

Strengthening smallholder institutions and organizations

Smallholder institutions and organizations



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Kenya - Smallholder Horticulture Marketing Programme

Overview

One of IFAD's distinguishing characteristics is its work in building the social and human capital of poor smallholder farmers – helping them unite into cohesive organizations bonded through trust and mutual interest. As they grow and strengthen, these organizations become a critical entry point for development interventions (Figure 1). They are able to use collective action for their economic and social empowerment, gain access to assets and markets, and influence policy. They also constitute a large potential market for products and services from the private sector.

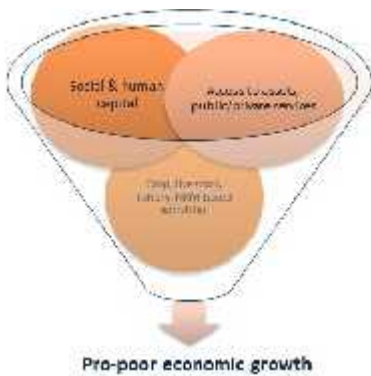


Figure 1. Social/human capital – entry point for economic activities at the grass roots level

What do we mean by institutions and organizations?

Institutions – the rules of the game that shape, but do not determine, human behaviour in economic, social and political life. They can be formal (e.g. constitutions, regulations, by-laws, rights) or informal (e.g. sanctions, customs, traditions). They mediate (control) access to assets, services and technology.

Organizations – the players of the game – the formally or informally coordinated vehicles for promoting or protecting a mix of individual and shared ideas and interests (e.g. in the public sector, a government ministry; in the private sector, an agroprocessing company; or, in civil society, an NGO).

The development landscape is complex and shifting, causing the roles of smallholder institutions and organizations (SIOs) and the interactions among them to change constantly (Figure 2). Creating trust and cohesiveness is the key to strong SIOs. By uniting together, smallholder farmers are better able to access the services they need and cope with shocks they would be powerless to overcome individually.

This document introduces IFAD's approach to supporting SIOs and highlights some of the challenges, opportunities and experiences that have come to light over decades of working with them. It also summarizes the four How To Do Notes published by IFAD to provide development practitioners with detailed guidance in building robust SIOs. The notes are based on tried and tested models and include guidelines on how to:

- analyse and develop social capital
- support community-based financial organizations (CBFOs)
- strengthen community-based natural resource management organizations (CBNRMOs)
- strengthen community-based commodity organizations



Figure 2. The key institutional and organizational pillars

Why smallholder institutions and organizations matter

While *institutions* matter, *individuals* and *organizations* also matter because it is they who forge, maintain, implement and change institutions.¹ In order to bring about lasting and desired transformation, both institutions (i.e. the rules) and organizations (i.e. the players) should be addressed simultaneously. Once poor rural people have strong institutions and organizations, they are able to overcome their isolation from centres of power and influence.

IFAD recognizes the role played by SIOs in attaining its strategic goals for poverty reduction. By empowering them, IFAD is able to:

- empower poor rural people economically to take advantage of economies of scale in order to access markets, credit, inputs and service providers
- enable smallholders to have a voice in changing and shaping policies affecting their livelihoods and environment
- enhance the bargaining power of smallholder farmers in the market place

Which smallholder institutions and organizations does IFAD work with?

IFAD works with a variety of SIOs, including:

- Farmers' groups and associations
- Agricultural cooperatives
- Pastoral and small-scale fisher organizations
- Water user groups and associations
- Community-based financial organizations (e.g. self-help groups)
- Village assemblies and councils
- Natural resource management organizations
- Road maintenance, village, municipality and district development organizations.

¹ This is the conclusion of the IPPG Research Programme Consortium for Improving Institutions for Pro-Poor Growth (2012). www.ippg.org.uk/

- maximize the efficiency, effectiveness and sustainability of its interventions in line with the 2005 Paris Declaration on Aid Effectiveness
- reach the poorest and those who are marginalized – often SIOs are a means of promoting the participation and representation of traditionally marginalized groups such as women, youth and indigenous people.

Lessons from experience²

In recent years, IFAD has taken stock of its work with SIOs. Three core observations have emerged from this experience:

1. Understanding how SIOs function is critical to stimulate processes of change within them. Reforms to power relations and structures are best made through a process of consultation with diverse actors whereby the functions, incentives and benefits of change are mutually identified and addressed.
2. Informal rules and organizational norms are as important as formal ones and require the same analytical approach. An “informal” organization (as defined by the government or outsiders) may occupy a “formal” place within a community of smallholder farmers and may have a direct impact on their lives and livelihoods.
3. Promoting institutional and organizational change is long-term work, which requires flexibility and a willingness to learn from experience.

