

MOBILIZING RURAL INSTITUTIONS FOR SUSTAINABLE LIVELIHOOD AND EQUITABLE DEVELOPMENT

Introductory comments by Katherine Sierra (Vice President and Head of Network, WB)

- Understanding and **improving rural institutions is critical to the 70% of poor people that live in rural areas**, and potentially also for urban dwellers
- It is a very **broad topic which is important to narrow down** :
 - Institutions as setting the “rules of the game”, formal and informal structures that affect the outcome for poor people
 - But also in the narrower sense of organizations, the **World Bank has worked with many types of institutions**, collective, public and private (farmer organizations, private-public-CSO partnerships, Community Based Organization, Self Help Groups, etc.)
 - Many types of functions, managing irrigation, supply chain, marketing, water supply, social services, dispute resolution, property rights
- On the CGIAR side, interest comes from growing recognition that rural institutions play a vital role in ensuring that research for development is relevant and effective.
 - The **CGIAR has substantial programs aimed at strengthening rural institutions**
 - Over the last decade, the CGIAR centers have generated technology, knowledge and tools, such as participatory methods, that enhance the effectiveness of institutions in providing services to farmers.
 - The Challenge now is to scale up these approaches and find other ways to strengthen rural institutions.
- The formal objectives of the workshop are:
 - To **discuss ongoing support to rural institutions**,
 - **present the latest research and initiatives** in the field,
 - **identify gaps in the existing research agenda** and;
- Propose ways to **strengthen linkages between research and development operations**
 - very grounded joint work that takes the lessons of the frustrations and successes
 - develops practical lessons learned that we can jointly support for the benefit of poor rural men and women

Introductory comments by Jiayi Zou (Executive Director, WB)

- **RIs have an important influence on the process of change**. In China where 60% population lives in rural areas, industrialization and market reform started with rural institutional changes.
- **Institutions are particularly important in the agricultural sector**, due to the particular challenges for RIs:
 - **Land** is foremost – this is an institutional issue;
 - **Conflict between family-based production and economy of scale**. Agriculture is mostly family-based but requires economies of scale to make production profitable;
 - **Maintaining traditional social fabric Vs modernization**. How to strike a balance between maintaining traditional social fabric in rural areas, and modernization required for agriculture?
 - **Government intervention Vs getting institutions right**. Agriculture sector requires intensive government intervention, even in the developed world. This is a particular challenge in developing countries: how to get institutions right, given existing market order and agricultural trade system.

Comments and Discussion after presentation of Steve McCarthy, ACDI/VOCA and Parmesh Shah, WB

Jiayi Zou (Executive Director, WB):

- **Strengthening community position in the value chain**: Mr McCarthy’s presentation gives insights into how appropriate institutional arrangement can address asymmetrical market position between small producers and big players in the international market
- Provides us with analytical framework of the 3 elements of the **value chain**
- **Adaptability and dynamism**. Mr Shah’s presentation gives us a story of how farmer’s organization can broaden to other sectors, and tells us about different models of village and district organizations for different purposes.

Questions

Regina Birner, IFPRI:

- **Power.** I would like to know about the 'political economy' implications of strengthening RIs. Changing returns to traders by empowering women producers (eg teaching them how to weigh produce) has political repercussions. How was that managed?

Eija Pehu, ARD:

- **Demand for innovation.** What drives the innovation and dynamism of the India case? Is there a role for more formal research organizations, and what is the interaction between research organizations and RIs?

Responses

Parmesh Shah, WB:

- **Co-production and strengthening community position in the value chain.** Support to small and marginal producers in the program gave rise to a new equilibrium by which community organizations and traders develop partnerships, and traders come directly to communities. At retail level, there is a short-term problem: money-lenders, traders and retailers are in collusion. But political economy has changed and political leaders want to change the situation.
- **Co-production of innovation and research.** A co-production model seeks partnerships between communities and research institutions on various research areas, and doesn't only work with government. In pesticide management, AP is developing partnerships on innovations between communities and 5 research institutions and 100 NGOs. In energy, research institutions seeking out communities as franchises (better capacity of data collection and feedback).
- **Public sector support needed initially to attract private sector.** Investment from government/Bank is needed to attract private sector investment (eg govt provides credit for research). The private sector does not work for the poor on its own, so need some investment in public good to attract private good investment.

