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Fair Trade, Good Business

An exploration of the relationship between the
participation of the poor and efficient economic structures
using dried fruit production in Uganda as a case study

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ACRONYMS AND ABBREVIATIONS

CDC	Commonwealth Development Corporation
DESTIN	Development Studies Institute at LSE
DFID	Department for International Development
ED	Enterprise Development
EDD	Enterprise Development Department at DFID
FoN	Fruits of the Nile (U) Limited
IMF	International Monetary Fund
ITGs	International Development Targets
LSE	London School of Economics
MSEs	Micro and Small Enterprises
Nri	Natural Resources Institute
SMEs	Small and Medium Enterprises
TW	Tropical Wholefoods Limited

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ABSTRACT

This paper explores the relationship between participation of the poor (here termed 'fair trade') and efficient economic structures ('good business') using solar dried fruit production in Uganda as a case study. Small business development seems effective in promoting participation of the poor, yet it is often difficult to directly target the poorest using small enterprise development as a tool. Small enterprises may also be vulnerable as a result of the failure to secure economies of scale.

Two hypotheses are investigated to explore the impact of solar fruit drying in Uganda on the poor. Evidence suggests that primary producers are often relatively well off compared to their wider communities whereas employees of primary producers are more likely to be poor. Scaling-up activities (primary producers operating more than one dryer) creates the requirement for primary producers to employ assistance.

For solar fruit drying, scaling-up activities to enjoy economies of scale is consistent with increasing the participation of the poor through the creation of employment opportunities.

1 Overview

1.1 Enterprise development and poverty reduction

1.1.1 Fair trade

Poverty is multi-dimensional and as such is more than insufficient income alone, yet low incomes remain a central obstacle in the reduction of poverty. Development agencies have supported economic development as a means to increase incomes throughout the history of development interventions but have often been accused of supporting inappropriate schemes that fail to deliver benefits to the poor. The types of economic development supported have often suffered from the types of biases limiting the access of the poor (urban, technological, professional) criticised by Chambers.¹

In recent years there has been a refocusing within many development agencies on poverty reduction rather than economic growth as the purpose of development.² Small business development has also been emphasised on the basis that growth in small enterprises is effective in delivering benefits to the poor.

“Members should ... adopt measures ... to promote the fundamental role that Small and Medium Enterprises (SMEs) play as regards the promotion of full, productive and freely chosen employment and greater access to income earning opportunities.”

(International Labour Organisation (ILO) 1997 p 194)

The mission statement of the Enterprise Development Department (EDD) at the Department for International Development (DFID) is to promote enterprise as a means to eliminate poverty. This translates into a strategy of targeting micro-enterprises in the informal sector and small and medium enterprises in the formal sector.³

To enable enterprise development to reduce poverty (here termed ‘fair trade’) the effects of enterprise development must reach the poor. In this paper the term participation is used in the broadest sense to mean sharing in the beneficial effects of an enterprise. The poor may participate in the beneficial effects of an enterprise on a number of levels; by running their own enterprise, being employed, providing intermediate goods or services, consuming goods or services, or through the additional demand created by multiplier effects.

¹ Robert Chambers discusses various biases that work against the poor and restrict the ability of the poor to benefit from development interventions (Chambers 1983).

² Agencies including DANIDA, World Bank, SNV, USAID, CIDA and SIDA have stressed poverty reduction as the main objective of development.

³ Appendix I sets out the target enterprises identified in the DFID Enterprise Development Strategy (DFID 1999 Appendix)

Where the poor are in a position to run their own enterprise micro-finance can be very effective in overcoming a lack of capital. But often there are multiple obstacles facing the poor who may lack the skills and experience necessary to set themselves up in business. Where this is the case the principal way that enterprise development reaches the poor is through either the creation of employment opportunities or the demand for intermediate goods or services.

Appendix II sets out schematics for considering the potential impact of enterprise development activities by splitting the impact of an enterprise into production and consumption effects. Production effects (backward linkages) stem from the production process, and include employment and the demand for inputs. Consumption effects (forward linkages) arise through the use of the goods or services produced and may include reduced costs to the consumer. If the consumer is poor this will reduce poverty.

In addition to the direct effects such as the creation of employment and the demand for intermediate goods or services, it is also important to consider the indirect effects of an enterprise on poverty. An example would be an enterprise providing transport services in an area with poor transport provision (Appendix IIa). There may appear to be little impact on poverty if the poor do not participate directly on the production or consumption sides. But if non-poor traders use the services to transport food from rural to urban areas (Appendix IIa: box d) it may result in either cheaper foodstuffs available to poor urban consumers (box k) or higher producer prices for poor rural subsistence farmers (box g).

1.1.2 Good business

In addition to reducing poverty enterprise development interventions need to create viable businesses that will develop in a highly competitive world economy ('good business'). There are much clearer criteria for assessing the viability of a business than for assessing the poverty impact of a business. Business viability is measured through profitability whereas it can be seen from the schematics in Appendix II that assessing poverty impact is more complex. The simplicity of the profit metric does not make a science out of the art of strategic business planning, assessing the viability of a business is as straightforward as reading the bottom line.

Small enterprises can be effective in reaching the poor but economies of scale put pressure on businesses to expand. This can lead to a conflict between scaling-up activities and the participation of the poor. Reaching the poor may be achieved by compromising efficient business, or efficient business may be achieved at the expense of reaching the poor, but compromising economic efficiency in order to reach the poor can only be a short-term solution.

However participation of the poor and efficient business are not mutually exclusive. There are 'win-win' conditions where structures that reach the poor and viable economic structures coexist. This paper argues that some of the conventional ideas on how business activity should be structured in order to maximise the impact on the poor may be misleading. Although small is beautiful, the smallest is not necessarily the most beautiful.

1.2 Case study

In order to explore the impact of enterprises in developing countries on the poor, solar fruit drying in Uganda has been used as a case study. Solar fruit drying has various

qualities that make it interesting from the point of view of poverty impact. It is a labour intensive production process and has the potential to create employment, capital requirements are low, inputs are locally sourced and it provides off-farm income-earning activities as an alternative to rural-urban migration. Food processing in Uganda is traditionally women's work. The income earned from such activities is often controlled by women which tends to increase the impact on poverty (more spent on food and school fees and less on alcohol).