Uganda: Organizing smallholder producers to become strategic partners in a public-private partnership (PPP)

Over a twelve-year period, 1998-2010, the Vegetable Oil Development Project in Uganda has helped create a unique PPP by promoting direct investment by a large-scale private operator, Oil Palm Uganda Limited (OPUL), to introduce oil palm cultivation. IFAD has helped establish the Kalangala Oil Palm Growers Association (KOPGA) and the Kalangala Oil Palm Growers Trust (KOPGT).

The project has been successful in empowering farmers, particularly through their membership of KOPGA. Together, KOPGA and KOPGT provide a range of services such as settling land disputes and supporting access to extension services and loans. The traditional gender division of labour has been broken; women now have access to farm assets and new income-generating activities and are taking on leadership roles in farmer groups (IFAD, 2012).

Sierra Leone: The importance of informal institutions and relationships

When, in February 2004, the Government of Sierra Leone passed the Local Government Act to support devolution, certain functions were transferred to local councils, which are important partners of IFAD-supported operations. The chiefdoms are among the most powerful institutions within local communities but their role in governance and their relationship with the councils was not made clear.

This lack of clarity resulted in continuous competition between the two parties for power and legitimacy. Unclear roles, conflict, concern over revenue and financial capability, and the limited involvement of the chiefs all hampered the smooth running of IFAD-funded interventions. A more detailed look at their relationships, interests and capacity may have uncovered ways of addressing these on-the-ground implementation roadblocks before they impacted on the project (IFAD, 2013).

² A more detailed account of lessons learned can be found in the Lessons Learned Note on strengthening institutions and organizations (2014)

Challenges

Despite IFAD's achievements in helping smallholder farmers organize themselves, the Fund's Strategic Framework 2011-2015 identifies a number of challenges that still exist in this sphere due to the constantly changing economic and social environment, and climate-related risks that have now emerged. These challenges include: weak governance, lack of financial and management capacity, underdeveloped human capital and unfavourable policy environments (IFAD, 2011).

In most developing countries, rural smallholder organizations are already in place and tend to be the entry point for many IFAD projects. Development initiatives should begin by making an assessment of these organizations and defining an approach for engaging and strengthening them. In capacity-building interventions, rather than a "one size fits all" solution, it is more useful to adopt an approach that caters more specifically to diverse contexts and takes into account the fact that different organizations might be at different stages of development.

Opportunities

The many opportunities for improving our support to SIOs cut across all IFAD interventions, from country strategic opportunities programme (COSOP) and project design to implementation and capacity-building, resulting in a need for:

- more in-depth analysis of all institutions and organizations, including those considered informal
- a systematic approach to institutional and organizational strengthening and change rather than scattered interventions limited to targeting the training of individuals
- indicators and benchmarks to monitor this change
- promotion of partnerships involving other in-country stakeholders to maximize development efforts
- more flexibility in capacity development to adapt to changing circumstances and specific contexts.

Peru: Empowering grass-roots organizations

The IFAD-supported project in the Puno-Cusco Corredor in Peru has shown that transferring public resources directly to strong rural beneficiary organizations and giving them management responsibilities increases their self-esteem and their organizational capacity so that they can make better use of resources.

The success of the project was the widespread adoption of new production techniques and an increase in both farm and off-farm productivity, which contribute to its sustainability.

IFAD's approach to strengthening smallholder institutions and organizations

IFAD's approach focuses on facilitating internal bonding within localized SIOs by helping individuals work together effectively and then supporting them as they link up their groups, eventually forming larger, more powerful and more effective associations and federations. This "graduation approach" to strengthening SIOs is critical because it can fail at any stage of the progression path.

At different phases of their evolution, organizations need different types of support. It is important to bear in mind that this is long-term work and requires flexibility and a willingness to learn from experience. A sound analytical foundation is also needed to identify the right measures for strengthening governance structures, provide leadership and management skills, change attitudes and promote inclusiveness. These attributes help to cultivate trust, cohesion and interest, which in turn enable the membership to coalesce into an operating group.

These are basic prerequisites before identifying the suitable types of organizations that projects can support, which might be CBFOs, community-based commodity organizations or CBNRMOs (Figure 3).

Therefore, in order to plan a graduation approach to implementing capacity development initiatives for smallholder organizations, design teams and field implementers need flexible, hands-on tools and guidelines to help them define the most suitable interventions and processes.



Figure 3. Key phases in strengthening grassroots organizations

The How To Do Notes

The tailored How to Do Notes series offers valuable guidelines to help practitioners analyse needs and elaborate capacity development plans during the project design and delivery process. The notes, which are briefly presented below, are interlinked and cross-referenced according to the context and the type of project addressed.

