

# Lessons learned

## Strengthening smallholder institutions and organizations

### Smallholder institutions and organizations



The **Lessons Learned series** is prepared by the IFAD **Policy and Technical Advisory Division** and provides a compilation of past experiences on a particular topic and a reflection on evidence-based best practices and failures. “Best practices” refer to processes or methodologies that have been proven to produce good results and thus are recommended as examples to be replicated.

These notes are “living” documents and will be updated periodically based on new experiences and feedback. If you have any comments or suggestions, please contact the originators.

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## List of acronyms

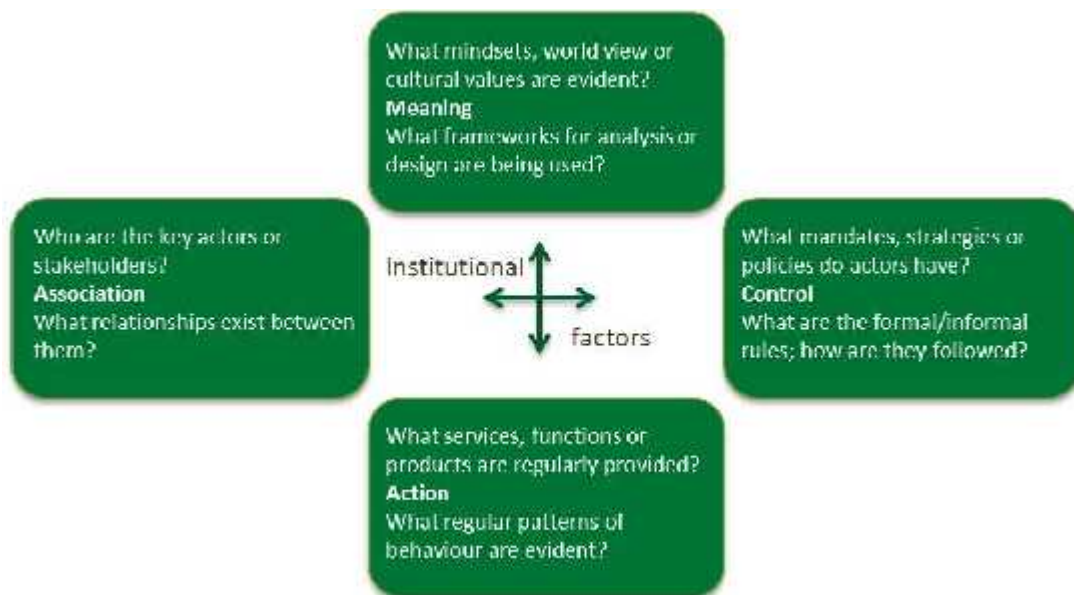
ANGOC	Asian NGO coalition
CBFO	community-based financial organization
CBNRMO	community-based natural resource management organization
CIRDAP	Centre on Integrated Rural Development for Asia and the Pacific
COSOP	country strategic opportunities programme
CSO	civil society organization
FAO	Food and Agriculture Organization of the United Nations
FO(s)	farmers' organizations
ICRAF	World Agroforestry Centre
M&E	monitoring and evaluation
PMU	project management unit
PPP	public-private partnership
SHG	self-help group
SIO(s)	smallholder institutions and organizations

## Introduction

In recent years, the importance of institutions and organizations in improving access to goods and services, enhancing rural livelihoods and promoting economic competitiveness in rural areas has been increasingly highlighted in the development arena. Sound institutional and organizational analysis is critical to designing and implementing programmes and projects, informing policy dialogue and coordinating development efforts. There is a need, therefore, to carry out more systematic institutional and organizational analyses in programme/project design processes.

To address this need, in 2008 IFAD published a sourcebook, *Institutional and Organizational Analysis for Pro-Poor Change: Meeting IFAD’s Millennium Challenge*, which was followed by two other documents: *Guidance Notes for Institutional Analysis in Rural Development Programmes*; and *Strengthening Capacities of Organizations of the Poor: Experiences in Asia*. Two learning notes were also prepared on institutional transformation and on implementation arrangements.

This note is part of the knowledge series on rural institutions and organizations, which also includes a Teaser, *A Field Practitioners' Guide: Institutional and Organizational Analysis and Capacity Strengthening* and four How To Do Notes – *How to Analyse and Develop the Social Capital of Smallholder Organizations*; *How to Strengthen Community-based Natural Resources Management Organizations*; *How to Strengthen Community-based Financial Organizations*; and *How to Strengthen Community-based Commodity Organizations*.



Source: IFAD(2011).

