilitate informal groups to develop reserve/guarantee funds to meet contingencies and can encourage them to set up interest earning reserves within banks so they can diversify their portfolio. Banks can provide some multiple of the contingency funds as loans to osusu members. NGOs should, however, recognize that osususu are not generic and they are more likely suitable for the typical cash flow profile of women-specific enterprises.

Third, and lastly, NGOs can directly work with these informal osusu groups to improve their management and bookkeeping skills so that informal finance can function in a more formalized way to improve its efficiency. However, NGOs need to be cautious so that outside intervention does not destroy these carefully designed informal systems in a way that increases risks and costs. For example, NGOs can provide technical assistance and, to a lesser extent, relax their liquidity constraints. But in the process NGOs should not engage in a radical transformation of the informal system that goes far beyond the groups absorptive capacity or accepted practices, thereby creating a moral hazard environment that leads to institutional collapse.

⁴¹ This is similar to "susu collectors" in Ghana. The susu collectors are those who collect deposits from vendors in several markets at frequent intervals and deposit them in formal banks.

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Table 1. Number of Individuals Sampled, Level of Current Osusu Participation and Enterprise Characteristics by Type of Employment.

Particulars	Market Retail Vendors	Hotel Suppliers	Farmers	Craftsmen	Tie-dye Sellers	Bank Employees	Total
1. No. of individuals sampled	66	5	22	4	7	12	116
2. No. participating in osusus	32	1	5	1	5	6	50
3. Percent participating in sample	49	20	23	25	71	50	43
4. No. of osusus participated	44	2	7	1	9	8	71
5. Area of operation	Banjul, Bakau, Serrakunda	Sukuta, Serrakunda	Sukuta, Bakau, Sanyang Pirang	Bakau	Bakau	Banjul	
Enterprise Characteristics							
1. Market venue	Fixed	Not fixed	Fixed	Fixed	Fixed	Fixed	
2. Turnover	Frequent	Infrequent	Infrequent	Infrequent	Frequent	Not applicable	
3. Nature of cash flow	Steady	Variable	Variable	Variable	Variable	Steady	
4. Market uncertainties ^a	Moderate	High	High	High	High	Not applicable	
5. Use of banking services	Low	Moderate	Low	Moderate	Moderate	Moderate	
6. Primary mode of payments for inputs	Suppliers credit from wholesalers	Suppliers credit from producers	Self-finance	Advance payment to suppliers	Suppliers credit & consignment	Not applicable	
7. Volume of working capital required	Low	High	Low	High	Moderate	Not applicable	

Source: OSU Survey, 1993.

a This measures uncertainties in price, demand and input supplies.

Table 2. Number of Sampled Osusus by Type of Employment of Members and Operational Area.

Type of Employment	Sample Size	Operational Area
1. Tie-dye Sellers	8	Bakau, Banjul
2. Bank Employees	6	Banjul
3. USAID/US Embassy/ Employees	2	Banjul
4. Food retailers	5	Banjul
5. Fruits and vegetable retailers	52	Banjul, Bakau, Serrakunda, Sukuta, Sinchu Alehji, Pirang
6. Farmers	15	Wellingara, Pirang, Sinchu Alahji, Sinchu Baliya, Sanyang
7. Mixed WISDOM osusus	5	Banjul
Total	93	

Source: OSU Survey, 1993.

Table 3. Characteristic Features of Voluntary and WISDOM Osusus Sampled for the Study.

	Voluntary Osusus	WISDOM Osusus
1. Organizers	Members	WISDOM
2. Gender of Members	Men, Women and Mixed	Women
3. Occupation of Members	Usually same occupation	Mixed
4. Membership Criteria	Occupation; age; ethnicity; same work area; geographic proximity; recommendations	Geographic proximity; recommendations; gender; afford to pay contributions
5. Fund Allocation Methods	Lottery; by order of recruitment; by request; by age/seniority	Lottery
6. Contingency Fund	Absent	Present
7. Links with Formal Banks	Absent	Present

Source: OSU Survey, 1993.

Table 4. General Characteristics of Sampled Osusus, by Type of Employment of Members.

Type of Employment	% Headed by Women	% Exclusive Osusus	Ave. no. of Osusus per member ^a	Reasons for Multiple Osusu Participation ^b
1. Tie-dye Sellers	88	13	2.0	Save more; get credit; rotates slower
2. Bank Employees	100	33	2.0	Save more; social obligations; rotates slower; get consump. credit
3. USAID/US Embassy Employees	50	0	2.0	Save more; social obligations; rotates slower; get credit
4. Food retailers	100	0	2.5	Save more; credit at different times for business; rotates slower
5. Fruit & vegetable retailers	79	14	2.5	Save more; credit at different times for business; rotates slower; only allows single hands
6. Farmers	92	13	2.0	Save more; social obligations; get credit
7. WISDOM osusus (mixed)	100	0	2.0	Save more; get credit at different times for business; rotates slower
Total sample	79	19	2.3	-

Source: OSU Survey, 1993.

a Estimated by the Osusu leader.

b By order of importance.

Table 5. Membership Size and Composition, by Type of Employment.

Type of Employment	No. of Members	No. of Women Members	No. of Male Members	Age of Members (in years)	
				Maximum	Minimum
(Averages)					
1. Tie-dye Sellers	21.0	20.0	0.62	49	25
2. Bank Employees	14.5	13.7	0.83	48	23
3. USAID/US Embassy Employees	15.5	13.5	2.0	47	23
4. Food retailers	20.2	20.2	0	34	15
5. Fruit and Vegetable retailers	23.0	20.5	3.0	48	14
6. Farmers	21.0	19.0	2.0	40	22
7. WISDOM osusus	26.0	25.0	1.0	45	16
8. Total sample	22.0	19.6	2.6	45	21

Source: OSU Survey, 1993.

Table 6. Average Age, Cycle Length, Number of Cycles, and Continuity of Sampled Osusus, by Type of Employment of Members.

Type of Employment	Age (in years) ^a	Length of Cycle (in days) ^b	No. of Cycles ^c	% Continuous Osusus ^d
1. Tie-dye Sellers	4.2	91	16.9	60
2. Bank Employees	2.7	435	2.2	100
3. USAID/US Embassy Employees	2.5	465	2.0	100
4. Food retailers	3.8	91	15.2	85
5. Fruit and Vegetable retailers	2.5	128	7.1	90
6. Farmers	2.6	192	4.9	30
7. WISDOM osusus	2.5	199	4.6	100
8. Total sample	2.5	150	6.1	80.7

Source: OSU Survey, 1993.

- a Refers to number of years that the osusu is functioning with the same terms and conditions.
- b Refers to the time required to allocate funds to all members at most once.
- c Given by the ratio of age of the osusu to length of cycle.
- d Refers to osusus that function throughout the year without a break.

Table 7. Frequency of Contribution and Allocation of Funds, by Type of Employment of Members.

Type of Employment	Frequency of Contribution	Frequency of Allocation	% Difference in Contribution and Allocation ^a
	(1)	(2) (in days)	(3)
1. Tie-dye Sellers	2.5	5.0	100
2. Bank Employees	30	30	0
3. USAID/US Embassy Employees	30	30	0
4. Food retailers	2	4	100
5. Fruit and Vegetable retailers	2.5	6.1	144
6. Farmers	8.8	9.0	2.3
7. WISDOM osusus	1.0	8.0	700
8. Total sample	4.2	6.8	61.9

Source: OSU Survey, 1993.

a Calculated as follows: $\frac{(3) - (2)}{(2)} * 100$

Table 8. Average Contribution and Fund Size Per Rotation and Percentage of Funds Collected by the Organizer, by Type of Employment.

Type of Employment	Contribution per Member per Rotation	Pot Size per Rotation	% Funds Collected by Organizer
		(range in parenthesis)	
1. Tie-dye Sellers	55 (20-150)	2150 (300-6400)	20
2. Bank Employees	300 (50-600)	3592 (900-7250)	50
3. USAID/US Embassy Employees	125 (100-150)	1800 (1500-2100)	0
4. Food retailers	14 (2.5-20)	450 (50-860)	20
5. Fruit and Vegetable retailers	22 (2.0-50)	535 (50-3200)	37
6. Farmers	8.0 (0.5-4.3)	135.6 (50-300)	10
7. WISDOM osusus	625 (50-2250)	10,363 (120-33,570)	100
8. Total sample	45.8 (2.0-2250)	2,981.3 (50-33,750)	29

Source: OSU Survey, 1993.

Table 9. Fund Allocation Methods, by Type of Employment.

Type of Employment	Fund Allocation Methods				Sample Size ^a
	Lottery	Recruitment Order	By Request	By Age/Seniority	
1. Tie-dye Sellers	2 (25)	2 (25)	4 (50)	0	8 (100)
2. Bank Employees	4 (66)	2 (34)	0	0	6 (100)
3. USAID/US Embassy Employees	2 (100)	0	0	0	2 (100)
4. Food retailers	1 (20)	2 (40)	2 (40)	0	5 (100)
5. Fruit and Vegetable retailers	5 (10)	16 (31)	26 (50)	5 (10)	52 (100)
6. Farmers	1 (6)	8 (53)	4 (27)	2 (13)	15 (100)
7. WISDOM osusus	4 (100)	0	0	0	4 (100)
8. Total sample	19 (20)	30 (32)	36 (39)	7 (8)	93 (100)

Source: OSU Survey, 1993.