Uganda is a poor country with substantial foreign debts, satisfying the IMF's categorisation as a Heavily Indebted Poor Country (HIPC). If the International Development Target (IDT)⁴ of reducing extreme poverty to 50% of 1990 levels by 2015 is to be met it is in African countries such as Uganda that international support will have to be focused.⁵ In order to increase incomes the international development community will have to channel much of this support into the development of local enterprises, despite the difficulties highlighted above of directly targeting the poor through enterprise development initiatives.

Fruits of the Nile (U) Limited (FoN), a Ugandan company, is the principal exporter of dried fruits in Uganda with a network of more than 60 solar dryer operators (primary producers) that the company has established over its eight years of operation. The two principal products are dried pineapple and dried banana. These are exported to Tropical Wholefoods Limited (TW), a sister company in the UK for distribution to small retail outlets, and Oxfam Trading Limited.

There are a variety of structures for solar drier operators (primary producers) supplying the company, ranging from smallholder farmers running a single dryer to wealthier entrepreneurs running a number of dryers and employing people outside of the family. Some groups have also been run as co-operatives, and some co-operatives still supply the company. However, the experience of the company with co-operative forms of organisation has not been positive due to the high transaction costs of co-operative management and no primary producers operating in a formal co-operative were visited during this study.

There have also been examples of co-operative organisations. Some co-operatives still supply the company but as the experience with co-operative forms of organisation has not been positive due to the high transaction costs of co-operative management, no primary producers operating in a formal co-operative were visited during this study.

1.3 Methodology

In order to assess any enterprise it is necessary to understand the business, and although the author does not attempt to review solar fruit drying in Uganda as a technical expert,

⁴ A group of donors including DFID (DFID 1997) subscribe to agreed International Development Targets (IDTs) for a number of indicators including income poverty.

⁵ Initial informal suggestions are that countries in Asia and South America will meet the IDTs by 2015 but that many countries in Africa will not.

the methodology adopted involves understanding the business as a first step. Questionnaire-based interviews were completed with 14 primary producers (the primary producers' questionnaire) as well as extensive semi-structured interviews with the company's staff and management. A review of FoN focusing on financial control was also performed (the review of the company). Various locally based organisations were also interviewed.

In addition to this document a fair trade evaluation was completed on the company and its' primary producers on behalf of Oxfam Trading Limited.

As well as material from fieldwork in Uganda reference has also been made to a consultancy project carried out by a group of London School of Economics (LSE) students for EDD at DFID. The project, 'Trickle-down in Trade and Enterprise Development', explored the impact on the poor of enterprise development interventions directed above the poverty line.

Two hypotheses have been investigated to explore the impact of solar fruit drying activities on the poor in Uganda. They both consider benefits to the poor. No detailed criteria such as income poverty lines are used in the assessments of whether groups are classified as poor or non-poor. Subjective assessments are made supported by evidence from the fieldwork. No claims are made that the results arising from this study can be generalised, but some of the issues raised in investigating these hypotheses may be useful in considering the poverty impact of other types of enterprise or other environments.

1.4 First hypothesis

The first hypothesis is that the activities of Fruits of the Nile (U) Limited (FoN) benefit the poor. This hypothesis is examined by identifying the principal groups affected by the company's activities; the company's employees, the primary producers, employees of the primary producers and farmers who supply the primary producers. This emphasises the need to look beyond the immediate participants in an enterprise to assess poverty impact.

Empirical evidence from the review of the company and the primary producers' questionnaire is used to assess the impact of the activities of FoN on each group and to consider their relative poverty status. Table 1 in section 5.2.1 (page 30) presents an extract of the key statistics from the results set out in Appendix IV. The possible wider impact on the community of a business such as solar fruit drying is also explored. The evidence presented suggests that the activities of the company benefit those groups that participate and that some of these participants are poor. This supports the hypothesis that the activities of FoN benefit the poor.

Food processing is traditionally womens' work and most primary producers and employees of primary producers are women. They often have control over the income earned. One woman when asked what proportion of the cash income earned by the household was earned through solar fruit drying activities (Appendix III, primary producers' questionnaire, question 1.5) said that she could not answer that as she did not know the total household income as the farm was her husband's business. In contrast the solar fruit drying business was hers and she had control over the income. When asked how additional income earned from solar drying activities is used the most common answer from primary producers was school fees.

1.5 Second hypothesis

The second hypothesis is that the most effective way for the rural poor in Uganda to benefit from solar fruit drying activities is for smallholder farmers to process their own fruit with their own solar dryers. This is a much more demanding hypothesis. It shall be argued that the first hypothesis is straightforward to prove but the second hypothesis is easily disproved.

The primary producers' questionnaire is used to prepare a financial analysis of solar drying enterprises across different scales of production so as to compare the impact on primary producers operating different numbers of solar dryers. This is used to consider both poverty impact and financial viability. The issue of the potential conflict between structures that maximise poverty impact and structures that scale-up activity to maximise economic efficiency raised in section 1.1 is explored.

The empirical evidence would appear to disprove the hypothesis. The most effective way for the rural poor in Uganda to benefit from solar fruit drying activities appears to be by being employed by a primary producer. The issues addressed are complex and it would be hard to establish reliable evidence to support an assertion that any one specific organisational structure maximises poverty impact. Nevertheless some interesting results are suggested including pointers towards 'win win' structures; structures that promote efficient production at low unit costs and have a high poverty impact.

1.6 Conclusions

Two principal conclusions are drawn from investigating the two hypotheses. The scope of these conclusions is restricted as they arise from the study of one company and its network of primary producers operating in a specialised market in a specific country. Yet the methodology used to reach these conclusions and some of the results may be relevant in considering the poverty impact of other enterprises in other situations.

The first conclusion is that creation of employment opportunities is very important if enterprise development activities are to reach the poor. Micro-finance creates opportunities for some people in poverty to establish income-generating activities but many people in poverty will not be in a position to set up their own businesses. For those in poverty who cannot become entrepreneurs the most direct way to benefit from enterprise development initiatives that target the non-poor is through participation on the production side of an enterprise (see the schematics in Appendix II). This participation generally means employment or the supply of inputs, although structures will vary and formal contracts may not exist.

The second conclusion is that whilst small scale enterprises are generally more effective than large scale enterprises in distributing benefits to the poor, greater efficiency in operation is often achieved through scaling-up operations. Although there is a tendency for the poor to be excluded in the process of scaling-up, some types of enterprises, particularly those that are labour intensive, can be scaled-up to increase efficiency without excluding the poor. In some circumstances, such as dried fruit production in Uganda, the process of scaling-up may even increase the opportunities for the poor to participate on the production side of the enterprise.