**Figure 1: Functional elements of institutions**

## Context and challenges

*Institutions* are recognized as important elements underlying all social, organizational and individual processes of change. North in IFAD (2013) gives the most common definition of institutions as "rules and norms that constrain human behaviour" or "rules of the game", in contrast to organizations, who are "the players" of the game.<sup>1</sup>

<sup>1</sup> IFAD, *Synthesis Report: Strengthening Institutions and Organizations* (2013) Available at [www.ifad.org/english/institutions/synthesis/synthesis\\_report\\_web](http://www.ifad.org/english/institutions/synthesis/synthesis_report_web)

*Organizations* are of different types: public sector, such as local government, which exercises authority on behalf of the whole of society; private sector, such as businesses, which represent the interests of individuals or groups; and “middle” sector organizations, such as smallholder organizations or NGOs, which serve a common or public good but cannot invoke authority to implement decisions.

A framework for institutional and organizational analysis was adapted from the sourcebook drawing upon four key concepts (Figure 1). These four functional elements of institutions and organizations – ways of making **meaning** in our lives; the **associations** we make; the basis for **control** over individuals and organizations; and **actions** that are taken – have been tested and used in different stages of IFAD’s project cycle process in 15 countries covering 20 projects. An analysis of lessons learned from applying IFAD’s sourcebook in the field is contained in the synthesis report *Strengthening Institutions and Organizations* (IFAD, 2013). Below is a summary of the key findings and recommendations of the report, in addition to other lessons learned at IFAD over time.

## Lessons learned

### The importance of good quality institutional and organizational analyses

**Understanding institutional and organizational structures** and how they work **is critical to identifying ways in which we can influence processes of change** within them. Institutional and organizational analyses in the IFAD portfolio vary in quality and depth depending on the quality of data available, how the design process is managed, the size of the design budget, the availability of institutional and organizational expertise, and the country context. There is common agreement among country programme managers (CPMs) and field practitioners that it is necessary to adequately survey the institutional and organizational landscape and its receptiveness to project design and implementation processes – both for the country strategic opportunities programme (COSOP) and more in-depth for individual projects – and to have access to the right tools in order to do so.<sup>2</sup>

#### Box 1: Mapping institutional and organizational change

In Kenya, the Central Kenya Dry Area Smallholder and Community Services Development Project developed a group census to establish an inventory of groups across the project area and improve the focus of project interventions.

In India, self-help groups (SHGs) created and supported by the Tejaswini Rural Women’s Empowerment Project regularly carry out a self-assessment exercise to monitor their own development. The exercise includes simple indicators such as attendance at and participation in meetings and training, savings mobilization, rules and regulations, rotation of leadership and participation in community and local government institutions.

In Burundi, the design team of the Transitional Programme of Post-Conflict Reconstruction included in the logical framework indicators related to community development committees (CDCs), which were tasked with the drafting of community development plans. The indicators were used to assess community perceptions, the quality of the relationship between CDCs and local authorities, the evolution of the decentralization process and any new legislation affecting community development.

**It is crucial to be able to demonstrate facts and figures to assist stakeholders and decision makers in making a stronger case for balancing the support directed at “software” and “hardware”.**

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<sup>2</sup> In order to address issues emerging from the lessons learned, a number of tools have been developed by the Rural Institutions and Organizations Desk (PTA Division). Currently available tools and publications can be found in the section Operational and knowledge products developed in this note.

Improving the "software" (institutions and organizations) is not an easy undertaking because institutions and organizations are difficult to visualize; it is easier to understand what is needed when it comes to building roads or market-derived infrastructure, constructing irrigation schemes or breeding better crops and livestock. It is also clear what sort of technical skills and capacity are needed to undertake these activities.

When it comes to adjusting aspects of societal norms and values, government policies, market incentives, political systems or organizational processes, everything becomes much more intangible, although no less important. In addition, the "soft" capacities of human communication – trust-building, diplomacy, networking, understanding and untangling complex social situations, political advocacy, leadership and mobilizing collective action to benefit from input and output markets – are often more difficult to develop. The complex nature of institutional and organizational adjustment means that the direct impact of these capacities is also difficult to demonstrate. For all these reasons development interventions are often focused on technological innovation and the required technical capacities rather than to engage deeply with the implications of institutional innovation.<sup>3</sup>

Despite its complexity, measuring institutional and organizational development is critical to understanding institutional and organizational change, which can be anticipated and determined through clear pathways aimed at achieving specific milestones. Box 1 provides examples of how to track both client satisfaction and ensure the effectiveness of institutional and organizational capacity-building.

An institutional and organizational assessment needs also to **consider the institutional and policy environment**, including (i) constraints that curb the development of independent, strong institutions and organizations; (ii) whether or not new institutions and organizations need to be created where they do not exist; (iii) mechanisms to overcome impediments to achieving independent and demand-driven institutions and organizations; and (iv) experience and best practices relating to the country's institutional and organizational context.