^a Percentage to sample size given in parenthesis.

Table 10. Criteria for Osusu Membership, by Type of Employment.

Type of Employment	Criteria (by order of importance)
1. Tie-dye Sellers	Occupation; ethnicity; geographic location; recommendations
2. Bank Employees	Work place; recommendations; occupation
3. USAID/US Embassy Employees	Work place; able to afford contributions
4. Food retailers	Recommendations; gender; occupation; able to afford contributions
5. Fruit and Vegetable retailers	Work place; occupation; gender; recommendations
6. Farmers	Geographic location; ethnicity; occupation; gender
7. WISDOM osusus	Geographic location; recommendations; gender; able to afford contributions

Source: OSU Survey, 1993.

Figure 1. WISDOM Indigenous Lending and Saving Societies (WILSS): Flows of Funds.

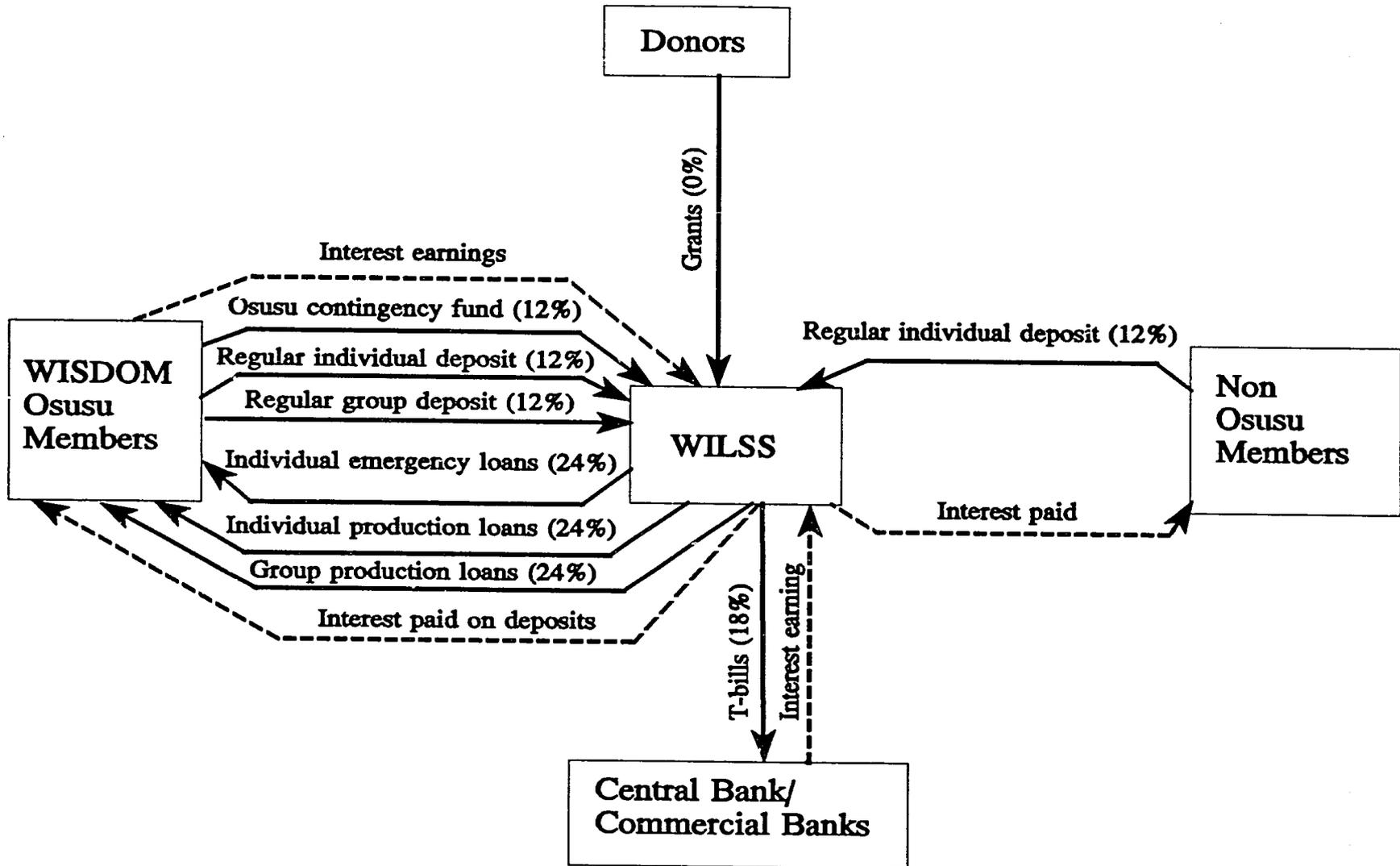
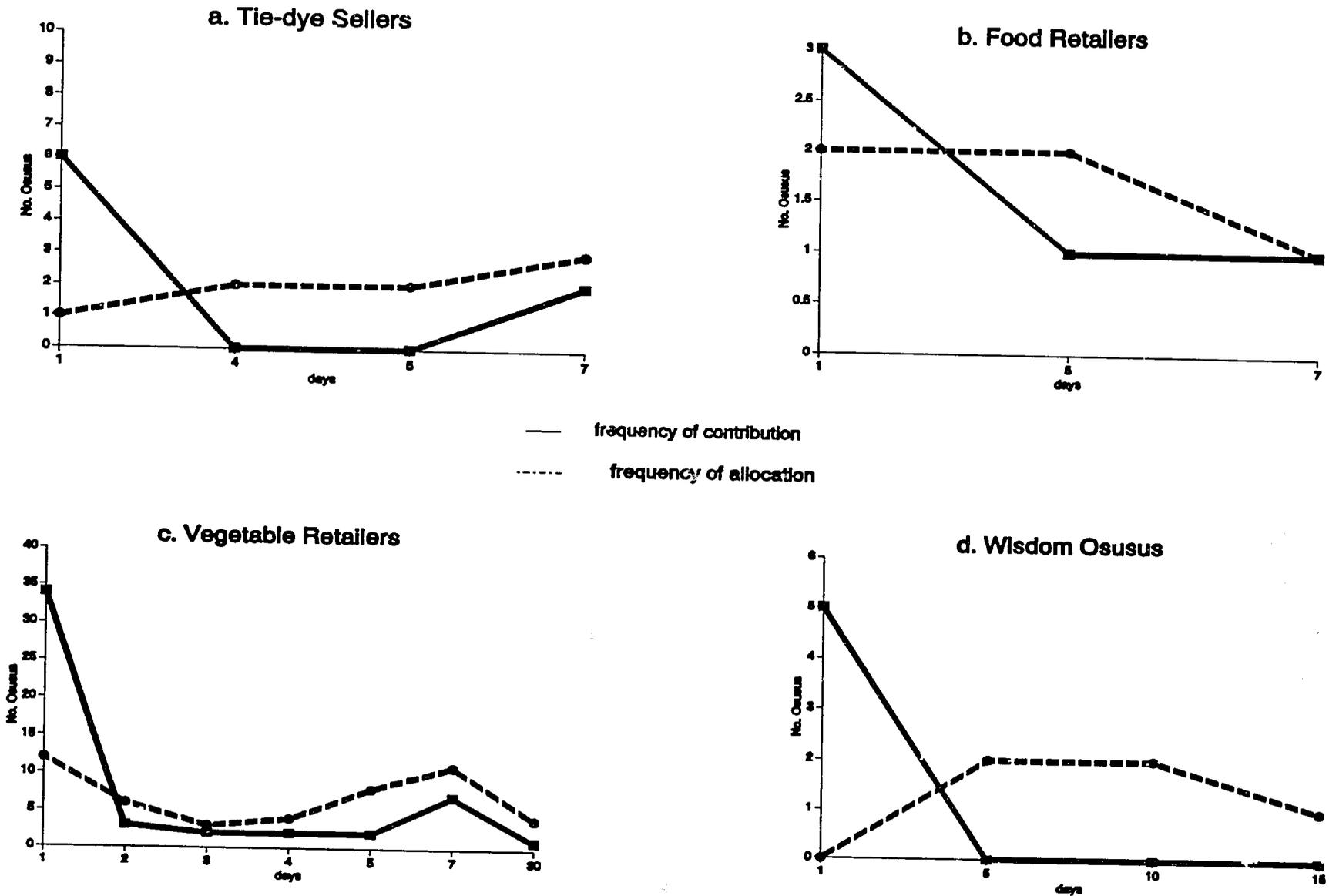


Figure 2. Frequency of Contribution and Fund Allocation, by Type of Employment.



Appendix 1

**THE OHIO STATE UNIVERSITY
A STUDY ON FINANCIAL MARKETS IN THE GAMBIA**

QUESTIONNAIRE FOR OSUSU ORGANIZERS

I. Identification

1. Respondent Identification Number:
2. Date of interview:
3. Name of market/village of residence:
4. Name of place of operation of osusu:

II. General Information:

1. Name of the respondent:
2. Address:

3. Primary Occupation:
4. Type of vendor:
5. Age:
6. Gender:
7. Marital Status:
8. Other positions held in the community:

9. Products typically traded by members:
10. Type of traders for members:

III. Position in osusu; (check the appropriate box)

Item	Osusu 1	Osusu 2	Osusu 3
Organizer			
Treasurer			
Member			
Other (specify)			

Is this Osusu activity included in your kafo functions or is it a standalone activity?