Conclusions about the benefits of scaling-up operations should be understood on the basis that even a large-scale solar fruit drier is still running a small business. Section 2 suggests

that the indirect effects of enterprise development on the poor are likely to be greatest where the business is small, and rurally located. Even a large solar fruit drier in Uganda operates at a small enough and non-mechanised enough level for the indirect ‘ripple effects’ of the business to reach the poor in their local communities.

Trickle-down has had a bad press but indirect effects of enterprise development are important for two reasons. If indirect effects are ignored then this constrains the enterprise development activities that agencies such as DFID can support to those that directly target the poor. If indirect effects are misunderstood then the chances of the poor participating in the benefits of those enterprises that are supported by agencies such as DFID will be reduced. Failure to grapple with the issue of trickle-down means turning one’s back on the participation of the poor and accepting that the poor will not share in the fruits of economic development.

2 Enterprise Development and Poverty Reduction

“The reduction of poverty has long been a primary goal for DFID as an organisation. The Department’s recent White Paper reinforces this, clearly stating ‘we shall re-focus our international development efforts to eliminate poverty’.”

(DFID 1998 p 22)

“Enterprise Development (ED) activities appear to bring a range of benefits to the poor, but do not appear to be either appropriate or accessible for directly helping the poorest groups in society. The poorest of the poor may benefit in that the success of these MSEs may in turn ‘trickle-down’ benefits [to the poor]. Understanding the dynamics of the ‘trickle-down’ process and measuring the relative impact and success of ED projects that work directly with the poor has proved to be difficult”

(DFID 1998 p 31)

2.1 Development as poverty reduction

In recent years many development agencies have re-focused their development efforts on poverty reduction.⁶ The 1997 DFID White Paper “Eliminating World Poverty: A Challenge for the 21st Century” (DFID 1997) sets out the British Government’s development targets. These are in line with the International Development Targets (ITGs) and include a target to reduce extreme poverty to half of its 1990 levels by 2015. This poverty focus is reflected in EDD’s mission statement “to promote enterprise as a means to eliminate poverty” (DFID 1999 p 3).

2.2 Enterprise development as a tool for poverty reduction

Neo-classical economics explains poverty through the failure of the market to deliver efficiency and equity to the poor. Yet the poor are often characterised by multiple market

⁶ The World Bank, the European Union (EU) and individual EU countries including Germany, Sweden, Denmark and the Netherlands are specified as key players in the arena of poverty related issues and activities (DFID 1998 p 41).

failures, reflecting the multi-dimensional nature of poverty. The development of successful enterprises is essential in order to reduce poverty, yet often lack of appropriate skills and opportunities makes it difficult for the poorest to participate in many enterprise development projects. If credit is provided, the poor may be constrained by lack of education. If training is provided, the poor may be constrained by the lack of electrification in their area, and if information on market opportunities is provided, the poor may be constrained by poor quality transport infrastructure.

Problems surrounding the direct participation of the poor may not mean that the poor do not benefit from the activities of an enterprise, as there may be indirect ways in which the poor benefit. It is difficult to assess and quantify what these benefits are or may be.

Appendix II sets out schematics for considering both direct and indirect effects of an enterprise divided into production and consumption effects. These are then classified as effects that impact on the poor and effects that impact on the non-poor. Appendix IIa presents the schematics completed for an enterprise providing transport services in an area with poor transport provision. In this example there may be little impact on poverty on the production side, as the proprietor of the transport company may be non-poor (Appendix IIa: box b) and those employed in the business non-poor (box b). Inputs (fuel and spare parts) may also be provided by the non-poor (box j). On the consumption side there may also appear be little impact on poverty if the poor do not use the transport services provided. However if non-poor food traders use the service it will cut their costs (box d). Assuming there are competitive pressures this should result in cheaper foodstuffs available to consumers (the price of foodstuff has a large impact on the urban poor) (box k) and/or higher producer prices (many rural poor produce a surplus of foodstuffs for sale) (box g). Appendix IIb sets out the groups affected by solar fruit drying in Uganda. Appendix IIc is left blank for the reader's use.

2.3 Structures that promote participation of the poor

There are a variety of ways in which the poor participate in the benefits of enterprise development. The extent to which the poor can participate and the most effective structures for maximising that participation will depend on the particular type of business. There is no single prescription for structures that promote participation of the poor. The schematic used in Appendix II explores participation on the production and consumption sides considering the less direct effects as well as the more obvious direct forms of participation such as employment and supply of inputs.

2.3.1 Production effects

The creation of jobs is the principal way for the poor to benefit from enterprise development. Todaro (1997 p 268) defines the informal sector as “characterised by a large number of small-scale production and service activities that are individually or family owned and use labour-intensive and simple technology”. The formal modern sector tends to exclude the poor as it is more capital intensive and those jobs that are created tend to require skills the poor often lack. So labour intensive activities that create informal sector job opportunities are important if the poor are to participate in economic development. Supplying inputs for the production process may also enable the poor to participate. These may be foodstuffs or goods that have been processed in some way.

The poor may also participate on the production side through indirect effects. Employment opportunities created for the non-poor may lead to demand for labour from

the poor. In the transport company example (Appendix IIa) a non-poor driver (box f) employed a poor agricultural labourer (box i) to assist in the farming of his own land. These are multiplier effects and are the mechanism through which trickle-down economics was supposed to spread the benefits of economic development to the poor. Although such effects may be written off due to the abject failure of economic development to reach the poor in many countries, it is important to analyse the dynamics of multiplier effects in order to maximise poverty impact. For example, it seems reasonable to assume that multiplier effects will tend to have a greater impact on the poor if income is created in a remote rural area by those not too far above the poverty line than if income is created in an urban area by the rich. The urban elite are more likely to save additional income or spend it on imported goods, both leakages from the multiplier equation, and the local consumption that does occur is unlikely to involve the poor. In contrast people in rural areas just above the poverty line are more likely to spend additional income and less likely to spend it on imports so local multiplier effects will tend to be greater. In a remote rural location this additional spending is more likely to be on locally provided goods and services.

2.3.2 Consumption effects

Considering consumption effects, the most direct way for the poor to benefit is to consume the goods or services provided. There is an issue that participation may not always translate into benefits, but without participation it will not be possible for the poor to benefit from enterprise development. Less direct participation on the consumption side may include benefits arising from others consuming the goods or services provided, as in the example of the transport company (Appendix IIa). Another way that the poor may benefit indirectly on the consumption side is through the creation of local infrastructure. Local infrastructure is very important for the promotion of enterprise development.