**Informal rules and organizations and their implications for project delivery also need to be analysed** (Box 2). Although most IFAD-funded projects support organizational strengthening of formal institutions and organizations at the national, meso and local levels (e.g. lead agencies and implementation partners in government, the private sector, civil society, and smallholder institutions and organizations), there is a state-sector bias. Some design, implementation and supervision teams tend to focus their attention on lead agencies rather than on inter-organizational relations and usually too much is expected of the lead organization of the project.

### **Box 2: Sierra Leone and the importance of informal institutions and relationships**

In February 2004, the Government of Sierra Leone started a process of devolution whereby the authority and financial resources for certain functions were transferred to local councils. However, the process did not fully address the issue of the chiefdoms, which are powerful and recognized community institutions. Their role in governance and their relationship with the councils was not made clear. This lack of clarity resulted in the two parties continuously competing for power and legitimacy. For example, chiefs were reluctant to become involved in the councils as subordinates, which hindered development planning. And different government departments had different relationships with chiefs and with councils: some were closer to the chiefs and others to the councils. Unclear roles, conflict, concern over revenue and financial capabilities, and limited involvement of the chiefs all hampered the start-up and running of IFAD-funded interventions.

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<sup>3</sup> Baser and Morgan, 2008.

**Choosing the right partners is important.** The potential of non-state, in-country partners needs to be analysed in terms of the roles they can play, their capacities to perform functions related to IFAD programmes and their influence on existing power relationships and/or imbalances. Design documents need to include an in-depth analysis of the availability and capacity of the existing service providers in the country needed for project delivery. IFAD emphasizes the importance of working with and strengthening existing enabling and delivery agencies, although in many cases projects create new smallholder organizations. This often happens when the required organizations do not exist or perhaps they exist but are not, for example, sufficiently inclusive, representative of the poor or gender-aware. In addition, most projects place considerable emphasis on sharing power with beneficiary communities in project activities. Local organizations therefore need to be supported in designing procedures and practices to increase the participation and inclusion of disadvantaged social groups. IFAD and other development partners follow guidance offered by the World Bank in 2008 : (i) eliminate membership barriers; (ii) require local organizations to provide information about the benefits they provide; (iii) require performance reviews of decision makers by constituents; and (iv) institute mechanisms for rotating leadership positions (IFAD, 2013).

Working with both existing and new organizations involves risks that need to be taken into account. Very active members can bring great benefits to the organization but they may also tend to dominate the decision-making and absorb benefits brought by projects (“elite capture”). Organizations may also be following “cosmetic” good practices (e.g. drafting a constitution, holding meetings) to meet project eligibility and dissolve soon after project completion. Therefore, regardless of whether the project will work with established organizations or form new ones, adequate preparatory analysis can help to offset these risks. Myrada, an Indian NGO that introduced the concept of self-help affinity groups in the late 1980s, has drawn the following lessons<sup>4</sup> from its experience forming self-help groups (SHGs):

- Group formation must be an integral part of an empowerment strategy in order to start a process that has the potential to eradicate poverty in a sustainable manner.
- Within the context of a project, groups should be formed on the bases of affinity rather than predetermined criteria established from outside; they should be given enough time (6-8 months) to build their capacities and develop a vision and a strategy not confined by project objectives; credit provision should be based on institutional strength.
- Empowering organizations are those whose structure and rules, functions and supporting systems are designed by the people themselves. Organizational and financial systems imposed by an external agent tend to disempower members.
- Sustainable organizations depend on a proper fit with the resource to be managed and their adaptability to emerging situations and needs.
- Participatory groups (whose members all participate in decision-making and are drawn from poor populations) have a greater empowering potential than representative ones, which are more influenced by traditional power structures.

### The dynamic nature of capacity-building

**Capacity-building should be tailored, flexible and demand-driven.** Flexibility is absolutely necessary in project design and implementation, where an institutional and organizational framework allows for learning and adjustment to changing circumstances. Demand-driven mechanisms, which allow beneficiaries to identify their own training needs and capacity-building activities, are to be preferred because they afford a better match between the priorities of the implementers and those of the beneficiaries (see the Peru case, Box 4). If the analysis of capacity needs during the design process is sufficiently accurate to capture the

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<sup>4</sup> For more information on the empowering strategy endorsed by Myrada and later IFAD in promoting the SHG movement, see Theme 2: The Glue of Social Organization. Social Capital and Empowerment of the Poor in CSO Experiences in Strengthening Rural Poor Organizations in Asia (IFAD, ANGO and CIRDA, 2006).



priorities of individuals, constraints in organizational systems and changes to procedures/rules, and results are used to inform the capacity-building approach, this is more likely to produce lasting results.