IV. Origin and length of the osusus:

Item	Osusu 1	Osusu 2	Osusu 3
When started?			
Primary reason for osusu (see code A)			
Who helped? (see code B)			
Is it an NGO conduit? (Y or N)			
Has it been interupted since origin? Y or N			
If interupted, why? (see code C)			
Has it been meeting without interuption in the last year? Y or N. If no, how many interuptions?			
If interupted, why? (see code C)			

- A. Savings opportunity, credit to service consumption needs, credit to buy production inputs/inventory, kinship/social obligations.
- B. Voluntary, NGOs, other external agencies (specify)
- C. Some members migrated, some member incomes were low, some members had personal problems, treasurer/organizer cheated, some members defaulted, only used for seasonal/production period.

V. Composition and membership criteria of the osusus

Item	Osusu 1	Osusu 2	Osusu 3
No. of members (current cycle)			
No. of new members in the current cycle			
No. members dropped out in current cycle from last cycle			
How long has this current membership size maintained? (in cycles)			
Gender of members (# of male & female members)			
Primary occupation of members (see code A)			
Secondary occupation of members (see code A)			
Membership Criteria (see code B)			
Average age of members			
Can you be a member of more than one osusu? Y or N			
If not exclusive, how many osusus do members participate, in general?			
Reasons for participation in multiple osusus (see code C)			

- A. Farming : Food crops, groundnuts, vegetable producers, vegetable sellers. Non-farming : Artisans, salaried workers, others. Mixed: farming and non-farming, Others (decide in field)
- B. Age, occupation, ethnicity, locality/village residence, business relation, familial relation, others (specify)
- C. To get credit at different times for same purpose, to get credit at different or same time for different purposes, save more, social reasons, others (specify)

VI. Size of group and funds, and type of osusu

Item	Osusu 1	Osusu 2	Osusu 3
Frequency of contributions (code A)			
Frequency of pot allocation (Code A)			
Contribution per collection/member			
Size of pot rotated?			
To how many members?			
If not 100%, what is the non-rotating component used for? (code B)			
Who decides the terms like frequency of meetings, contribution size? (code C)			
How are contributions collected (code D)			
When was the last time terms were changed?			
Why were the terms changed?			
Rotation type (random, bid, fixed order)			
If fixed, how is the order decided?			
If bid, is it a fixed discount rate or auctioned?			
Who decides rotation type (code C)			
Is it possible to alter rotation type? (code E)			

- A. Daily, weekly, bi-weekly, 10 days, bi-month, month, others (specify)
- B. Payment to organizer, to build emergency funds used for loans during mid-cycle, to build funds for community development, others (specify).
- C. Organizer, members, committee
- D. In meetings, organizer visits members, members brings it to organizer at the time of meetings, members bring it to the organizer at different times.
- D. Yes, organizer can do it alone; Yes, members can decide; Yes, a committee can do it; No.

VII. Delinquency and contract enforcement mechanisms: (If no delinquency or default problems, please respond to hypothetical situations):

Item	Osusu 1	Osusu 2	Osusu 3
Delinquency (miss some payments): Have there been any delinquency in payments in last cycle or year? Y or N			
If yes, how many members were delinquent in payments in last cycle or year?			
What was done to delinquent members? (see code A)			
How is partial shortfall due to delinquency managed? (see code B)			
Who decides penalties for delinquent members (members, organizer, committee)			
Default (get pot and drop out): Have there been any defaulted in last cycle or year? Y or N			
If yes, how many members were defaulted in last cycle or year?			
How is partial shortfall due to delinquency managed? (see code B)			
What was done to defaulted members? (see code A)			
Who decides penalties for defaulters? (members, organizer, committee)			
If defaulted members are reintegrated into new cycles, what are the conditions? (see code C)			

- A. Nothing was done, dropped from group, increased contributions as penalty, social sanctions (specify), pushed back in queue to get pot, others (specify).
- B. Reduced pot, organizer filled in, remaining members filled in, used emergency funds, used non-rotating savings fund, recruited new member, others (specify).
- C. Get the last pot, contribute more than others, others (specify)

VIII. Interruptions:

1. Did the osusu continue with the same group and terms and conditions in its current cycle? Y or N.
2. If no, what were the changes and why?

IX. General Questions: (please get information for all osusus that the respondent is an organizer; carry osusu identification from previous sections)

1. How does a new rotation start?
2. How are you remunerated?
 - a. Flexibility in getting pot
 - b. Fixed salary
 - c. Others (specify) _____.
3. Why choose osusus? (differentiated-short-run vs. undifferentiated-long-run reasons)
 - a. To service short-run consumption needs (specify needs)
 - b. To finance purchase of production inputs/inventory
 - c. To save for future
 - d. Social obligations for community
 - e. Family-kinship obligations
 - f. Finance ceremonies
 - g. Others (specify) _____.
4. Why were you selected as leader?
 - a. Village chief/community leader
 - b. Eldest person in the group
 - c. Past experience as osusu organizer
 - d. Has highest numeracy and literacy among members
 - e. Others (specify) _____.

5. Transaction costs involved in participation?
 - a. Transportation costs for organizer/meeting
 - b. Time spent by organizer/meeting
 - c. Transportation costs for members/meeting
 - d. Time spent by members/meeting
 - e. Other costs (specify) _____.

6. What is the level of NGO involvement in your osusus?
 - a. Only helped to organize the group
 - b. Helped organize and provided seed money
 - c. Helped organize and safeguard money
 - d. Helped organize, safeguard money and fixed rotation type
 - e. Helped organize and helped buying consumption/production goods
 - f. Helped organize and link up with banks
 - g. No NGO involvement

7. How did NGOs organize your osusu?

8. How do you evaluate the usefulness of NGO involvement?
 - a. Very useful
 - b. Useful
 - c. Indifferent
 - d. Not useful

9. Can you sustain without external/NGO help? Y or N. If no, why?

10. What will happen to your osusu if a bank, credit union, NGO or cooperative union moves into your geographic area of operation?
 - a. Will dissolve
 - b. Will rotate less frequently
 - c. Will link with institutions
 - d. Will function as conduits
 - e. Others (specify)
 - f. Nothing will happen

11. Are you just a member of other osusus? If yes, how many and why?

**INSURANCE AND FINANCIAL INTERMEDIATION THROUGH KAFOs
IN PERI-URBAN BANJUL, THE GAMBIA**

by

Geetha Nagarajan

Douglas H. Graham

and

Richard L. Meyer

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Rural Finance Program
Department of Agricultural Economics
and
Rural Sociology
The Ohio State University
2120 Fyffe Road
Columbus, Ohio 43210-1099

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INSURANCE AND FINANCIAL INTERMEDIATION THROUGH KAFOS IN PERI-URBAN BANJUL, THE GAMBIA

I. INTRODUCTION

Subsaharan African (SSA) countries report a variety of indigenous self-help groups at the village level (Bouman, 1992).¹ In The Gambia such groups are called kafos.² They are voluntarily formed groups that provide insurance, financial intermediation and labor exchange services, and non-commercial social and political services by collectivizing the cost of the service within the community. While insurance is provided through the common kafo funds and mutual aid among the members built through working on common projects, the financial intermediation functions include non rotating and rotating savings and credit activities.

Kafos are usually homogenous in terms of members' age, ethnicity, gender and occupation but have various membership sizes (Shipton, 1992). They are generally found in rural and peri-urban areas, especially among farming communities³ (Nagarajan, Meyer and Ouattara, 1993). Indeed, these kafos are important informal mechanisms that traditionally substitute for missing markets for finance, insurance and labor in rural and peri-urban villages.

Recently, with a limited formal banking system in the country and inadequate technical support for income generating activities from the Government, NGOs have become active in providing financial services and technical assistance in rural and peri-urban areas. Since the targeting of groups rather than individuals is presumed to reduce borrower screening and monitoring costs for the financial intermediaries⁴ and since groups are an effective tool to disseminate information on technology, NGOs have begun to organize kafo-like groups or use existing indigenous kafos as conduits to channel their financial and technical assistance services. These NGO kafos are designed by external donors who usually

¹ These village groups are called demisenu tons in Mali, tons in Senegal, and iddir in Ethiopia (Aredo, 1993; Dupuy, 1991). Similar indigenous village groups are also found under different names in other African countries including Zaire (Slover and Cuevas, 1991) and Cameroon (Schrieder and Cuevas, 1992).

² Kafo is a Mandinka word that roughly corresponds to yirde or compin in Fula and morom in Wolof in The Gambia (Shipton, 1992).

³ Our contacts revealed the presence of urban kafos among migrants to Banjul from rural areas. These were referred to as "migratory kafos" or "migratory kabilos" and were reported to be composed of members from the same village. These kafos generally engaged in social and political activities and provided mutual aid through reciprocity. We did not, however, select any of these kafos for this study due to logistical reasons.

⁴ See Stiglitz (1990) and Varian (1990).

do not reside or participate in kafo activities. While some NGOs provide subsidized credit using external funds to targeted members of the kafos, others simply extend technical assistance. The indigenous kafos, on the other hand, are custom designed to their member needs and are based on internally mobilized resources. Therefore, NGO kafos with diverse institutional designs are expected to have an externality effect on the operations of indigenous kafos in the villages.