Burgess (1997 p 16) identifies rural infrastructure along with education as being strongly correlated with off-farm diversification and rural infrastructure can be created by the private sector as well as through governments.

2.4 Development of efficient enterprises

There is no point in developing business activities that are effective in delivering benefits to the poor if the business is not viable. Sustainability is important in all areas of development – there is no point in building a large school if there are not the teachers to staff it or the funds to maintain it. However sustainability is particularly important in enterprise development as to succeed, an enterprise has to compete against other enterprises in the competitive market. To do this requires efficient economic structures.

One particularly important part of the structure of an enterprise is the scale at which it operates. Successful enterprises tend to grow as they out-compete other enterprises and gain a larger market share but often an enterprise has to expand and achieve economies of scale in order to survive.

Economies of scale affect various aspects of a business. There are often benefits to scaling-up activities in order to enjoy economies of scale in marketing, purchasing, transport costs or through specialisation. Scale will often make capital investments more viable and reduce labour costs through mechanisation.

The discussion in sections 2.2 and 2.3 suggest that for enterprise development to reach the poor enterprises should be small scale and labour intensive. However, in many situations economies of scale cannot be ignored and ways may have to be found to benefit from at least some types of economies of scale in order to remain competitive.

An alternative to scaling-up the size of enterprises is for small enterprises to work together co-operatively, possibly only in the specific areas where it is necessary to access economies of scale. Co-operative forms of production and marketing have been tried in many developing countries but the trend is clearly away from such structures due to problems in many industries where co-operatives have been used. Where co-operatives have had monopolies there have been tendencies towards corruption and where co-operatives have faced competition the transaction costs of running a co-operative organisation have proved greater than those of the capitalist form. Throughout the world capitalist firms have out-competed co-operatives.

2.5 Efficient business and reaching the poor

There is the potential for conflict between structures that promote participation of the poor and structures that promote efficient economic activity. Small-scale structures tend to promote participation of the poor yet larger scale structures that benefit from economies of scale tend to be more efficient. Scaling-up often involves investment to mechanise the production process with a corresponding decrease in the demand for labour. As a result the poor may be left behind as economic development takes off.

Yet large-scale business is essential for economic development and some types of business activity have to be carried out on a large scale to be viable. This is reflected in the DFID's enterprise development strategy.

“From a poverty elimination perspective, enterprise development must embrace both formal small and medium enterprises (SMEs) as well as the full range of the informal sector. ... Support for survivalist and micro-enterprises alone will not eliminate poverty.” (DFID 1999 p 6)

The issue of the potential divergence between structures that promote poverty reduction and structures that promote economic efficiency is investigated through hypothesis 2. This second hypothesis postulates one structure that one might expect to maximise poverty impact but the evidence reviewed in the case study appears to refute this. There may be less of a trade off than one might expect between scale and poverty impact. Larger scale production that generates employment can increase rather than reduce the potential for the poor to participate.

3 Case Study

3.1 Solar drying in Uganda

Solar fruit drying in Uganda has been used as a case study to explore the relationship between enterprise development and poverty reduction as it has various qualities that make it interesting from the point of view of poverty impact. Solar dryers are usually operated by women in rural areas where there are very few income-earning opportunities. Within-rural diversification avoids the increased costs of living of rural – urban migration. The production process is labour intensive and although some capital is

required to purchase solar dryers the capital requirements are not excessive. The solar dryers are constructed in rural fruit growing regions using mainly local materials.

Uganda also is a poor country. It satisfies the IMF's HIPC criteria and much of the rural population live in absolute poverty.

In addition to the reasons above, it has been possible to use solar fruit drying in Uganda as a case study because of the co-operation of FoN in Uganda and TW in the UK.

3.2 Tropical Wholefoods Limited and Fruits of the Nile (U) Limited

Fruits of the Nile (FoN), a Ugandan company and Tropical Wholefoods (TW), a UK company are sister companies with similar shareholders although FoN has two local shareholders that do not have shares in TW. The business was set up in Uganda in the early 1990s but it proved necessary to establish TW in the UK to package and market the products. Although the two companies work closely together FoN has become more autonomous over the years.

As solar dried fruit is a new market in Uganda, FoN has had to invest in establishing a network of solar dryer operators (primary producers). Extension work continues and in addition to the day to day activities of sorting and bulk packing fruit delivered by primary producers, FoN provides training, information on access to credit and organises the construction of solar dryers.

TW repacks the product into 100g bags for distribution to retailers in the UK including Oxfam Trading Limited (see section 3.4). A number of processed products have been developed by TW whose main responsibilities are marketing, business development and raising finance. TW now packages and markets solar dried products from a number of intermediary companies in other developing countries including mangoes from Burkina Faso, mushrooms from Zambia as well as the pineapple and banana from Uganda. A intermediary company similar to FoN is also being set up in Pakistan.

3.3 Primary producers

There is no contractual relationship between FoN and primary producers with primary producers encouraged to act as independent traders. Nevertheless FoN are currently the only exporters of dried fruit in Uganda and the relationship between FoN and primary producers is very close.

There was no commercial solar fruit drying in Uganda before FoN. Now more than 60 primary producers operate at least 150 solar dryers with an estimated combined output of more than 60,000 kg per year. There are a number of different types of dryers used by primary producers but the most common is the 'basic' dryer which has a capacity to produce around 2.5 to 3 kg of dried pineapple per load. Each load takes about 2 days to dry. Most primary producers started with a single dryer but many now operate several dryers.

3.4 Oxfam Trading Limited and Fruits of the Nile (U) Limited

Oxfam Trading Limited is a commercial company set up by Oxfam the registered charity to retail fairly traded goods from developing countries. Oxfam have been selling FoN's dried pineapple for several years. When the dried pineapple arrives in the UK, TW

package it with Oxfam's brand and it is sold as Oxfam's product. Sales through Oxfam have been increasing at an average rate of 30% over the last two years and now represent 10% of the dried pineapple produced by FoN.

Oxfam's strategy is to build direct links with intermediary organisations (in this case FoN) and it is for this reason that Oxfam arranged for their fair trade evaluation tool to be completed on FoN during the fieldwork for this study.