The process of building capacity is dynamic and progressive, and does not proceed rapidly during the first few years of implementation. Capacity-building is more than just training – it is a complex set of instruments for institutional and organizational strengthening. There has to be a conceptual understanding of how developing individual capacities contributes to achieving institutional and organizational change. Trained individuals need good leadership, support tools, equipment and operational budgets to enable them to perform effectively within the established procedures (planning, reporting and accountability), rules and by-laws. It is important that project designs formulate explicit concepts of change that identify the extent to which capacity constraints at all levels are the key barriers to institutional and organizational change in lead agencies, implementation partners and service providers. Capacity development plans should show how the proposed inputs, incentives, skills development activities and related outputs can lead to expected reform outcomes. Adequate, timely and sufficient provision of resources to support processes of organizational growth is critical. Projects need to be realistic in terms of planned outputs, and budgets for capacity-building are often limited and should be given adequate attention.

Capacities built during a project should be nurtured and sustained. Project designs should detail clear and possible exit strategies for both service delivery agencies and beneficiary organizations (such as smallholder organizations and their federations) that have undergone capacity-building. (Box 3). Incentive systems to maintain individual and internal organizational capacities are important and should be facilitated using different approaches, such as refresher training, coaching or mainstreaming knowledge management, in addition to ample budgetary provisions for support services and operational costs of plants and equipment.

### **Box 3: Mixed approach to organizing smallholders: the case of the Sofala Bank Artisanal Fisheries Project in Mozambique**

The Sofala Bank Artisanal Fisheries Project is one example of how a careful evaluation of existing institutions and organizations could have increased a project's success and sustainability. This project has been very successful in introducing an advanced version of rotating savings and credit groups in fishing villages. The groups are based on a traditional practice that was identified during the institutional analysis at the design stage. The country programme evaluation notes that the main successes in terms of women's empowerment have been achieved through these groups, which have broken through the gender barrier in microfinance in northern Mozambique.

However, during the initial phases of the project, instead of creating new groups such as committees overseeing the construction of schools and health facilities, more attention should have been paid to exploring how existing institutions and organizations – for example community health councils and parents' associations – could have been involved. This might have avoided the problem of ensuring the future sustainability of these groups.

**A gradual step-by-step approach should be embedded in a broader institutional and development strategy** with clearly elaborated insights into what needs to be done and what activities should be carried out over time. The focus should be on delivering technical skills and training in areas needed to make systems and processes work, rather than on engaging in large-scale reform from day one. Investment should also be directed at making changes in the organizational culture and in administrative and financial management, and service delivery systems instead of being confined to training individuals only. Eventually, capacity-building should lead to self-reliance.

### Linking capacity-building to organizational change through different methods

**One-fits-all recipes should be avoided** and a variety of methods should be made available to cater for different contexts (e.g. coaching, mentoring, on-the-job facilitation, workshops, learning routes, residential training and household mentoring). New approaches need to be disseminated to field practitioners to ensure that capacity-building measures are linked to a clear concept of change (for an example of a successful innovation, see the Peru case, Box 4). In order to maximize efficiency, capacity-building strategies should be designed taking into account other in-country capacity development initiatives supported by other development partners and involving enabling and service delivery organizations in the public and private sectors. Relying on training of trainers or on private and community-based service providers has been shown to improve both the skills of extension service providers and the implementation of projects. Successful examples include village extension workers in Cambodia and women social workers (*Sahayoginis*) in India.

#### Box 4: Supply-driven vs. demand-driven capacity-building: examples from Cambodia and Peru

In the Rural Livelihoods Improvement Project, the Rural Poverty Reduction Project and the Community-based Rural Development Project (CBRDP) in Cambodia, despite their intention to use a bottom-up approach, the livelihoods and income-generating activities were mostly predetermined and focused on land-based/agriculture and livestock activities. CBRDP beneficiaries were not given financial or material support to apply the training and technologies, and some of the most vulnerable families were unable to engage in the rice production they had been trained for because their landholdings were too small or they were unable to adopt water management techniques.

In Peru, the *concurso* innovation, a competitive process used to allocate grants to farmers' groups through public competitions, contributed to civil society participation by enabling communities to manage their own funds and make autonomous decisions regarding their development priorities. The adoption of clear and transparent rules and the public nature of the event ensured social control and instilled confidence in the communities involved. Local groups were also required to invest a matching sum from their own resources, which ensured ownership of the proposed activities, joint responsibility in the development process and motivation.

At the organization systems level, there is a need for specific strategies to support the development of institutions and organizations to reach broader development objectives. This support can be provided mainly through policy dialogue with key in-country partners. Change in policy environments can be brought about by investing in the capacity-building of community collectives so that investments in rural economic initiatives respond to community needs. This is demonstrated through community-driven development, which is centred around the concept of autonomous decision-making by the communities, who are themselves in charge of guiding how projects are designed and implemented. Communities and their organizations become agents of change by taking on the responsibilities associated with social and economic development activities that can have a direct impact on their livelihoods. The degree of community involvement can vary greatly and depends on the extent to which community-based organizations are involved in the design, contracting, supervision and management of the activities (Box 5).