With the implementation of the Economic Reform Program (ERP) that has liberalized the economy since 1985, economic activities and incomes in urban Banjul have grown. This has resulted in an increased demand for a wide range of services. Peri-urban areas have become potential sites to meet this growing demand for such services. For example, several commercially oriented horticultural farms and livestock enterprises are established in peri-urban areas surrounding greater Banjul to meet domestic, inter-regional and foreign market demands. Therefore, policy makers and donors have become enthusiastic in developing new institutions in peri-urban areas to promote income generating activities. It is important, however, to understand the operational mechanism of indigenous institutions such as kafos to clearly understand the implications of introducing new institutions to resolve economic and social problems in peri-urban areas. Although several studies document the existence of kafos in the rural Gambia (Carney, 1988; Shipton, 1992; Nagarajan, Meyer and Ouattara, 1993; Nagarajan, Meyer and Graham, 1993a), there is a lack of detailed studies on peri-urban kafos - their composition, functions, terms and conditions for the provision of various services and spillover effects due to interactions with NGOs.

This paper attempts to fill in this vacuum by describing the functions performed by kafos found in peri-urban areas and provide insights into the implications for indigenous kafos of NGO involvement in their activities. Kafos are multifunctional. However, this paper highlights the insurance and financial services provided by kafos and the implications for these functions of external intervention. The implications for donors and policy makers concludes the paper.

II. METHODOLOGY

This study was conducted in three stages during February-April, 1994 with some help from the Land Tenure Center (LTC), Wisconsin. The sample was drawn from six peri-urban villages surrounding Greater Banjul. The villages included Sanyang, Pirang, Sinchu-Alhaji, Sinchu-Baliya, Wellingara and Niumi-Berinding.⁵ This section elaborates the sampling methodology followed in this study.

⁵ See Roth (1993) for explanations about the choice of the villages.

In the first stage, the LTC conducted a census of households in four of the sample villages, viz., Sanyang, Pirang, Sinchu-Alhaji and Sinchu-Baliya. The households were asked to report on their current participation in kafos as members, committee members and/or leaders. The members and committee members were further asked to provide the names of their leaders. In the other two villages, Wellingara and Niumi-Berinding, The Ohio State University (OSU) research group contacted the village chief, Alkalo, and other important members of the community to collect information on the names of the current kafos and their leaders. The total number of kafos reported to exist in the sample villages are presented in column one of Table 1.

Although the first stage helped to identify the importance of kafos in the village community, this did not provide information regarding the functions performed by these kafos. In the second stage, therefore, all the kafo leaders identified in the first stage were again contacted by the OSU research group. A rapid appraisal approach was used to gather information from the leaders about the origin of their kafos and the functions performed.⁶ It was found that several of the kafos identified in the first stage of the survey were in fact transitory in nature or provided only socio-economic and labor services. The objective of this study is to examine those kafos that perform insurance functions and financial intermediation services. Therefore, we used the information collected in this stage to identify all permanent kafos that perform some form of financial intermediation and insurance functions in the sample villages. Out of the 60 permanent and transitory kafos identified in the first stage, only 23 qualified as a sample for this study. Of this 23 kafos, four were formed by NGOs, while the rest did not have any direct involvement with NGOs (Table 1).

In the third stage of the survey, OSU contacted leaders of all the 23 kafos identified in the second stage. Detailed interviews were conducted using structured questionnaires to collect current and retrospective data on the following: origin of the kafo, membership size, composition and criteria, functions performed and related terms and conditions associated with these functions, contract enforcement techniques and type of NGO involvement in kafo activities (see appendix 1 for the sample questionnaire). The kafo leaders were often accompanied during the interviews by their committee members and important kafo members. This helped to cross check the data and ensure quality. Furthermore, informal interviews with village leaders and elders, and consultation of published materials on kafos were used to learn more about the evolution of kafos in The Gambia.

⁶ The Rapid appraisal approach is a quick approach that uses informal interview techniques to gather information about general features of the subject examined.

III. EVOLUTION OF KAFOS⁷

It is important to trace the evolution of kafos in order to place the functioning of the current day kafos in proper perspective. The evolution of kafos from simple age-based self-help groups to more complex social and economic institutions in rural and peri-urban areas are influenced by several micro level processes that shape their formation, as well as macro level processes that facilitate their metamorphosis as economic institutions in these villages. The emergence of modern kafos can, therefore, be explained through variations in these micro and macro processes.

It is not clear when kafos originated in The Gambia. It can be postulated, however, that kafos were formed in the early sixteenth century in areas currently called The Gambia when the majority of the tribes found there migrated from Mali. The presence of indigenous village groups similar to kafos called demisenu tons are documented in Mali as early as the late fifteenth century (Hopkins, 1971). Historically, the word kafo referred to groups of individuals that belong to particular age groups within a ward or a village.⁸ The kafos were primarily involved in implementing self-help public works projects for the community such as village cleaning, well digging, building houses and, to a lesser extent, the cultivation of crops for households with insufficient family labor.⁹ Providing labor to the kafo was mandatory and a failure to do so was punishable by fine or by threat of physical force. Kafo members also participated in organizing social and political activities within the village (Weil, 1971).

With the shift from subsistence to more commercialized agriculture through the introduction of cash crops like groundnuts that require a large and constant flow of labor, kafos began to also function as labor rotation or labor exchange groups. In these kafos, members rotated labor among their plots and hired out labor to adjacent families with insufficient labor. At this point the criteria for membership expanded to include both age (working age adults) and occupation. Kafos functioned as convenient mechanisms to organize labor on a mutual help basis and also increased the bargaining power of hired labor, especially in rice growing areas (Carney, 1988).

It is difficult to chronologically identify the period when these labor rotation groups also began to undertake insurance and financial services such as rotating and non-rotating

⁷ This section is taken from Nagarajan, Meyer and Ouattara (1993).

⁸ While kafos of individuals aged above forty five years functioned as an elite council that formulated rules for the community, the kafos of individuals between the ages of twenty to forty five were often responsible for the provision of labor services.

⁹ The kafos that provided labor services to individual farmers were compensated with the provision of food and drinks (Hopkins, 1971).

savings and credit programs. Nevertheless, it can be seen to be a logical response to the commercialization of agriculture. The shift to more commercialized crops had three effects on village household economies: (i) it reduced the food crop area that provided food security to farm households;¹⁰ (ii) it increased the household's cash flow through the sale of cash crops; and (iii) it led to the formation of commercialized labor groups that were no longer willing to provide free labor services. While the commercial crops were often characterized by high yields, they were also prone to exogenous shocks that led to high yield variance. But formal insurance markets did not exist to insure against idiosyncratic risks and to provide food security by consumption smoothing. Furthermore, there were few formal financial vehicles to mobilize the savings that accrued from more commercial farming or to provide contingency credit to cover individual contingencies. Therefore, kafos began to embrace the functions of insurance and financial markets with their other functions.

The modern kafos, while maintaining some of their historical characteristics, have evolved into multifunctional informal groups with multiple criteria for member eligibility in addition to age. In addition to these traditional kafos, NGOs have begun to organize kafo-like groups to channel financial services and technical assistance in rural and peri-urban villages. In fact, the term kafo has now become a generic term to represent the majority of group activities undertaken in a village. Therefore, we here after refer to kafos organized by NGOs as NGO kafos to distinguish them from indigenous kafos that do not have any direct NGO involvement.

Several authors have documented indigenous kafos as versatile and complex village level institutions in The Gambia (Carney, 1988; Shipton, 1992). While the kafos are well established institutions, several variations have been observed in terms of their functions as a result of the specific microenvironment in a given village. Indeed, the functions of indigenous kafos are custom designed to suit the demand for various services by its members and the terms and conditions for various services depend on the characteristics of its members. In contrast, the terms and conditions of NGO kafos are often conceived by external donors and introduced into the villages. The next section highlights some of the variations in kafo functions that have emerged as a result of the differences in their level of NGO involvement.

¹⁰ See von Braun (1992) for the role of crop diversification on the food security of farm households in The Gambia.

IV. DESCRIPTION OF THE DATA

1. General Perspective on Kafos and Kafo Leaders

A total of 23 permanent kafos, 19 indigenous and four NGO kafos, providing insurance and financial intermediation services were identified for this study. The NGOs such as the Association of Farmers, Educators and Trainers (AFET), Social Welfare Board of The Gambia (SWBG), and Gambian Physically Handicapped Development (GPD) organized new kafo-like groups to channel their services.¹¹ On the one hand, the GPD and SWBG organized new kafos for women by purchasing and preparing gardens, fencing, digging wells, and providing seeds and equipment as grants for the first three years.¹² On the other hand, AFET simply organized kafos to provide them with technical assistance to develop income generating activities through ram fattening, soap making and gardening.

Whereas nine of the 23 kafos sampled were comprised of only women and three were comprised of only men, 11 were mixed gender kafos. In general, the villages were served by more than one kafo that provided insurance and financial services. On the average, it was reported that villages were served by more mixed (1.8) and pure female (1.5) compared to pure male kafos (0.5) (Table 1).

The 23 kafos were headed by 19 different leaders of which nine were men and ten were women. On average, each respondent headed more than one kafo (1.2 kafos). Specifically, nine men headed eleven kafos - three pure male, one pure female and seven mixed gender kafos; ten women headed 12 kafos - eight pure female kafos and four mixed gender kafos. While the gender of the leader of the kafo was determined by the majority gender of the members, men were often preferred as heads in mixed and even in some pure female kafos to avoid conflicts among women members¹³ (Table 2).