How to analyze and develop social capital of smallholder organizations

This note has been formulated to guide design and country teams in conducting an initial analysis of organizations and their capacity development needs at the project design stage. It provides a conceptual framework and practical suggestions and tools to help practitioners systematically collate and summarize information captured during design missions.

The note is divided into two main sections:

- **How to conduct an analysis of smallholder institutions and organizations.** Practitioners are advised to familiarize themselves with the context in which organizations operate and the key stakeholders involved and to build an inventory of existing SIOs, characterizing them according to their maturity (the quality of their management, leadership, governance and partnership practices). They are also invited to focus on the poverty and gender dimensions of the membership and leadership of SIOs during analysis so that group formation and strengthening can be used as a mechanism for social inclusion and empowerment.

India: Facilitating internal group bonding

IFAD's work in building social capital and the organizational capacity of poor people is demonstrated by the inclusive self-help groups (SHGs) model used to empower rural women in India. IFAD projects in India have replicated this model, starting with the Tamil Nadu Women's Development Project.

The success of the SHG movement depends chiefly on IFAD's investment in building group capacity, on pre-existing relations of affinity and on the willingness of banks to lend to SHGs, and has at times necessitated changes in regulations, policies and mindsets (IFAD, 2013).

- **How to use the information collected to elaborate a plan for capacity development.** This section provides tools and considerations to help analyse the information collected and design a capacity development plan. It also provides indicators and suggestions to track the advancement of the organizations during the capacity development process.

References to manuals, models, further reading and templates are provided for those interested in conducting a more in-depth analysis and characterization of SIOs. It is strongly recommended that practitioners use the suggested references for the start-up and implementation phases of projects. Case studies help illustrate the concepts and provide documented examples.

How to support community-based financial organizations

This note is designed to improve understanding of different types of CBFOs and the support structures they need to best serve remote poor rural communities. It describes the characteristics of sustainable CBFOs and identifies the types of services and assistance that could be provided to reinforce existing CBFOs and ensure their success. It draws attention to potential challenges that may be encountered in the development process and addresses the importance of supporting the aggregation of CBFOs as a strategy for scaling up and ensuring their sustainability.

Finally, it provides key analytical principles to consider when determining how to support CBFOs during project design and performance indicators to measure CBFOs' progress during implementation. It includes case studies to illustrate different paths a CBFO can take in the development process.

Kenya: The Central Kenya Dry Areas Project (CKDAP)

This project used merry-go-round groups as an entry point where group members collected their share of contributions and passed over the total contributions to individual members on a rotational basis. A revolving fund was established, which entailed lending accumulated shares to members on agreed terms and conditions.

Project staff used these social groups that were already in place and developed them into viable microcredit organizations. Performance was outstanding in Nyandarua District, where five locational revolving fund schemes were established and over KES 3 million (about US\$36,000) was mobilized within a span of two years.

How to strengthen community-based natural resource management organizations

This note defines the types of 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, such as promoting campaigns to secure people's land rights, facilitating resettlement after conflict or displacement, distributing land to the landless and protecting local natural resources claims.

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 the different approaches.

Morocco: Strengthening cooperatives

In 1995, more than 12 per cent of rangelands in Morocco were degraded, which threatened to jeopardize the livelihood of millions of pastoral households. IFAD supported a project that helped create 44 cooperatives involving 9,000 households in 15 rural communes.

The project had a positive impact on: the environment, by increasing yields of dry matter from 150 to 800 kg per hectare; the nomadic pastoral system, by reducing the distances traveled by herders; and animal health, by delivering health and veterinary services. Today, all new rangeland development efforts in Morocco are being implemented using this approach, which is also being adopted by other countries in the region.

How to strengthen community-based commodity organizations

This note shows how small farm enterprises (e.g. crops, livestock and fish) can be developed, organized and run by small commodity groups in rural communities using a participatory approach. The document can be referred to when starting a small farm business from scratch or to help existing groups set up and run their farm enterprises. It includes illustrative case studies and covers the process and the main

aspects of selecting appropriate group enterprise (advantages, disadvantages, risk) and for planning for its development (make estimations of costs and profitability, and input supplies; identify markets and other factors for success). It provides tools to guide a group through a feasibility study and the steps and actions needed to prepare to start a business. Finally it addresses how to build linkages between commodity-based organizations to create networks and provide better services to their members.

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 (farmers' organizations [FOs]) represent the complementary work of IFAD with SIOs. Since 2006, within the framework of the Farmers' Forum (www.ifad.org/farmer), 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 farmers' organizations 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:

- i. **Lessons learned – Farmers' organizations and markets.** The document reviews IFAD 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.
- ii. **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 farmers' organizations and markets.

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Ecuador - Upper Basin of the Canar River Rural Development Project

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