### **Box 5: The community-driven development approach, a demand-responsive diversification of support to rural communities**

Experience shows that for community-driven development to continue to bear fruit in terms of capacity-building, a number of elements need to be in place:

- An accurate assessment of whether the governance and policy environment is enabling
- Substantial investments in building the capacity of community organizations (long-term perspective) rather than providing services (short-term perspective)
- Real demand from the community and willingness to contribute in cash for the requested services.

Projects have used a variety of indicators to measure organizational or individual capacities but few indicators have been developed to measure linkages between the different levels. While monitoring and evaluation (M&E) is relatively straightforward in areas such as logistical and technical capacity-building for clearly defined ends, it is more difficult in overall capacity-building, which depends on a wide variety of factors. The organic nature of capacity-building processes means that their effects evolve gradually over time. This needs to be recognized in project design. And because change can take place in unanticipated ways, flexibility is also needed in responding to and measuring changes (Box 6).<sup>5</sup>

### **Box 6: Optimizing monitoring and evaluation (M&E) for capacity-building**

1. Capacity-building providers need to have a clearly stated rationale for carrying out capacity-building and a clear idea of what they want to achieve, in both the medium and the long term.
2. Be clear about the purpose of M&E because this will influence the approaches and methodologies used; for example, is it for accountability to donors or to learn and to improve performance?
3. Where multiple interventions are spread out over time, it may be useful to start by trying to evaluate change at an individual, organizational or even societal level and then work backwards to identify what contributed to any changes identified.
4. Distinguish between measurable changes and changes that can only be illustrated. Establish an agreement with all concerned about how far M&E should go in terms of measurement and at what levels it should be conducted.
5. Capacity-building providers working with various organizations or individuals are likely to have to offer more than purely qualitative or anecdotal reports; at some stage, they will need to produce figures to demonstrate the scale of change.
6. Capacity-building providers should be cautious about predicting the pace of change within organizations, especially when logical frameworks or project proposals encourage unrealistic expectations. They can influence the pace of change but have no absolute control over it.

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<sup>5</sup> Praxis Paper 23 - Monitoring and Evaluating Capacity-Building: Is it really that difficult? (Simister and Smith, 2010)

### Enhancing project delivery through the establishment of inter-organizational linkages

In order to pursue institutional and organizational strengthening from a broader perspective, **it is important to establish linkages between the entry point organization (with its set of rules) and other organizations (with their set of rules)**. IFAD's main partners are usually government organizations, which generally have to comply with national development strategies. There is a need to help government officers understand the potentially significant role that civil society and the private sector can play in the rural transformation process. It is, therefore, important to promote stronger vertical and horizontal institutional and organizational linkages to improve the effectiveness of governance. The best way to facilitate these linkages is to focus on the functional dimensions of institutions and organizations and promote linkages based on information flows; linkages related to sharing/leveraging of financial resources; linkages built around decision-making; and synergies in technical and managerial skills (Box 7).

#### Box 7: The benefits of horizontal and vertical linkages

##### Strengthening democracy

In projects on local governance issues, linkages are often systemic because relations between rural organizations and a wide range of stakeholders are promoted in all directions (e.g. with local groups, line agencies and the private sector). In Peru, power-sharing arrangements between the government and strengthened community institutions embedded in local governance have been beneficial in fostering democratic governance and challenging the culture of patronage and lack of accountability.

##### Accessing value chains

Projects focusing more on the production or improvement of private goods usually establish linkages to consolidate the relevant supply chain. One example is the Market Infrastructure Development Project in Charland Regions in Bangladesh, which forms groups, enables their members to access financial resources and strengthens the market-negotiating position of small producers. At the same time, it facilitates movement up the value chain through processing and trade by primary producers and local traders.

##### Facilitating cooperation between existing institutions

In Cambodia, a three-year pilot project established by 4 local NGOs funded by the German Agency for International Cooperation, GIZ, promoted the creation of village networks anchored in traditional self-help village associations as a link between communities and the commune councils newly established by the state. The rationale of the approach was to bridge the gap between commune councils and civil society in a context of transition from a heavily hierarchical political structure to the decentralization and demand-oriented setting that characterized the country. The village network arose as a response to this need and was able to connect legitimate political representatives (councils) and citizens who had limited experience in voicing political concerns.

The village network is an example of a sustainable project-created structure that is tied both to indigenous structures (the village *pagoda*, where meetings take place) and to state actors (commune councils). It acts as a facilitator between already existing and clearly defined institutions in the community. The village network approach can serve as an opportunity for exchange and learning and as a mechanism that works towards breaking through the mistrust and separation that divide politics and civil society.

IFAD projects, especially those focused on value chains, are increasingly looking to build public-private partnerships (PPPs) along agricultural value chains to benefit IFAD's target groups. Value chain development in agriculture, as in any other sector, brings with it the need to address a mix of public and private goods and services delivery, with a more significant focus on the latter, as a means of promoting the local private sector in rural areas.