3.5 Support from development agencies

A number of development agencies have supported solar fruit drying in Uganda in various ways. The solar dryers used by FoN were developed with assistance from the Kawanda Agricultural Research Institute in Kampala.⁷ During the first years of operation support was provided to primary producers by the Commonwealth Development Corporation (CDC). In 1994 the Natural Resources Institute (NRi) in conjunction with FoN carried out an extensive study that included an assessment of fruit dryer technology and the production of four handbooks entitled "Producing Solar Dried Fruit and Vegetables for Micro- and Small-Scale Enterprise Development" (NRi 1996). These handbooks cover assessing opportunities, dryer construction, practical aspects of processing and business profitability and have proved useful as training tools for primary producers although some of the prices are now out of date. They also include financial analyses to calculate dryer profitability under a number of different scenarios.

The United States Agency for International Development (USAID) is currently funding a solar dried fruit project through the Kawanda Institute. The USAID funded project has until recently focused on the development of solar drying technology with new designs improving the efficiency of the dryers. The project is now moving into the implementation stage with the objective to put these new design dryers into production. During discussions with staff at Kawanda it became clear that there has not been any financial analysis of solar fruit drying based on current prices and the latest technology. The most up to date analysis is that produced by the NRi team in 1994. Staff at Kawanda appreciate the importance of updating such an analysis but apparently there is no funding available. This should be a priority particularly as such information is necessary to encourage farmers to purchase solar dryers and operate them on a profitable basis.

There is little co-ordination between the USAID funded project at Kawanda and FoN who are currently the only exporters of dried fruit in Uganda. Due to the significance of FoN to the market and their experience with extension work and training, closer co-ordination with FoN would increase the chances of such development assistance successfully promoting dried fruit production in Uganda.

FoN and TW are in the process of applying for funding from DFID and have various plans for expansion. This application is suffering from a common problem facing development agencies. Considerable funds are spent to promote enterprise development by development agencies in the form of training, education, extension work and research,

⁷ The Kawanda Agricultural Research Institute is the main agricultural research and extension centre in Uganda. It is funded by the Ugandan Government and international donors.

but it is very hard for donors to directly support private businesses. This may explain the poor co-ordination between the USAID funded project at Kawanda and FoN. Yet development agencies must get value for money, and while it is understandable that funds cannot be given away to private companies, where donors have confidence in the integrity of the enterprise subsidised credit may be an effective way of promoting enterprise development through direct support of individual enterprises.

4 Methodology

The empirical material analysed in this study was gathered during a two and a half week field trip to Uganda staying with the director of FoN and a number of the company's employees at FoN's premises in Kampala. This 'total immersion' in the company's activities maximised the understanding of the business in a relatively short period of time. In addition to this paper the Oxfam fair trade evaluation (see section 4.2) was completed during the fieldwork for this study. As Oxfam's interest was mainly in dried pineapple and the procedures are similar for other dried fruits, this case study has focused exclusively on pineapple drying.

In addition to fieldwork in Uganda, material developed for a consultancy project for EDD at DFID has been used in exploring the relationship between enterprise development and poverty reduction. This included a review of literature on enterprise development and poverty reduction.

The author is a qualified chartered accountant with six years experience including two years in Africa. A mini audit was performed on FoN during the fieldwork mainly in order to understand the business but also to assess risks and controls. Auditing the company was not the main purpose of this study but many of the techniques of analysis used in audit were applied including using a financial analysis of the company as a starting point for exploring non-financial issues.

4.1 DFID consultancy

The author along with three other LSE students were commissioned by EDD at DFID in 1998 to carry out a consultancy project into poverty reduction and trickle-down in trade and enterprise development. The issue of trickle-down, or more generally how enterprise development that does not directly target the poor may nevertheless benefit the poor, is of particular interest to EDD in light of the problems of direct participation of the poor discussed in section 2.2.

The study confirmed that this is an under-researched area. The academic literature and literature from other development agencies had little to say about the dynamics of trickle-down and poverty reduction. Of most use were internal DFID publications and reports that the author was able to access through an attachment to EDD at DFID. The schematic in Appendix II was developed during the consultancy as a tool for considering poverty impact and presented to EDD during their annual meeting.

4.2 Oxfam fair trade evaluation tool

Oxfam Trading Limited sells some of the dried pineapple supplied by FoN. FoN ships the pineapple to the UK and TW packs it in Oxfam's own brand bags which are then sold through Oxfam's retail shops and mail order catalogue. Sales through Oxfam Trading

have increased in recent years and now account for about 10% of FoN's sales of dried pineapple.

Oxfam Trading Limited developed the evaluation tool to assess the fair trade credentials of intermediary companies and their impact on primary producers. Areas covered include fair wages, participation in decision making, health and safety at work, the situation of women, conditions for young workers and impact on the environment, and are based on International Labour Organisation (ILO) guidelines. The evaluation tool has been used for some time for intermediary companies supplying craft products but has only recently been tailored for food products.

Each section has a number of indicators against which the current situation is reported. For example, the first indicator from the section on fair wages is 'wages / prices paid to primary producers are average or above average as compared to similar occupations in the region'. This indicator was assessed at as many levels as possible; primary producers (paid a set price per kg of dried fruit), employees of primary producers (paid wages), farmers selling fresh fruit to primary producers (paid a negotiated price per unit of fresh fruit) and the FoN's employees (paid wages). The different forms of payment for different groups (wages, fixed price per unit, negotiated price per unit) prove significant when considering changes in real income over time. Another indicator from the section on fair wages concerning wages increasing in line with the cost of living is considered in section 5.1.1. Prices paid to primary producers remained constant for three years despite some inflation. Yet wages paid to employees of FoN in Kampala increased over the same period. Despite no increases in prices most primary producers increased their incomes over the period by improving their efficiency and scaling-up their operations. The notion that prices were set at a relatively high level while the business was being established suggests that it may be reasonable that wages have increased while prices paid (but not necessarily incomes) have remained constant.

The evaluation was designed as a participatory process with the evaluator and the intermediary company agreeing the description of the current situation and whether this represents the indicator being met, partially met, or not met. There is also a section for action required.

The evaluation process should be carried out periodically (this was the first evaluation of FoN). As solar fruit drying is a relatively complex business it was decided to include appropriate explanations in the evaluation in order to facilitate effective follow-up. This means that the completed evaluation extends to 6,000 words and covers 28 pages so has not been included as an Appendix to this dissertation.