In mixed gender kafos, members of the management committee were comprised of both genders, while they were comprised of men (women) in pure men (women) kafos. The committee was chosen democratically. Whereas the activities and bylaws for the provision of kafo services were decided by the members in indigenous kafos, in NGO kafos the governing rules were suggested by external donors who neither reside nor participate in the

¹¹ This is in contrast to the rural areas where the NGOs frequently used existing indigenous kafos to channel their services. See Nagarajan, Meyer and Graham (1993a) for details.

¹² Several NGOs in rural areas also provided similar services. See Nagarajan, Meyer and Graham (1993a) for details.

¹³ This is in contrast to kafos found in rural areas where the majority gender of the kafo determined the gender of their kafo leader. Men were, however, asked to serve as committee members and to settle disputes among women members.

kafo activities as members. Of course, the final decision to accept NGO suggestions on kafo activities and associated operational rules is reached by kafo members. However, in the majority of cases, the kafos accept the NGO suggestions for fear of losing external support. In fact, several indigenous kafos reported that they were willing to associate with NGOs and restructure their activities according to their suggestions to secure funding. Several creative responses to the enthusiasm by the NGOs for using indigenous kafos as their conduits were observed in the sample.¹⁴ They include making video tapes of their activities to show the NGOs and creating a separate kafo fund to contact NGOs and entertain them.¹⁵

2. Membership Size, Composition and Membership Criteria

The membership size, composition and criteria for kafo membership are presented in Table 3. The kafos in our sample were generally large in membership size and were composed of more than 70 percent of the adult population in the village. Kafo leaders reported that roughly 85 percent of their members reported farming as their primary economic activity. On the average, each kafo had a membership size of 108 members, 80 women and 26 men.¹⁶ The higher participation by female members in NGO compared to indigenous kafos is explained by the NGOs' preference for women.

On the average, the age of kafo members ranged from 19.5 to 76.8 years. However, members in NGO kafos were younger compared to indigenous kafos indicating a greater relative participation of a more economically active population in NGO kafos. Indigenous kafos, on the other hand, included older and more marginal populations and, as a consequence, were organized to provide insurance (contingency loans) services to this group.

Membership in multiple kafos were common with members on average participating in two kafos. In general, members of NGO kafos participated in more kafos than members of indigenous kafos. Several of the members of NGO kafos maintained their membership

¹⁴ The names of the villages and kafos are not reported to protect anonymity.

¹⁵ In rural areas, the alkalo offered NGOs garden plots to develop kafos for their community. Some villages, in fact, were not interested in developing their garden kafos since they were aware of NGO assistance to garden kafos in their neighboring villages. In addition, to attract an NGO that targets women by providing subsidized in-kind fertilizer credit, one of the villages combined its pure male kafo with the female kafo. Since the majority of the women did not require fertilizer for their food crop production, the fertilizer was diverted to male members who often defaulted on their loans.

¹⁶ This is large compared to the membership size in rotating savings and credit associations called osusus. The membership size in osusus usually ranged between ten to 24. The osusus are another type of important informal groups in peri-urban areas that are active in financial intermediation (see Nagarajan, Graham and Meyer, 1994 for details on osusus in the peri-urban Gambia).

in both indigenous and NGO kafos to realize a broader range of services than could be gained in either kafo separately.

Multiple criteria were used to recruit kafo members. The survey revealed that the criteria for membership in kafos included, in order of priority, geographic proximity, gender and occupation, age, ethnicity and marital status.¹⁷ It is interesting to note that while geographic proximity was an important criteria to screen members in indigenous kafos, occupation and gender predominated in NGO kafos. This underscores the preference of NGOs for women and an economically active population compared to indigenous kafos.

3. Functions of the Kafos

Kafos performed several types of functions including the provision of insurance, financial intermediation, labor, social and political services. In general, we found no significant differences in the terms and conditions for the several services offered by NGO and indigenous kafos. However, the type of services were different. Therefore, the following section first describes the terms and conditions of kafo functions for a pooled data set comprised of NGO and indigenous kafo functions. This will be followed by a comparison of the number and types of functions provided by NGO and indigenous kafos, respectively. Functions performed by kafos can be described under the following classification:

A. Insurance

Twelve indigenous kafos reported performing insurance functions. In general, an average of 4.3 hectares, primarily in the rainy season, was collectively cultivated by all the members. Crops grown included coarse grains, vegetables, groundnuts and sesame. Some kafos also operated common machinery such as a coarse grain milling machine. The proceeds from the sale of produce grown in the common plot and operation of common machinery were contributed towards a common kafo fund that was primarily used to mitigate village level contingencies and, to a lesser extent, member contingencies.¹⁸ An average of D 1,724 per kafo was reported for the size of these common kafo funds. On the average, four members were reported to have received loans ranging from D 32 - 80 at an interest rate of 4.8 percent for a period of four months (Table 4).¹⁹ Due to the small size of common kafo funds that can be allocated to member loans, kafos reported resorting to loan

¹⁷ Female kafos considered marital status an important criteria for kafo membership. Unmarried women were usually young and were considered only temporary members of the village.

¹⁸ Member contingencies included medical expenses, funerals and fire accidents.

¹⁹ The high standard deviations observed for the terms and conditions for the member loans, however, indicate a wide variation among the sample kafos.

size rather than loan quantity rationing.²⁰ Some kafos, especially large ones, allocated some funds for village level contingencies and divided the rest among themselves instead of supplying loans to members.²¹

B. Common Economic Activity

This is observed more among NGO than indigenous kafos. Here, the members were engaged in vegetable gardening, soap making or ram fattening activities. The vegetable garden plot, fencing materials and assistance for digging wells were provided by the NGOs in NGO kafos. In indigenous kafos, however, the land was allotted by the village leader (alkalo), and the members voluntarily fenced and dug wells. In both the indigenous and NGO kafos, the members collectively owned the land, fence and wells. However, they were allotted individual plots and were given the autonomy to decide on the cropping schemes and marketing outlets. Therefore, proceeds from the sale of crops were realized by the individual members. Some kafos, however, insisted that their members contribute a small fixed amount to maintain the garden.

In soap making and ram fattening kafos, members pooled their financial and labor resources to purchase inputs and carry out the activity. Proceeds from sale of produce were equally divided among members. Indeed, these common economic activities helped realize economies of scale in the use of resources by the members.

C. Financial intermediation

A total of eleven kafos, nine indigenous and two NGO kafos, reported performing financial intermediation. The members undertook savings and credit activities on an organized basis. On the average, savings were mobilized every two months through a regular contribution of D 6 per member to the kafo savings fund that roughly amounted to D 5,077. This fund was usually nonrotating in nature. While three of the kafos, one NGO and two indigenous, deposited their funds in commercial banks, the rest maintained them with their treasurer. This savings fund was used to provide contingency loans to members and, to a lesser extent, to provide production loans to members and to build village infrastructure. Some kafos simply divided the fund among members at the end of a specified time (ex. Ramadan feast). On the average, loans of D 17.5 were lent out to members to meet contingency needs at a group determined interest rate of 10.2 percent for a period of

²⁰ Loan size rationing occurs when borrowers are supplied with smaller sized loans than demanded, while loan quantity rationing occurs when the applicants are denied credit altogether.

²¹ This is rational behavior since the size of a group is inversely proportional to the familiarity and linkages among its members. Therefore, the informational and peer monitoring advantages of group related activities declines with an increase in group size.

three months. Penalties for non-repayment of loans included social sanctions against the family of the borrower.²²

Rotating savings and credit associations (ROSCAs) called *osusus* are increasingly found within the *kafos* as a subset of *kafo* activities. Ten *kafos*, eight indigenous and two NGO *kafos*, reported the presence of *osusus* in their *kafos*. There was more than one *osusu* (average of 3.2 *osusus*) within a *kafo* since *osusu* membership is limited to small groups of about 30 members within the *kafo*. The majority of *osusus* were comprised of female members indicating the suitability of services provided by *osusus* for women. On the average, about 30 members contributed D 8 each to a common pot. This pot (average size of D 181) was allocated every 12 days to one member. The pot was allocated based on some previously agreed criterion such as by order of member recruitment into the *osusu* or by member request or by lottery. The pots were reported to be used primarily to meet consumption needs such as buying of food, clothes and paying school fees and secondarily to buy inputs to meet farming and trading activities. *Osusus* generally functioned in dry seasons and ceased to exist or slowed down during rainy seasons (Table 6).

D. Labor

Members primarily mobilized labor during periods of peak demand and rotated these services among member farms to take advantage of seasonal variations and water availability on specific plots. Some *kafos* also sold their labor to non-*kafo* villagers. The proceeds were usually divided among the participants.

E. Social and Political

Although some *kafos* performed these functions continuously, the importance of these functions varied with the level of social and political activities in a given period. The members organized social activities (ex. soccer club, Ramadan festivals, dance and singing groups to entertain NGOs and tourists) or political rallies. While they collect contributions (one-time/periodic) from their members to cover the costs, they were not used to perform regular insurance or financial intermediation functions.