The private sector can be a powerful ally in promoting the sustainable development and economic competitiveness of smallholders, especially when we consider that experience shows how public-sector technical line agencies are often scarcely equipped to handle delivery of private goods and services. IFAD can, therefore, foster the role of governments in performing the regulatory and supervisory functions in this domain, while opening up to the recruitment of private-sector service providers and consultants. This, combined with a partnership with stakeholders such as farmers' organizations (FOs), can constitute an excellent exit plan for IFAD projects. Box 8 provides an example of a successful public-private partnership.

### **Box 8: Successful partnership-building with the private sector – the case of the oil palm public-private partnership in Uganda**

The Vegetable Oil Development Project (VODP) was designed in the mid-1990s to reduce Uganda's heavy reliance on imported vegetable oils and to address low levels of vegetable oil consumption by the population. The project was highly innovative not only because it introduced a new crop to Uganda – oil palm – but because it promoted an institutional innovation for project implementation in the form of a public-private partnership (PPP) that brought together the know-how and funds needed to develop the sector, at the same time ensuring that smallholders were part of the process. Under VODP, the government signed a direct foreign investment agreement with Bidco Oil Refineries Ltd (Kenya), a large private investor whose subsidiary, Oil Palm Uganda Ltd (OPUL), was created to manage the nucleus estate on Bugala Island. Bidco/OPUL covered the construction of an oil palm refinery and the development of oil palm plantations and supporting infrastructure.

Bidco/OPUL brought to the partnership technical expertise and investment capital, while IFAD supported smallholders who contributed their land and labour to the partnership. IFAD supported the process by helping the government prepare an environmental impact assessment, ensuring that equitable pricing for inputs and produce for smallholders was included in the framework agreement with the firm, developing mechanisms to ensure that negotiated prices were applied and financing the establishment of an innovative institutional mechanism for mobilizing smallholder participation in the project, the Kalangala Oil Palm Growers' Trust. As one of the largest PPPs in the country and the only large one within IFAD's portfolio to date, VODP has demonstrated how private-sector investments can be leveraged through the strategic use of IFAD funds.

### **Making a difference in project delivery through project management and coordination approaches**

One of the recurrent topics in recent IFAD project supervision reports across the regions is the need to improve service delivery systems through better project coordination and management arrangements. The issues identified have included the following: (i) projects that are too large for local organizations, leading to low disbursement rates and financial absorption capacity; (ii) slow procurement processes and inadequate management practices; (iii) low capacity of service providers and contract management; and (iv) new organizations created for project implementation that are unlikely to be sustainable.

It is crucial to note that developing countries' delivery systems, management and coordination capacity are key factors in the successful implementation of development projects. A study of IFAD projects<sup>6</sup> found that most IFAD-supported projects use some form of project management unit (PMU) arrangement. The study's overall performance review of the "project delivery chain" shows that PMUs are simply one of many actors in a chain that stretches from the strategic/contractual level right down to the beneficiaries.

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<sup>6</sup> Effective Project Management Arrangements: A Synthesis of Selected Case Studies (IFAD, 2014).

## Lessons learned

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Many of the delivery issues are found in the wider chain between borrower and beneficiary rather than being confined to the PMUs alone. The PMUs are a useful initial entry point for exploring delivery arrangements but cannot be expected to unlock all delivery and performance issues.

These factors constitute the vital dynamics of interactive implementation arrangements. If there is any weakness or deficiency in any or all of the factors, the project is likely to be implemented less effectively. Managerial and organizational problems seriously undermine the implementation of projects in all the regional divisions of IFAD. At the level of programmes and projects, it is clear from regional portfolio reviews that many of the real problems in intervention delivery are not so much a matter of objectives and approach but rather a consequence of dysfunctional institutional and organizational systems.

What still needs to be expanded in many partner countries is the building of management/technical capacity to deliver services of value to the rural poor.



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India - Meghalaya Livelihoods Improvement Project for the Himalayas