Jiayi Zou (Executive Director, WB):

- **Need to build on farmer's own organizations.** Farmers need to get organized (Chairman Mao: 'get people organized'), but in the right way. Lesson from China: farmer's organizations under the planned economy were led by government and highly bureaucratic. Did not work on the basis of a market economy. Farmers' own organization is very important.
- **Governments have a role to play in stimulating RI changes.** RI changes won't take place automatically driven by the market. Who will invest in the poor? In most cases, the private sector is not the early mover– government needs to do something.
- **Challenge to define roles of major players in RIs.** What is the productive relationship between the farmer's organizations, private sector and government? They are the major players in RIs.

Questions and Discussion after presentations of Agrawal and Kydd

Steen Jorgensen, WB:

- **Need to clarify the definition of RIs.** 'Institutions' are 'rules of the game' as well as organizations (their formal expression). It is important to bear in mind the social, physical and bio-physical settings in which RIs operate.

Questions

Maria Amelina:

- **Need to include formal governance in the analysis.** Arun introduces more systematically the governance structures, primarily informal. Do you recognize the need to look at formal governance and formal distribution of public resources? In countries with weak governance, asymmetric information and prone to elite capture, parastatals wreak havoc.

Report on the workshop Mobilizing Rural Institutions for sustainable livelihood and equitable development- February 12 2007 – Washington DC-

Regina:

- **Role of government intervention.** Jonathan Kydd identifies economic factors that account for the absence of a model of RIs for staple food production. However the political economy also contributes: African governments have not invested anything near what Asian governments have invested in agriculture.
- **Research agenda has neglected community-based approaches.** Scholars have neglected community-based and collective action approaches in that field. What are the ideological blinders that have contributed to the fact that we don't have models?

Responses

Agrawal response:

- **Definition of RIs as rules for shaping expectations.** In IFPRI, we define institutions as rules of the game - the actual rules and practices people use to shape expectations and behaviour. In that sense we incorporate some of the informal aspects of institutional functioning.
- **How to factor context into research.** taking into account the context in which these institutions are located is the 'Achilles heel' of work on common property resources. Despite the presence of some general ideas on how institutions function and the extent to which they shape resource governance outcomes, there is a huge area of ignorance.

Kydd:

- **Achieving scale requires external intervention.** A problem of smallholder production is how to intensify food-crop production in areas with limited possibilities for remunerative cash-crops. Achieving scale will not take place by bringing together the actions of small autonomous organizations. Requires intervention by an external actor.
- **State support needed at early stage of development.** Historical evidence from South and East Asia indicates that state support is critical at an early stage of development. This is relevant to Africa. In India the challenge now is transforming policy to meet a new stage in India's development.
- **Appropriate governance arrangements.** Smallholder cash-crop production requires a partnership between large private organizations and producer organizations of small farmers, with latter in subsidiary position with limited autonomy. Countries that did best in the liberalized cotton market are those characterized by local monopolies. The attempts to have more open and competitive systems (eg in Ghana) have tended to fail.
- **Need for effective regulation.** There is a governance challenges when one recommends putting poor people under the control of larger, well-capitalised organizations. This can be packaged as a question of effective regulation, but how that is a huge challenge in poor countries.

Question from Ruth:

- **Embedded Vs imposed institutions.** Need to be careful when trying to go to scale: there is a transition between institutions that communities manage themselves, and those that are imposed from the top. Many of these, eg irrigation organizations, exist on paper, but are not embedded in the community.

Steen:

- **Focus on underlying rules of the game, not organizations.** In AP, a parastatal provides support for women's groups, but its role is not buying and selling crops but supporting communities. The Bank channels money through parastatals to do that.