4.3 Questionnaire on farmers output and expenses

The principal source of information at the level of primary producers were answers to a standard questionnaire completed for the 14 primary producers interviewed (Appendix III). Two main texts were used to prepare this questionnaire and guide the author in interviewing techniques.⁸ In addition the NRi evaluation from 1994/95 was referred to

⁸ Needs Assessment for Agricultural Development (NRi 1993) and Participatory Rural Appraisal: Practical Experiences (NRi 1995)

and comparisons made with the methods used to estimate potential incomes for primary producers.

Questions focused on cost structures faced by primary producers and their levels of output and thus income. An interpreter was necessary for about half of the interviews, usually an employee of the company, but unannounced visits were also made with no employees of the company present. An agricultural student from Makerere University with no connections with FoN translated on these occasions.

Detailed information on output by primary producer from the company's computerised records was used to cross-check answers from the questionnaire. The number of primary producers interviewed also allowed cross-checking, particularly for prices paid for fresh pineapple. Reality checks were also carried out with staff from FoN.

Although the data was cross-checked against a number of other sources there is no claim that the results are particularly accurate. In the short time available it was very difficult to gain the necessary level of local knowledge required to accurately compile such results. There was a natural tendency for primary producers to overstate their expenses, particularly the cost of fresh pineapples, and understate their income. Despite the inaccuracy of the data it still serves a useful purpose as the impact of different scales of operation on profits to primary producers will be unaffected by most of the inaccuracies.

The results were collated and used as input data for a spreadsheet calculating an estimated annual profit and loss account for each primary producer (Appendix IVb: results). A summary of key statistics is also presented (Appendix IVa). Extracts are included in table 1 in section 5.2.1 (page 30). Detailed assumptions have not been referred to but Appendix IVb includes the spreadsheets (input sheets, processing sheets and output sheets) used to process the raw data so assumptions can be identified if the reader is interested. Appendix IVc presents examples of the full profit and loss account printouts for primary producers b and n.

This sort of financial analysis should be completed by practitioners with good local knowledge as part of the process of putting into production the new design of dryers developed at Kawanda with USAID assistance.

4.4 Other sources of information

The other main sources of information in Uganda were interviews with staff at Kawanda Research Station, Dr Acasio from USAID and the DFID Enterprise Development Advisor. A copy of the background to the budget document produced by the Government of Uganda was also referred to.

In the UK, financial information from TW was obtained and results from the fieldwork discussed with TW.

5 Hypothesis 1

The activities of Fruits of the Nile (U) Limited (FoN) benefit the poor

This hypothesis makes the simple assertion that the poor benefit from the activities of FoN. This is not a demanding assertion as it does not specify how many poor benefit or require that the poor benefit by any specific amount, or that they benefit to the extent that they cease to be poor. Equally there is no requirement that the non-poor do not benefit.

That the effects of the activities of the company on the poor are beneficial is established in this first hypothesis before considering the structures that influence the degree to which the poor participate in these beneficial effects in the second hypothesis (section 6).

The hypothesis has been considered in three sections. Groups affected by the activities of the company, what those effects are and the poverty status of those affected.

5.1 Groups affected by the activities of FoN

Section 2.3 introduced a schematic for considering the impact of an enterprise in terms of production effects and consumption effects, dividing those effected into the ‘poor’ and the ‘non-poor’. The notions of direct and indirect effects on poverty were also introduced. This schematic has been used to consider the groups affected by the activities of FoN (Appendix IIb).

5.1.1 Production effects

The main groups directly effected by the activities of FoN on the production side are primary producers (Appendix IIb: boxes e and f), employees of primary producers (box i), farmers who supply fresh fruit to primary producers (boxes i and j) and employees of FoN (box e). Multiplier effects may also lead to indirect effects on the wider community such as the example of increased trade for local brewers given in Appendix IIb (box m).

5.1.2 Consumption effects

There is little impact locally on the consumption side as the product is exported directly to the UK (box d). The activities of the company may help to establish structures that promote export development but such structures are more likely to be used by the non-poor than the poor (box h). As the product supplies a new market it does not compete for market share with other products produced in Uganda avoiding any negative consumption effects on the poor (box c).

The following two sections consider how these groups are affected by the activities of FoN and their relative poverty within the wider community.

5.2 Impact of the activities of FoN

5.2.1 Primary producers

Although the reliability of the results gathered in the primary producers' questionnaire (Appendix III) is uncertain, they suggest that primary producers earn reasonable returns from participation in solar fruit drying through FoN. Table 1 sets out an extract from Appendix IVa summarising the key statistics from the detailed schedules in Appendix IVb and IVc.

Table 1

Extract from Key Statistics from Analysis of Primary Producers' Questionnaire

Number of dryers	Average turnover Shs.'000	Average net profit ¹ Shs.'000	Average net profit margin ¹	Average profit per dryer Shs.'000	Average workers in peak season	Pay per worker per day (pro rata) ² Shs.
More than 10	16,631	2,791	17%	124	12	764
4 to 10	5,965	821	14%	104	5	846
2 to 3	1,943	214	11%	88	1	963
1	804	77	10%	77	0	n/a

Notes: – 1. Average net profit is calculated after deducting 'cost of own time' at shs. 800 per working day to account for the primary producers own time

2. Pay per worker per day is pro-ratad to the equivalent of a 7 hour day

Source: Appendix IVa – 'Key Statistics from estimates of primary producer incomes'

For primary producers operating a single dryer and not employing anyone outside the family the average net profit per year is shs. 77,000. This is after taking account of an average annual charge of shs. 85,000 for own time costs for single dryer operators at the rate of shs. 800 per working day. Adding this back gives primary producers that operate a single dryer an average annual income of shs. 162,000 or shs. 1,540 per working day. This compares favourably with average annual rural incomes of 600 per day (Govt. of Uganda 1999 Appendix).

Average net profits increase as the scale of operation increases. For the two largest producers average annual net profits after taking account of an annual charge of shs. 250,000 for own time costs at the rate of shs. 800 per working day are shs. 2,791,000 per year. Corresponding figures for primary producers operating 4 to 10 dryers and 2 to 3 dryers are shs. 821,000 and shs. 214,000 respectively.

In addition to the financial analysis above indicating that primary producers benefit from solar fruit drying activities, there are other factors that suggest FoN's activities have a beneficial impact on primary producers.

FoN pay primary producers cash on delivery. This was commented on during several interviews. There is currently a severe liquidity squeeze in Uganda with several banks collapsing that had served rural areas, including one during fieldwork for this study.