## Summary of key lessons

- **Institutional and organizational analyses should be of sufficient quality and depth** to adequately survey the institutional and organizational landscape and its receptiveness to project design and implementation processes at the COSOP level; more depth is required at the project level. Good analyses are critical to identifying ways in which IFAD can influence processes of change and can guide important decisions such as the selection of service providers or creation of new smallholder organizations.
- **Institutional and organizational analyses should target all relevant stakeholders and consider the institutional and policy environment.** Formal institutions and organizations at the national, meso and local levels, together with informal rules and organizations and their implications for project delivery, also need to be analysed. Looking into the availability and capacity of service providers in the country can also provide an insight into which partners might be right for service delivery.
- **Setting indicators and measures to monitor institutional and organizational change is critical.** Benchmarked surveys are important to help track client satisfaction and effectiveness of service delivery.
- **Facts and figures** on how capacity-building contributes to institutional and organizational change can assist stakeholders and decision makers in making a stronger case for balancing “hardware” (e.g. policies and skills and systems development) and “software” (e.g. social capital, governance, managerial and organizational skills) during project design and implementation. This can be best illustrated by showing how enhancing the skills of individuals contributes to the effective and efficient functioning of an organization’s systems (such as decision-making, procurement, funds disbursement, reporting, audit, M&E), which in turn enable programmes to achieve, sustain and scale up impact.
- **Capacity-building is more than just training – it is a complex set of instruments for institutional and organizational strengthening.** There must be a conceptual understanding of how developing individual capacities contributes to achieving institutional and organizational change. Capacity strengthening should be demand-driven, gradual and dynamic, which requires flexibility and time. Flexibility should always be integrated into project design in order to allow room for learning and adjusting to changing circumstances. Trained individuals need good leadership, support tools, equipment and operational budgets to enable them to perform within the established procedures (planning, reporting and accountability), rules and by-laws.
- **Projects should use diversified methods to reach broader development objectives.** Capacity-building should not be regarded as training only. A variety of methods can be made available to cater to diverse contexts (e.g. coaching, mentoring, on-the-job facilitation, learning routes and household mentoring).
- **It is important to promote stronger vertical and horizontal institutional and organizational linkages to improve governance effectiveness.** The best mechanism for facilitating these linkages is to focus on the functional dimensions of institutions and organizations, and to help government officers understand the potentially significant role that civil society and the private sector can play in the rural transformation process.
- **Management and coordination capacity are crucial factors in successfully implementing development projects.** In many partner countries, there is need to enhance the building of management/technical capacity to deliver services of value to the rural poor.

## Operational and knowledge products developed

In response to the issues outlined above, several knowledge products and practical tools have been developed and are being applied in the design and implementation of programmes and projects.

Hands-on guidelines and tools for institutional and organizational analysis and capacity-building at the COSOP and project design levels include:

- (1) **A field practitioner's guide: Institutional and organizational analysis and capacity development** (IFAD, 2014)

The purpose of the practitioner's guide is to support institutional and organizational analysis and strengthening for COSOP design, programme/project design and implementation. It is designed to be a practical, hands-on set of directions for those needing to answer the following questions: "How do I carry out an institutional and organizational analysis? And once I've done it, how do I go about using this analysis to promote sustainable organizations and institutions?"

- (2) **Guidance notes for institutional analysis in rural development programmes** (IFAD, 2009)

The guidance notes provide a synthesis of the training materials developed as part of the institutional analysis methodology. They propose a rethinking of how institutional change is conceptualized and promoted, particularly for pro-poor service delivery. The notes provide a framework and the analytical tools for designing programmes and projects that feature implementation modalities based on some of the core principles of good governance, focusing on "pro-poor governance" and systemic sustainability at the micro and meso levels.

- (3) **How To Do Note: How to analyse and develop social capital of smallholder organizations** (IFAD, 2014)

The note shows how to conduct an analysis of smallholder organizations and institutions and characterize them according to their maturity – the quality of their management, leadership, governance and partnership practices – without neglecting aspects such as poverty, gender, social inclusion and empowerment. It also illustrates how to use the analyses and data collected to elaborate a plan for capacity development and for tracking the progress made in organizational development.

- (4) **How To Do Note: How to support community-based financial organizations** (IFAD, 2014)

This note is designed to improve understanding of different types of community-based financial organizations (CBFOs) and the support structures they need to best serve remote rural communities and, in particular, poor rural households. It describes the characteristics of a sustainable CBFO and identifies the types of services and assistance that could be provided to reinforce existing CBFOs. It lists the basic elements needed to ensure the success of these organizations and draws attention to potential challenges that may be encountered in the development process. The document also addresses the importance of supporting the aggregation of CBFOs as a strategy for scaling up and ensuring their sustainability, as well as the need to enforce differentiated regulation. It provides key analytical principles to consider when determining how to support CBFOs during project design. Finally, key performance indicators are highlighted, which are useful for measuring the progression of CBFOs during implementation, and case studies are included to illustrate the different paths a CBFO can take in the development process.

- (5) **How To Do Note: How to strengthen community-based natural resources management organizations** (IFAD, 2014)

This note defines the types of community-based natural resource management organizations (CBNRMOs) that manage or co-manage common resources such as watersheds, forests, lakes, fisheries and rangelands, including groups that manage resources held under different tenure



regimes (e.g. water users' associations in the case of irrigation schemes). It outlines the functions best performed by CBNRMOs – for example, promoting campaigns to secure people's land rights, facilitating resettlement after conflict or displacement, promoting land distribution to the landless or protecting local natural resources claims vis-à-vis others.

The note identifies basic principles to consider when providing support to create or strengthen an operationally sustainable CBNRMO. It also includes case studies illustrating different organizational options for managing natural resources, to help practitioners anticipate the strengths and weaknesses of these different options.