Table 7, based on the above classification, outlines the functions performed by indigenous and NGO *kafos* at the time of their origin and as of Feb-April 1993. On average, the indigenous *kafos* were 9.1 years old, while NGO *kafos* were 2.9 years old, and each *kafo* provided more than two services. While indigenous *kafos* were active in providing

²² Some *kafos* that were created and used as conduits in rural areas by one of the NGO's had an additional source of funds for member loans from the NGO. The NGO primarily provided loans in kind to the *kafos* at a subsidized rate of interest. *Kafos* used part of the loan for production purposes on their common *kafo* fields and lent out the rest to their members. The *kafos*, however, still engaged in organized savings and credit activities to a limited extent to supplement the NGO funds and provide contingency loans to members (see Nagarajan, Meyer and Graham 1993a, 1993b).

insurance, financial intermediation and social and political services, NGO kafos primarily performed common economic activities. Furthermore, while indigenous kafos were observed to have increased their range of services from 47 to 58, over the time between their inception and the time of survey, NGO kafos showed no change. This is for two reasons: (i) NGO kafos were primarily formed to perform economic activities; and (ii) the NGO kafo members maintained their membership in indigenous kafos which allowed them to realize the services that are not provided by their NGO kafos.²³ It is interesting to note that the increase in functions performed by indigenous kafos has been primarily due to an increase in ROSCAs within these kafos. This shows that ROSCAs are becoming an important informal savings and credit mechanism among farming communities in the peri-urban areas. This can be attributed in part to increased commercialization of economic activities in peri-urban areas due to active trading business that are undertaken by several farming households to supplement their farming incomes.

V. THE QUALITY OF INSURANCE AND FINANCIAL INTERMEDIATION: A COMPARATIVE ANALYSIS

The above discussion shows that kafos are flexible village institutions that adapt to changing socio-economic environments. They provide a variety of services by, in effect, substituting for missing formal markets for insurance, finance and labor services. It is important to evaluate the quality of these kafo services so that possible improvements can be made through alternative institutional arrangements. This section provides some insights into the quality of services provided by both indigenous and NGO kafos. The quality of services are proxied by the types of members served, types of services offered, and the costs of those services.

1. Type of Members Served

The marginal members of a society include women, orphaned children and the elderly. In the absence of insurance markets and social security from the government, the village often assumes the moral responsibility to care for their marginal populations. The services to marginal populations are often channeled through families, friends and indige-

²³ In rural areas, the NGO kafos were reported to have increased their range of services from the time of their inception to the current time since the services provided by the NGO kafos were inadequate to meet all the member needs. The services expanded from financial intermediation and common economic activities to include insurance and socio-political services. These NGO kafos were generally 4.5 years old (Nagarajan, Meyer and Graham, 1993 a). It is possible that the same trend may occur in the peri-urban NGO kafos if their members decide to include all the functions in one kafo instead of participating in several kafos to obtain all the services required by them.

nous village associations such as kafos. The study shows that while indigenous kafos were observed to include elderly members of the society who are not economically active, the NGO kafos restricted their membership to economically active population. Both types of kafos, however, served women. These observations suggest that marginal members are better served by indigenous than NGO kafos. It is, however, important to examine the type of services extended to these marginal populations and others, and costs associated with these services so that equity considerations are not overly compromised for efficiency considerations.

2. Type of Services

Kafos fill in for the missing insurance, finance and labor markets in these peri-urban areas. On the one hand, indigenous kafos provide insurance and financial intermediation services thus substituting for the lack of these services in formal markets. These services are extended to both economically active and marginal populations. More often, the benefits received by members are not directly linked to the recipient's contributions but are identical for all members. The fortunate members often provide a form of social security to less fortunate members. This could lead some members to "free ride" on others. However, members are disciplined through strict social norms and peer monitoring. Geographic proximity and close familial relationships among the village communities allow peer monitoring and ensure enforcement of discipline. Therefore, the benefits derived through free riding are reduced in indigenous kafos.

NGO kafos, on the other hand, are primarily limited to performing common economic activities that generate additional income. This, no doubt, will help villagers diversify from farming to non-farming activities. This occupational diversification will have two effects on a household: it (i) facilitates an increase in income; and (ii) reduces risks due to covariance in income thereby co-insuring the other family members. NGOs may be better prepared to identify income generating promising new activities that are suitable to the villagers than the villagers themselves. However, it is also possible that NGOs may draw villagers into riskier investments resulting in a possible loss to village welfare. The losses gets compounded since these NGO kafos do not have an insurance mechanism in place either through mutual aid or through the NGOs.

3. Costs of the Services

There are several costs associated with the provision of services to a large population. These include transaction costs and agency costs that arise in provision of insurance and financial services.

A. Transaction Costs

Transaction costs are the implicit and explicit expenses incurred by participants in a transaction. For example, in financial markets it includes the costs incurred by borrowers, depositors, lenders, deposit mobilizers and regulators to effect financial transactions. This excludes interest payments, the cost of funds and loan losses (Adams, 1993).

Transaction costs are generally low in both indigenous and NGO kafos since they are not regulated by formal agencies. Furthermore, there are few cash costs in terms of time and money spent in traveling to access kafo services since the majority of members reside in close proximity. In addition, the absence of complex and elaborate record keeping reduces costs. Non cash costs of membership are also low. The majority of members contribute their labor to kafo activities during their off-work hours which have negligible opportunity costs. Indeed, the members considered their time spent as time invested in strengthening social ties among kafo members.

B. Agency Costs (i.e., the Principal Agent Problem)

Principal agent problems arise due to limited information that leads to adverse selection of members (i.e., the agents) by a kafo (i.e., the principal) and moral hazard among members. Moral hazard problems arise when some members tend to free ride on others and refuse to contribute their share of labor and/or money to build up kafo funds. This will have a negative impact on other kafo members, and eventually high agency problems as they also stop contributing. Therefore, it becomes necessary for a kafo to incur monitoring costs. However, the careful selection of members using strict member criteria reduces information problems (i.e., the adverse selection of non-cooperative members). Furthermore, homogeneity among members increases opportunities for peer monitoring and facilitate contract enforcement, thereby reducing moral hazard problems. Therefore, the agency costs characteristic of the financial and insurance markets are observed to be low in kafos compared to formal financial institutions.

The magnitude of agency costs, however, differs between NGO and indigenous kafos. In the majority of villages, membership in an indigenous kafo is considered a moral obligation to the village society. In NGO kafos, on the other hand, membership is based on the ability of a member to participate in an economic activity and members are not bound by moral obligations. This reduces the role of social norms as an enforcement mechanism in NGO kafos and, therefore increases their agency costs.

NGO kafos have diverse institutional designs for the provision of village level services through kafos. These designs may cause positive or negative externalities for indigenous kafos and thereby affect their agency costs. For example, the provision of financial services by an NGO kafo using external resources at a subsidized interest rate could increase agency costs for indigenous kafos. Subsidized interest rate lending will create a negative externality for indigenous kafos in that they have to charge a positive interest rate on loans to cover

their cost of funds derived from locally mobilized deposits. This could destroy local savings mobilization if villagers, especially the economically active villagers who are eligible for membership in NGO kafos, become dependent on cheap external funds. Therefore, indigenous kafos would need to incur additional member screening and monitoring costs to reduce agency problems generated by the negative impact of NGO kafo actions.

VI. SUMMARY AND IMPLICATIONS

In summary, kafos have traced out a long historical path through Gambian history. Presumably, originating in Mali several centuries ago, these self-help groups moved into The Gambia through migrant settlers. Originally, kafos were created as collective labor arrangements to carry out village labor tasks such as rudimentary infrastructure maintenance or investments as well as harvest requirements on common plots in the village.

In time, these groups became more complex and versatile in meeting changing village requirements. Today kafos have become informal multifunctional mutual aid societies or organizations that meet villager needs in several areas. The functions include original common plot activities and collective labor requirements to gain scale economies in production and marketing; a social role in maintaining community infrastructure; a source of credit for members along with contingent emergency insurance coverage for the elderly and marginal constituencies in the village; and an organization facilitating social and political activities at the village level. Some of these accumulating functions, in effect, substitute for missing formal markets for insurance, finance and labor services.

As pointed out in this study, NGOs have now appeared on the village scene in The Gambia and, inevitably, have affected the scope, organization and operation of indigenous kafos. NGOs are currently adding additional services to meet village needs in such areas as nutrition, education, and health. However, at the same time they also have been drawing upon kafos to introduce income generating activities in microenterprise activities. In using kafos as an organizational conduit to launch these initiatives, it is apparent that NGO kafos become distinct from indigenous kafos in the functions they perform. Income generation objectives mandate membership in NGO kafos to the economically active population. This necessarily excludes the marginal and elderly population. Also, women are frequently emphasized in NGO kafos whereas indigenous kafos are more inclusive in their membership criteria.

Finally, the most recent initiative by NGO kafos has been their attempts to move into financial services. The presence of NGO kafos alongside indigenous kafos creates the potential for institutional conflict if the NGO kafo offers credit from cheap donor sources at subsidized rates while the indigenous kafos necessarily has to charge higher rates to cover its deposit mobilization costs. Like Gresham's law, cheap money would drive out dear money and indigenous kafos could be damaged by competing on an uneven playing field of

finance. This in time will mean that the contingent insurance function covering the marginal population in the village through indigenous kafos would disappear with a commensurate decline in village welfare. NGOs should keep this negative impact in mind when they presume to offer financial services through their kafos by not underpricing their credit to the detriment of indigenous kafos.

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Table 1. List of Villages and Kafos Sampled for the Study.