Many transactions involve some form of staggered payment so full payment on delivery is a valuable benefit of trading with FoN.

The indicator 'Prices paid to primary producers increased in line with increases in the cost of food and other basics' from the Oxfam fair trade evaluation identified an interesting area. Although the price of food and other basics has remained reasonably stable during the last few years there has been some inflation.⁹ Yet the price per kg paid to primary producers for dried pineapple has only increased from shs. 2,700 in 1995 to shs. 3,000 since 1997, and remains at shs. 3,000 in 1999. Two points arise: First, the price of shs. 2,700 in 1995 was probably set unsustainably high in order to encourage primary producers to set up. Second, even though the unit price has not increased since 1997 the income of many primary producers has. Volumes for many primary producers have increased through scaling-up from operating a single dryer to operating several dryers.

The review of the systems and controls operated by FoN (the review of the company) supports the notion that primary producers benefit from the activities of the company. Although FoN's financial controls should be tightened in line with the increasing scale the principal controls ensuring that primary producers get paid for the dried fruit they supply appear strong. Deliveries are properly documented and as primary producers generally deliver themselves there are limited opportunities for them to be under paid by intermediaries. Trips that primary producers make to deliver to FoN also allows primary producers to conduct other business in Kampala.

Primary producers also benefit in a less tangible way through training provided and the confidence built up by running their own businesses. Overall it seems reasonable to conclude that primary producers benefit from the activities of FoN.

5.2.2 Employees of primary producers

Employees of primary producers earn between shs. 758 and shs. 1,050 pro rata per 7 hour day averaging shs. 854. Benefits often include meals and even accommodation in the more unusual situation of employees working full time. Employees work between 3 and 7 hours per day and generally work their own land as well. Employees tend to be close neighbours of primary producers and are mostly women.

There is very little paid employment in the rural areas where primary producers operate and employees of primary producers appear to be eager to work for the wages offered. Although wages are not high employees can combine paid employment for a few hours in the mornings and a couple of hours in the late afternoon with their other livelihood strategies including subsistence farming. In some situations employees have used their experience to set themselves up with and run their own dryer. Overall it seems reasonable to conclude that employees of primary producers benefit from the activities of FoN.

⁹ The Ugandan shilling has not depreciated significantly against the \$US during recent years but the 'Background to the Budget' (Govt. of Uganda 1999 Appendix) suggests a little inflation with average annual rates below 5%.

5.2.3 Farmers who supply primary producers

Some primary producers have their own land and grow their own pineapples but most buy in pineapples for drying from several neighbouring farmers. Primary producers pay between shs. 150 and shs. 500 per unit of fruit depending on size, location and season. Farmers are not contracted to supply primary producers so would presumably supply elsewhere if higher prices could be achieved.

The impact of FoN's activities on farmers who supply primary producers would appear to be beneficial as it creates a market opportunity that would not otherwise exist that provides competitive pressure to increase prices.

5.2.4 Employees of FoN

Employees of FoN earn between shs. 2,000 and shs. 3,000 per day depending on age and experience. This is above average for similar unskilled work in Kampala. Daily unskilled labour rates in Kampala are closer to shs. 1,000 to shs. 1,500 (Govt. of Uganda 1999 Appendix). As with rural areas, it is hard to find work in Kampala and demand outstrips supply. Although employees of the company took many opportunities during the fieldwork to explain to the author that they were underpaid, it seems reasonable to conclude that employees benefit from the activities of FoN as employment at the company appears to be sought after.

5.2.5 Other groups affected

In addition to the groups directly affected there will be indirect effects on the local communities in which primary producers operate due to multiplier effects. This will stimulate local demand and result in more trading opportunities for groups such as local brewers given as an example in Appendix IIb (box m).

5.3 Relative poverty of those affected

Although quantitative results are referred to in this section, division of those affected into the poor and the non-poor has been based on qualitative judgements. Considerations such as lack of opportunity as well as income levels have been taken into account.

5.3.1 Primary producers

Many of those affected by the activities of FoN are better off now than they were before they got involved. This is particularly true for primary producers. Anecdotal evidence suggests that many primary producers have improved their situations through fruit drying activities, particularly where they have scaled-up their businesses and operate several solar dryers. But there are a number of reasons that suggest that primary producers are often non-poor in relation to their local communities.

Several questions in the primary producers' questionnaire (Appendix III) attempted to gather information useful for assessing relative poverty. These were 'Do you own land and if so how much?' (question 1.3), 'What other business or farming activities are your family involved in?' (question 1.4) and 'What proportion of the cash income earned by your family is earned through solar fruit drying?' (question 1.5). These questions were not well answered and it has not been possible to analyse the results to give firm conclusions. However, many primary producers own an above average amount of land

and are involved in other businesses in addition to solar fruit drying and subsistence farming.

Solar fruit drying is a relatively complex business and will not succeed without considerable application. The purchase of inputs has to be negotiated, delivery arranged, weather conditions taken account of when dryers are loaded to keep rejects to a minimum, quality control maintained, and where people are employed, primary producers have to manage and co-ordinate employees. Primary producers need many skills that may be in short supply in the poorest groups in the community.

It seems reasonable to assume that many primary producers will be non-poor relative to their local communities, although they may have been poorer before becoming involved with the activities of FoN. Some primary producers may be relatively poor but many of the poor will not have the skills required to run their own fruit drying business.

5.3.2 Employees of primary producers

Employees of primary producers are likely to be poor relative to their wider communities.

The relatively low wages paid mean that the non-poor would not take up the work. The fact that the work is often part time and allows employees to cultivate their own land as well as earn a cash income makes it accessible for the poor. It seems reasonable to conclude that all the employees of primary producers are poor relative to their local communities.

5.3.3 Farmers who supply primary producers

Farmers who supply primary producers may be poor or non-poor relative to their local communities. Many primary producers interviewed said that they purchased pineapples from more than 10 local farmers suggesting that they were dealing with relatively small local farmers. Although farmers who supply primary producers may be non-poor, there are not the same barriers facing the poor who want to plant some pineapples on their land as there are facing the poor who want to set up in the solar fruit drying business.

5.3.4 Employees of FoN

Employees of FoN, other than senior management, are likely to be poor relative to their wider communities.

As for employees of primary producers, the relatively low wages paid mean that the non-poor would not take up the work.