Kydd:

- **Definition of appropriate institutions varies by context.** Contracts are frequently not enforced through formal mechanisms such as courts. We can design and accept contractual/institutional arrangements which relate to how things are done in that particular setting. For example, a key issue in agricultural finance is incentives/sanction to pay back. In poor countries, this is rarely court or confiscation of property – more frequently, you will not get credit next year in a situation in which access to credit is highly monopolized. In the cotton sector, area monopolies may be best to encourage private providers of services to smallholder cotton growers in sub-Saharan Africa.

Agrawal:

- Putnam would agree that it is **bridging, rather than bonding, social capital which is more likely to be associated with effective institutional performance.**

Steen:

- **Interventions to support RI development.** Investing in community organizations alone does not solve the problem. We have to invest in social infrastructure and in shift from bonding to bridging social capital. This forces us to think differently about investment versus training costs – the Bank tends to categorize training and capacity building as ‘cost’, but building a road as an investment.
- **Adapting neoclassical models.** Balancing of the coffee market was an example of limiting rent-seeking by increasing monopolies on both sides, not by increasing competition. We should be careful to check how our neoclassical approach applies to developing country.
- **Focus on social effects of RIs.** In AP, women and outcasts managed to change an exploitative situation through RIs. We need to look at social effects as well as economic effects. They can be both positive and negative (eg Bank-funded support for women’s groups in Africa provoked gender violence).

AIS

A Benchmarking Tool for Agricultural Innovation Systems

A Component of the TFESSD project

“Mobilizing Rural Institutions for Sustainable Livelihoods and Equitable Development”

- **Focus.** Interested in how the roles, actions, and interactions of multiple actors influence innovation processes and outcomes; and how these processes and outcomes are conditioned by social and economic institutions.
- The **objective** of this study is to develop a benchmarking tool for guiding investment in sustainable agricultural innovation systems; and to demonstrate the link between national-level analysis and more local-level processes of the local realities that underlie innovation processes.
- **Methodology.** Local-level innovation analysis will rely on social network analysis tools that provide both visualizations and statistical tests of key properties and interactions that characterize an innovation process. Data will be drawn from specially-designed surveys of purposively-selected respondents who relate to a given crop, trait, technology, or geographical region.

Concluding Comments

Francisco Reifschneider, Director, CGIAR

- **Adaptability.** A key question is how RIs develop – how in a short period of time, Vietnam got to be number 2 producer in the world and displaced Colombia.
- **Dynamism of cooperatives.** We need to think openly about how the space occupied by cooperatives is changing – they *are* elements of the private sector. Not surprising that there is concern in Ethiopia from private sector with the growth of cooperatives.
- **Researchable areas of key interest include:**
 - **Franchising.** How do we better manage risks by using franchising systems?
 - **Rural/urban distinction.** Can we really separate ‘rural’ institutions from ‘urban’ institutions?
 - **Cultural traditions.**
- **Definition of ‘modern’ RIs.** What is a ‘modern’ institution: one that empowers, is transparent, is agile, focuses on small producers?
- **How to create modern RIs.** We have been very efficient in dismantling rural institutions – eg extension systems. Have we been able to create modern institutions to replace the ones we dismantled? I do not think so in many countries.
- **Social dimension of creativity and innovation.** I would like the Social group to think about creative networks. Can we research this, and can we learn from the private sector? I see very little coming from the CGIAR as a whole, but also from the Social part of the CGIAR group in research.

Report on the workshop Mobilizing Rural Institutions for sustainable livelihood and equitable development- February 12 2007 – Washington DC-

Steen Jorgensen, Director, SDV, WB

- RIs are embedded in a **social-cultural context**. Need to distinguish what is generic and what is specific. RIs are carriers of long-standing cultural factors.
- **Rethinking public/private distinction**. RIs challenge our definitions of what is the private sector, what are public goods. In supporting RIs we are funding people's ability to organize so they can get better prices for their products. Also challenges our notion of what are cooperatives, and how this can change (eg Vietnam and Ethiopia)
- Need to **work across the teams to clarify terms** like social capital, collective action, ideas of enforcement, commitment, rent-seeking – make sure we stay on the same page.
- Need to **look at social outcomes** - empowerment, impacts on conflict, gender-differentiated impacts.
- Need a **mechanism for coordinating and communicating between teams across the world**. CGIAR research centers have good infrastructure for communication.