Villages	Total Kafos ^a	Sample Kafos ^b			
		Male	Female	Mixed	Total
1. Sanyang	12 (1)	0	1	6 (1)	7 (1)
2. Pirang	18	0	4	1	5
3. Sinchu-Alahaji	5	1	0	2	3
4. Sinchu-Baliya	12 (2)	0	2 (2)	2 (0)	4 (2)
5. Wellingara	8	0	2	0	2
6. Niumi-Berending	5 (2)	2 (1)	0	0	2 (1)
7. Total	60 (5)	3	9	11	23
8. Ave. no. of kafos per village	10.0	0.5	1.5	1.8	3.8

Source:

- a Includes all permanent and transitory kafos that perform insurance, financial intermediation, labor and socio-political services, as of February 1993.
- b Includes all permanent kafos that perform insurance and financial intermediation services, as of February 1993.
- c Number of NGO kafos given in parenthesis. It is included in the figures presented.

Table 2. Number of Respondents and Number and Type of Kafos Headed by Them, by Gender.

Items	Male	Female	Total ^a
1. No. of respondents	9	10	19
2. No. of kafos headed by the respondents	11	12	23
a. Pure male kafos	3 (1)	0	3 (1)
b. Pure female kafos	1	8 (2)	9 (2)
c. Mixed gender kafos	7 (1)	4	11 (1)
3. Ave. no. of kafos/respondent	1.2	1.2	1.2

Source:

- a Number of NGO kafos given in parenthesis. It is included in the figures presented.

Table 3. Membership Size, Composition and Criteria.

Items	Indigenous Kafos	NGO Kafos	Total
1. Ave. no. of members	102	126	108
a. Female	76.7	112	80.7
b. Male	35.5	15	26.5
2. Ave. age of the members (years)			
a. Maximum	74.6	52.0	76.8
b. Minimum	18.7	17.2	19.5
3. Ave. no. of kafos in which members participate	1.8	2.5	2.0
4. Membership criteria (no. of kafos reporting) ^a	15	3	18
a. Geographic proximity	6	4	10
b. Occupation & gender	2	0	2
c. Ethnicity	1	1	2
d. Age	2	.0	2
e. Marital status			

Source:

- a Since more than one criterion is used to decide on membership, the total may not add up to the sample size.

Table 4. Common Plot Activities: Crops Grown, Plot Size, Income, Uses of Funds and Lending Particulars.

Items		
1.	No. of kafos participating	12
	a. Indigenous kafos	12
	b. NGO kafos	0
2.	Crops grown (by order of importance)	Coarse grains, vegetables, groundnut, sesame
3.	Primary season for the activity	Rainy season
4.	Ave. size of the plot (ha.)	4.3 (3.6)
5.	Ave. net annual income/plot (D)	1724 (1426)
6.	Primary uses of funds (no. of kafos reporting)	
	a. Community infrastructure	5
	b. Contingency credit to members	3
	c. Inputs for common plot	2
	d. Divide proceeds & social functions	2
7.	Ave. no. of borrowers/kafo/year	4
8.	Maximum loan to members (D)	80 (269)
9.	Minimum loan to members (D)	32 (103)
10.	Wt. ave. interest rate (%) (wt. = 4 months)	4.8 (9.4)

Standard deviations are given in parenthesis.

Table 5. Non-Rotating Savings and Credit Activities: Size and Uses of Funds Mobilized.

Items		
1.	No. of kafos participating	11
	a. Indigenous kafos	9
	b. NGO kafos	2
2.	Ave. contribution/member/period (D)	5.9 (7.3)
3.	Ave. frequency of mobilization	2 months
4.	Ave. fund size (D)	5,077 (6423)
5.	Primary uses of funds (no. of kafos reporting)	
	a. Contingency loans to kafo member	6
	b. Production loans to members	2
	c. Divide among members/buy consumption goods	2
	d. To build village infrastructure/meet village contingencies	1
6.	Ave. loan size (D)	17.5 (23.7)
7.	Wt. ave. interest rate (%) (wt. = 3 months)	10.2 (8.8)

Standard deviations are given in parenthesis.

Table 6. Rotating Savings and Credit Association Activities: Membership Size, Composition, Fund Collection, Allocation and Uses.

Items		
1.	No. of kafos participating	12
	a. Indigenous kafos	10
	b. NGO kafos	2
2.	Primary season for the activity	Dry season
3.	Ave. no. of osusus/kafo	3.2 (2.2)
4.	Ave. no. of members	30.9 (24.6)
5.	# of female members to total members	84.2
6.	Frequency of contribution (days)	12.2 (18.4)
7.	Frequency of allocation (days)	12.4 (18.7)
8.	Ave. amount of contribution (D/member/rotation)	8.1 (5.1)
9.	Ave. pot size/rotation (D)	181 (162)
10.	Pot allocation methods (no. of kafos reporting)	
	a. By order of member recruitment	5
	b. By member request	3
	c. Lottery	2
11.	Primary uses of osusu funds (no. of kafos reporting)	
	a. Consumption	9
	b. Trading & Farming	3

Standard deviations are given in parenthesis.

Table 7. Functions Performed by Kafos, at the Time of Origin and Current.

Items	NGO kafos		Indigenous Kafos		Total Current Functions
	Original ^a	Current ^b	Original	Current	
	(number of kafos)				
1. Sample size	4	4	19	19	23
<u>Kafo functions</u>					
1. Common plot (insurance)	0	0	11	12	12
2. Common activity ^c	5	5	3	3	8
3. Non-rotating savings and credit	2	2	9	9	11
4. Rotating savings and credit	2	2	4	8	10
5. Labor	1	1	5	5	6
6. Social & political	1	1	9	10	11
Total no. of activities	11	11	41	47	58
Ave. activities/kafo	2.8	2.8	2.2	2.5	2.5

Source:

- a Original refers to the activities undertaken by kafos at the time they were originally created.
- b Current refers to the activities undertaken by kafos at the time of survey in February 1993.
- c Refers to ram fattening, soap making, vegetable gardening and operating common machinery, etc.

APPENDIX 1

THE OHIO STATE UNIVERSITY
A STUDY ON FINANCIAL MARKETS IN THE GAMBIA
QUESTIONNAIRE FOR KAFO LEADERS

I. Identification

1. Respondent Identification Number:
2. Date of interview:
3. Name of market/village of residence:

II. General Particulars:

1. Name of the respondent:
2. Address:

3. Primary Occupation:
4. Age:
5. Gender:
6. Marital Status:
7. Other positions held in the community:

8. Name of the kafo:

III. Participation in kafos:

1. How many kafos do you participate in?

2. If multiple, why do you participate in multiple kafos?

IV. Position in kafo: (check the appropriate box)

Item	Kafo 1	Kafo 2
Organizer/leader		
Treasurer		
Member		
Other (specify)		

2. If you are not a leader, who is the leader of your kafo? please give names and addresses

Kafo 1: _____

Kafo 2: _____

3. What are the activities of your kafos?

Kafo 1:

Kafo 2:

4. Based on the above answers, please specify the types of kafos? (check appropriate choices)

Kafo 1

Kafo 2

- a. Common plot
- b. Labor
- c. Non-rotating savings and credit
- d. Rotating savings and credit
- e. Social and political
- f. Mixed (specify) _____

(If checked a, c,d or e (that includes a and/or c&d) then continue with the interview. Otherwise terminate).

V. Origin and length of the kafos:

Item	Kafo 1	Kafo 2
When started?		
Primary objective for current kafo at the time of origin (see code A)		
Secondary objective for current kafo at the time of origin (see code A)		
Who helped (see code B)		
Have any NGO involvement now? Y or N		
If yes, when did NGO involvement began? and for what?		
Is it an NGO conduit? (Y or N)		
Primary objective of kafo <u>now</u> (see code A)		
Secondary objective of kafo <u>now</u> (see code A)		
Has it been interrupted since origin? Y or N		
If interrupted, why? (see code C)		
Has it been meeting without interuption in the last year? Y or N. if no, how many interuptions?		
If interrupted, why? (see code C)		

- A. Common plot, rotating savings and credit, non-rotating savings and credit, labor rotation, social and political, others (specify).
- B. Voluntary, NGOs, other external agencies (specify).
- C. Some members migrated, some members died, fights in the group, was not useful anymore, changed primary objectives, others (specify).

VI. Composition and membership criteria of the kafos

Item	Kafo 1	Kafo 2
No. of members		
Gender of members (# of male & female members)		
Primary occupations of members (see code A)		
Secondary occupations of members (code A)		
Membership Criteria (code B)		
Has the member criteria changed since origin? Y or N		
If yes, how? (see code B)		
If yes, why ? (see code C)		
Average age of members		
Is membership mutually exclusive? Y or N		
If not exclusive, how many kafos do members participate, in general?		
Reasons for participation in multiple kafos (see code D)		

- A. Farming : Food crops, groundnuts, vegetable producers, vegetable sellers. Non-farming : Artisans, salaried workers, others. Mixed: farming and non-farming, Others (decide in field)
- B. Age, occupation, ethnicity, locality/village residence, business relation, familial relation, others (specify)
- C. Changed functions of kafos, needed bigger group, increased functions of kafo, others (specify)
- D. To get more services, to get more consumption credit, social reasons, others (specify)

VII. Size of group and funds, and type of kafo : Common plot kafo

Item	Kafo 1	Kafo 2
Is it a one-shot service or continuous service kafo?		
If continuous, frequency of contributions of labor or other services to common plot (code A)		
Size of common plot (specify unit)		
Crops grown in common plot		
Is the output sold or divided among members or stored for common use?		
If sold, average income from the common plot per year?		
Where is the common fund kept (code B)		
How is the common fund used? (code C: list by order of priority)		
If issue loans, what is average loan size/member?		
Ave. Interest rate/?		
Ave. length of loans (weeks)		
Who decides the terms? (organizer, members, committee)		
When was the last time terms were changed?		
Why were the terms changed?		