(6) **How To Do Note: How to strengthen community-based commodity organizations** (IFAD, 2014)

This note shows how small farm enterprises (i.e. crop, livestock or fisheries) can be developed, organized and run by small commodity groups in rural communities using a participatory approach. While the document can be referred to when starting a small farm business from scratch, it can also be used to help existing groups set up and run their farm enterprises. The document includes illustrative case studies and covers the following topics:

- The process for selecting an appropriate group enterprise. It considers the advantages, disadvantages and risks of running a group business and identifies the critical questions to ask when choosing a business idea.
- The main aspects of planning for a new small group enterprise, including how to make simple estimations of costs, profitability and input supplies, and how to identify the market for the proposed product and other factors which might affect the success of the business.
- The tools available that can be used to take a group through a feasibility study, and the steps and actions needed to prepare to start a business. It also looks at some basic marketing principles.
- How building linkages between commodity groups can help the groups exchange ideas, network with similar commodity groups and provide services to members.

(7) **How To Do Note: Scaling up smallholder organizations** (IFAD, 2014)

This note explains why scaling up smallholder organizations has the potential to generate greater socio-economic benefits for large numbers of poor people quite rapidly. It describes IFAD's tried and tested model for scaling up smallholder organizations, which provides case studies to illustrate the pathways and triggers for scaling up smallholder organizations.

(8) **How to engage with farmers' organizations to link smallholders to markets: the experience of the Farmers' Forum**

The partnerships with autonomous membership-based professional organizations of smallholders, family farmers and rural producers (all FOs) represent the complementary work of IFAD with smallholder institutions and organizations. Since 2006, IFAD has been developing partnerships with FOs at the national, subregional and global levels. Such partnerships focus on supporting autonomous cooperatives, unions and federations formed by farmers' groups at the different levels. Given the specificity of the partnerships developed with these institutions of family farmers and rural producers, IFAD has developed another series of knowledge products to address the issue of how to engage with FOs and link smallholders to markets.

The series comprises a teaser that describes the partnership between IFAD and FOs and presents the family of knowledge products developed, which comprises:

- **Lessons learned – Farmers' organizations and markets.** The document reviews IFAD's strategies to promote the participation of FOs in the design of new investment projects and takes stock of different approaches in supporting their engagement in order to better link smallholder farmers to markets.

- **How to engage with farmers' organizations to link smallholders to markets.**

The document outlines the issues facing FOs and the social, economic and regulatory environments to be considered when designing new investment projects. It provides a comprehensive list of economic services that FOs can deliver to their members and the different approaches/business models that can be used to support the development of these services. Finally, it proposes possible project institutional set-ups in support of FOs.

**Two further modules** – How and when to conduct a mapping and profiling of farmers' organizations and How to support farmers' organizations in the design of a business plan – complete the series of How To Do Notes on FOs and markets.

Field-based publications to conduct institutional and organizational analysis and capacity development at the project implementation level include:

- (9) **Strengthening Grassroots Institutions in Smallholder Farming Systems: An emerging model** (IFAD/ICRAF, 2014 - unpublished)

The model details the stages of a participatory process for engagement with community members to support the strengthening of rural institutions and organizations for sustainable land management, improved productivity and the creation of grass-roots rural enterprises and coalitions of smallholder organizations.

- (10) **Assessing Capacity Needs and Strategy Development for Grassroots Rural Institutions: A Guide for Facilitators** (IFAD/ICRAF, 2013)

The guide is intended to assist facilitators in the delivery of the Group Capacity Needs Assessment and Strengthening Workshop, which explores grass-roots organizations' knowledge, skills, strengths, weaknesses, opportunities, threats, assets and other elements of the rural space that constitute their enabling environment. The workshop design is based on an appreciative inquiry process and prioritizes the use of participatory learning methods.

- (11) **Facilitators' manual for strengthening rural institutions through building the soft skills in rural grassroots institutions** (IFAD/ICRAF, 2014- unpublished)

This manual is designed for facilitators of grass-roots rural organizations to provide insight into building "soft skills" (e.g. leadership, group participation and inclusiveness) through the use of case studies, illustrations, examples and practical tips.

Good practices and lessons learned include:

- (12) **Strengthening Institutions and Organizations.** Synthesis Report. An analysis of lessons learned from field application of IFAD's sourcebook on institutional and organizational analysis for pro-poor change (IFAD, 2013)
- (13) **Good practices in building innovative rural institutions to increase food security** (FAO and IFAD, 2012)
- (14) **CSO experiences in strengthening rural poor organizations in Asia** (IFAD, ANGOC and CIRDAP, 2006)
- (15) **A Training Module: Institutional and organizational analysis and capacity strengthening** (IFAD/Centre for Development Innovation, Wageningen, 2011)

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