5.3.5 Other groups affected

In section 5.2.5 local multiplier effects were cited as leading to a wider impact on the local community. As the enterprise is small scale, labour intensive and rurally located these multiplier effects are likely to reach the poor.

5.4 Conclusion

It is relatively easy in section 5.2 to support the assertion that the activities of FoN benefit the groups that the company effects, but it is much harder in section 5.3 to determine the relative poverty of those groups involved. Nevertheless to prove the hypothesis that the

activities of FoN benefit the poor it is enough to identify one poor person who benefits in some way.

Having identified employees of primary producers, employees of FoN and some farmers who supply primary producers as relatively poor the hypothesis is proved.

6 Hypothesis 2

The most effective way for the rural poor in Uganda to benefit from solar fruit drying activities is for smallholder farmers to process their own fruit with their own solar dryer

This second hypothesis is far more demanding than the first hypothesis and arguably more interesting. Nevertheless the issues reviewed in the first hypothesis provide much of the material necessary to consider what might be done in order to improve the access of the poor to economic development.

Table 1 in section 5.2.1 (page 30) presented an extract of key statistics from the estimates of primary producer income (Appendix IVa). This is referred to in more detail here. The discussion of the classification of participants (in the broad sense) into the poor and the non-poor (section 5.3) is also referred to along with Appendix IIb that sets out a schematic for identifying all the participants in FoN classified into the poor and the non-poor.

The topic for consideration is slightly different in this hypothesis, in that the discussion is extended from the impact of FoN to the impact of solar fruit frying activities in Uganda. Nevertheless the FoN data is still used to support the arguments.

6.1 Relative impoverishment of participants in FoN activities

Section 5.3.1 concluded that many of the rural poor would find it hard to establish their own fruit drying business. Although some primary producers may be poor relative to their wider communities, or may have been poor before they started fruit drying, many establish themselves in business from a position of relative economic stability. Although some people in poverty will be assisted through the structure suggested in this hypothesis, it may be necessary to create jobs to allow access for the majority of the poor.

It was not possible to obtain evidence during the fieldwork to confirm the poverty status of those employed by primary producers but it would seem reasonable to conclude from the discussion in section 5.3.2 that employees of primary producers are on the whole poorer than primary producers.

The situation is less clear with farmers who supply primary producers (section 5.3.3). But it seems reasonable to conclude that employees of primary producers are on the whole also poorer than farmers who supply primary producers. So employees of primary producers should be the main target if the greatest poverty impact is to be achieved.

The work at FoN in Kampala can be accessed by the poor (section 5.3.4). Nevertheless this group has not been considered further as this hypothesis is more concerned with structures at the level of the primary producer. Employment at FoN should be accessible

to the poor however the business is structured (provided the sorting process is not mechanised, which is probably impractical anyway).

6.2 Review of efficient operators with strong poverty impact

Although this hypothesis does not specify efficient economic operation the preference for efficient economic structures has been assumed on the basis that an efficient economic structure will tend to expand the market and widen the groups which participate.

Table 1 in section 5.2.1 (page 30) shows the average net profit margin increase from 10% to 17% as the number of dryers that a primary producer operates increases. Average profit per dryer also increase with the number of dryers. The overwhelming impression gained from primary producers is that they want to expand in order to benefit from economies of scale. Expansion means operating more than one dryer and this requires additional labour, usually paid employment.

This incentive for primary producers is to expand to benefit from economies of scale result is a demand for labour largely from the poor. This provides strong evidence that the assertion in the hypothesis is incorrect. Restricting primary producers to a single dryer to process their own fruit would restrict access to the poor as primary producers would not need additional labour. It may also seriously impede the ability of primary producers to operate profitably.

6.3 Conclusion

It is very difficult to conclude anything more concrete than that the hypothesis has been disproved. Numerous other structures could be postulated as having the greatest impact on the poor and each would be easier to disprove than prove.

The main message is that solar fruit drying is a relatively complex business and may not be accessible to many poor rural subsistence farmers. There may be many poor rural farmers who could establish a solar drying business but most of those that succeed appear to be relatively well established and have other business interests and would not satisfy the criteria to be classified as poor relative to their wider communities. Yet many of FoN's primary producers were poorer before they started fruit drying.

Alternative structures that may have a greater impact on poverty are suggested by the data but there is insufficient evidence to conclude that larger scale producers with multiple dryers and several employees represents the structure more likely to maximise the impact of fruit drying activities in Uganda on the poor.

Nevertheless in the case of dried fruit production in Uganda poverty impact appears to increase as scale increases.

7 Conclusions

Many accept that small enterprises are more effective than large modern businesses in delivering benefits to the poor. This is reflected in DFID's strategy to use enterprise development as a means of reducing poverty by targeting the small and medium business sector (Appendix I). Some enterprise opportunities may be available to the poor but as noted in the EDD Enterprise Development Strategy "Support for survivalist and micro-enterprises alone will not eliminate poverty" (DFID 1999 p 6).

There will be a substantial proportion of the poor who for a variety of reasons are unable to establish themselves in business and need employment opportunities to participate in the benefits of economic development.

Job creation means larger enterprises and this may jeopardise poverty impact. However the results of sections 5 and 6 suggest that in the case of dried fruit production in Uganda with the structures used by FoN and their network of primary producers, larger enterprises at the primary producer level need not reduce poverty impact.

Although participation in the widest sense has been referred to throughout this paper no measurable criteria have been suggested for assessing indirect participation where links are remote. It is very difficult to assess 'trickle-down.' There is a lack of reference to indirect effects of enterprise development on the poor in the data used in sections 5 and 6. Yet as emphasised in section 1.6 understanding trickle-down effects is important when attempting to reduce poverty through enterprise promotion. The term trickle-down may also put people off due to its historic associations. Other names have been used in this paper although no completely satisfactory alternative has been found. A new term may be required.

This paper has not addressed the area of policy design, focusing instead on structures that promote participation of the poor. Once appropriate businesses and appropriate structures for efficient economic production with participation of the poor are identified the task becomes to design interventions that promote such structures in such businesses. It is often difficult to design interventions that achieve what was planned, and even when they do, attributing impact may be very difficult.

One policy conclusion that can be drawn is that if appropriate ways are found to support and grow organisations such as FoN, such support could be a cost effective development intervention in achieving poverty impact. The final paragraph in section 3.5 identifies subsidised credit as a means of supporting private business and assisting it to expand. If FoN's trade was considered fair and its business good then such support could create the 'win-win' result of a viable expanding business and participation of the poor.

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