- A. Weekly, bi-week, bi-month, month, others (specify)
- B. With the leader, with the treasurer, with an NGO, with banks, others (specify)
- C. To build community infrastructure, help marginal population, give contingency loans to members, give production loans to members, others (specify).

VIII. Size of group and funds, and type of kafo : Non-rotating savings and credit kafo

Item	Kafo 1	Kafo 2
Was S&C included in initial objectives of kafo? Y or N, if no, when was it included?		
Who helped organize savings and credit activities? (code A)		
If organized by NGO, do they provide funds? Y or N. If yes, how much?		
How often are savings mobilized (see code B)		
How much /contribution/member?		
Are there any other fixed contributions to this fund?		
Where are savings kept? (code C)		
Are loans given out of savings? Y/N		
If not, what other uses were the funds put to in the last 2 years? (see code D)		
If issue loans, for what purposes (see code D)		
If not consumption loans, where do members go for it? (see code E)		
What is the criteria for getting loans? (see code F)		
How many had access to loans last year?		
For what purposes? (see code D)		

- A. Voluntary, NGOs, external agency (specify)
- B. Week, bi-week, bi-month, month, irregular, others (specify)
- C. With the leader, with the treasurer, with an NGO, with banks, others
- D. To build community infrastructure, help marginal population, contingency purposes, production purposes, others (specify)
- E. Other kafos, money-lenders, friends and relatives, NGOs, others (specify).
- F. Member of kafo, emergency purpose only, one loan/member/year, decided by committee, linked to savings (specify proportion), others (specify).

IX. Delinquency and contract enforcement mechanisms in non-rotating savings and credit kafa: (If no delinquency or default problems, please respond to hypothetical situations):

Item	Kafo 1	Kafo 2
Delinquency: Has there been any delinquency among members last year? Y or N		
If yes, how many members were delinquent in last year?		
What was done to delinquent members? (see code A)		
How is partial shortfall due to delinquency managed? (see code B)		
Who decides penalties for delinquent members (members, leader, committee)		
Default: Has there been any defaulted in last cycle or year? Y or N		
If yes, how many members were defaulted in last year?		
What was done to defaulted members? (see code A)		
Who decides penalties for defaulters? (members, leader, committee)		
If defaulted members reintegrated are into kafos, what are the conditions? (see code C)		

- A. Nothing was done, dropped from group, increased contributions as penalty, social sanctions (specify), lose future access to loans, others (specify).
- B. Issued fewer loans, issued smaller sized loans, leader filled in, remaining members filled in, used emergency funds, recruited more members, others (specify)
- C. Nothing was done, increased contributions as penalty, social sanctions (specify), lose future access to loans, others (specify).

X. Size of group and funds, and type of kafo : Rotating savings and credit kafo (osusu kafo)

Item	Kafo 1	Kafo 2
Was Osusu included in initial objectives of kafo? Y or N, if no, when was it included?		
Who helped organize osusu? (code A)		
If organized by NGO, do they provide funds? Y or N. If yes, how much?		
Number of participants?		
Frequency of contributions (code B)		
How much /contribution/member?		
Frequency of pot allocation (code B)		
Size of pot?		
Are there any other fixed contributions to this fund?		
Where are savings kept? (code C)		
Type of osusu (random, bid, fixed)		
How is the fixed order decided?		
If fixed, can members exchange pot among themselves?		
What is the criteria for exchange?		
If fixed, is the order fixed permanently? Y/N		
What use for osusu funds? (code D)		

- A. Voluntary, NGOs, external agency (specify)
 B. Daily, week, bi-week, bi-month, month, irregular, others (specify)
 C. With the leader, with the treasurer, with an NGO, with banks, others
 D. Contingency purposes, production purposes, others (specify)

XI. Delinquency and contract enforcement mechanisms in rotating savings and credit kafa: (If no delinquency or default problems, please respond to hypothetical situations):

Item	Kafo 1	Kafo 2
Delinquency: Has there been any delinquency among members last year? Y or N		
If yes, how many members were delinquent in last year?		
What was done to delinquent members? (see code A)		
How is partial shortfall due to delinquency managed? (see code B)		
Who decides penalties for delinquent members (members, leader, committee)		
Default: Has there been any defaulted in last cycle or year? Y or N		
If yes, how many members were defaulted in last year?		
What was done to defaulted members? (see code A)		
Who decides penalties for defaulters? (members, leader, committee)		
If defaulted members reintegrated are into kafos, what are the conditions? (see code C)		

- A. Nothing was done, dropped from group, increased contributions as penalty, social sanctions (specify), lose future access to loans, others (specify).
- B. Issued fewer loans, issued smaller sized loans, leader filled in, remaining members filled in, used emergency funds, recruited more members, others (specify)
- C. Nothing was done, increased contributions as penalty, social sanctions (specify), lose future access to loans, others (specify).

XII. Interruptions:

1. Did the kafo continue with the same group and terms and conditions in its current year? Y or N.
2. If no, what were the changes and why?

XI. General Questions:

1. How does a new kafo start?
2. How is the kafo leader remunerated?
 - a. Flexibility in getting loans
 - b. Fixed salary
 - c. Others (specify) _____.
4. Why participate in kafos? (by order of importance)
 - a. access to emergency loans
 - b. access to production loans
 - c. place to save money
 - d. mutual help
 - e. social obligations
 - f. Others (specify) _____.
6. If you are a leader, why were you selected as leader?
 - a. Village chief/community leader
 - b. Eldest person in the group
 - c. Past experience as kafo organizer
 - d. Has highest numeracy and literacy among members
 - e. Hereditary rights
 - f. Others (specify) _____.

7. Transaction costs involved in participation?
 - a. Transportation costs for leader/meeting
 - b. Time spent by leader/meeting
 - c. Transportation costs for members/meeting
 - d. Time spent by members/meeting
 - e. Other costs (specify)

8. What is the level of NGO involvement in your kafos?
 - a. Only helped to organize the group
 - b. Helped organize and provided funds for onlending
 - c. Helped organize and safeguard common funds
 - d. Helped organize, safeguard common funds and fixed rules for deposits and issuing loans
 - e. Helped organize and helped service consumption/production needs
 - f. Helped organize and get linked up to banks
 - g. No NGO involvement

9. How did NGOs organize your kafo?

10. How do you evaluate the usefulness of NGO involvement?
 - a. Very useful
 - b. Useful
 - c. Indifferent
 - d. Not useful

11. Can you sustain kafo activities without external/NGO help? Y or N. If no, why?

12. What services of kafos are added/modified/influenced by NGO involvement?

13. What explicit services are offered exclusively due to NGO influence?

14. How is access to NGO initiated kafo different from traditional kafo? (in terms of membership criteria, access to NGO initiated kafo services etc.)

15. How are loan services from these NGO kafos different from traditional kafos? (in terms of interest rates, collateral, loan purpose, criteria for access to loans, duration of loans etc.,.)

16. Summarize the major problems encountered by your kafos in the past 12 months.

APPENDIX

Roster of Individuals and Institutions Consulted during Field Work on this Study.

Commercial Farms, The Gambia

Rohit Shah, Radville Farms Ltd.
Syed Mokthara, Sifoe Farms
Anthony Blaxsell, Pamona Produce Farms Ltd.
David Mill, Pamona Produce Farms Ltd.
Mamodou Ceesay, GHE
Augustus Prom, Faraba Farms
A. A. Cessay, Tambato Farm
Pa Amadou Jallow, Yams Agricultural Enterprises Ltd.
Sering Jobe, Sinchu Farms
Dr. Peters, Farato Farms
Isatoe Jack, Hortmarc (G) Ltd.
Reynold Carrol, Jr., Hortmarc (G) Ltd.

Hotels/Restaurants

Ms. Maggie Joof, Asst. Food & Beverage Manager, Kairaba Hotel
Procurement Manager, Amies Beach Hotel
Davis, Procurement Officer, Palm Grove Hotel
Gibou Joof, Comptroller, Atlantic Hotel
Hans Kemper, Procurement Manager, Senegambia Hotel
Head Chef, Scala Restaurant, Kololi Hotel
Rudolf Wernegger, Manager, Sun Wing Hotel
Sebastian Drover, Procurement Manager, Sun Wing Hotel

Communication

Jerry, REDCOAT
Mrs. Pat, REDCOAT
Andrew Baldeh, Sabena International Airlines

NGOs, The Gambia

Maria tou Loum, Director, WISDOM
Mariana Ashcroft, Director, GWFA
Jean Françoise Legrand, VISACA

Women's Horticultural Cooperatives, The Gambia

Mrs. Binta Khan, Coordinator, Women's Horticultural Cooperative
Claes Elliot, Advisor, The Royal Norwegian Society for Rural Development

National Investment Board

Ousman S. Ceasay, Economist

Osusu and Kafo Leaders

93 osusu and 23 kafo leaders were interviewed but names are withheld to protect anonymity