STRENGTHENING RURAL LOCAL INSTITUTIONAL CAPACITIES
FOR SUSTAINABLE LIVELIHOODS AND EQUITABLE DEVELOPMENT

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1 Introduction

In considering the contribution that rural local institutions (RLIs) can make to sustainable livelihoods (SLs), we bring together two important concerns that emerged among development practitioners in the 1980s and 1990s, respectively.

In methodological terms, our consideration is grounded in the many influences of context and also the effects of policies, laws and external interventions.

The introduction of livelihoods as a central concern in development planning and evaluation has added concreteness and urgency to government, donor and NGO efforts to reduce poverty. However, in our literature review we found less rigors in dealing with this subject than anticipated. SLs are referred to variously in the literature as an objective, a criterion, or a strategy. While there have been some systematic, analytical treatments of SLs \(^1\), for the most part SLs are referred to rather abstractly in the literature, usually in the aggregate, and lacking any systematic typology.

An important analytical element that is missing in the very fragmented literature that we have been able to review on the relationships between RLIs and SLs is some specification of what are the capabilities and functions of RLIs that can be expected – and enhanced – to increase the number, productivity and sustainability of livelihood opportunities.

1.1 Rural Local Institutions

Institutions can make it easier, cheaper and more profitable for people to invest in activities that produce more income and employment in rural areas, for themselves and/or for others. Also, local environments are needed in which such investments become attractive and profitable through service availability, personal security, and social stability.

RLIs are important for addressing and mitigating factors of insecurity and instability, dealing in particular with various aspects of vulnerability. RLIs can also support participation (voice), conflict mitigation (peace), and external linkage (market expansion). Generally they produce a variety of public goods at local levels even if focused on narrower objectives\(^2\).

Households and communities are multiply linked, or potentially linked, having many economic, social, information and other connections with distant kin, enterprises and diverse institutions within the country and often internationally.

1.2 Issues to be Considered

What kinds of institutions -- in what combinations or networks -- can make desired contributions to sustainable livelihoods and equitable development? Any generalizations need to be qualified to take account of prevailing conditions, contexts and purposes as well as factors
like authorization, empowerment, and resources. The presentation is framed to address the following issues and areas for decision-making.

Wherever there is primary production (agriculture, natural resource exploitation) and associated production of goods and services (secondary and tertiary economic activity), it is on empirical question whether the value-added that is continuously created at local levels will be invested (in effect, recycled) there to create more income and employment opportunities at those levels, or will move to district, regional, national or even international centers for investment and utilization. Predominance of ‘centrifugal’ economic and social forces over ‘centripetal’ ones will not drive and sustain broad-based development.

The transfer of value-added out of rural areas can result from location of ownership of factors of production, particularly capital but also often land, in non-rural centers. Ownership patterns are, however, only one influence. The partitioning, use and accumulation of value-added is shaped certainly by institutional arrangements and capacities at local levels.

These factors should be understood better so that, at a minimum, they will not be diminished or impaired by development projects, policies and initiatives. A better understanding of the relationships between RLIs and SLs should make it possible to take effective initiatives and make more positive contributions to local institutional arrangements and capacities.

Much of the literature on the role of RLIs in the creation of sustainable livelihoods has focused primarily on service provision. Here we consider also the broader set of functions that RLIs can perform in creating appropriate and conducive contexts for SL promotion, recognizing that indirect effects of local institutions can often be more important with more pervasive effects than more direct contributions.

There is long-standing interest in the respective value of supporting the creation of sector-specific local organizations vis-à-vis multi-purpose local organizations. This we want to assess as well as the merits of collaborating with or transforming existing local institutions, either of more contemporary or more traditional origin, in comparison to introducing new organizational forms.

Usually in any rural area there exists considerable variety of local institutions – local government bodies, civil society organizations, private sector entities, and others. At least some of these may be playing or can play positive roles in economic and social development.

The functioning of rural local organizations is often faulted for lack of internal democracy and inclusiveness, a concern of development agencies. Accordingly, we will consider in the concluding section, issues and experiences regarding the efficacy and breadth of participation in membership and in institutions’ operations, along with issues of accountability and equity of benefits. An overarching concern is how agencies can contribute most effectively to the sustainability and institutionalization of local capacities as well as to their effectiveness to enhance and maintain rural livelihoods.
It has been proposed that the theory of comparative advantage be modified to account for differences in institutional advantage. Richer countries, it is argued, have become more (or less) successful based more upon their institutional infrastructure for supporting productivity activity and for engaging in trade than upon their factor endowments.

This argument has been taken further to suggest that weak institutions deny less-developed countries the comparative advantage in trade that neo-classical economic theory assigns to them. Whereas this theory predicts and justifies a gradual decline in the importance of the agricultural sector, in the absence of appropriate institutional capacities, handling critical and increasing transactional activities, there can be a precipitous collapse of output and incomes.

While evidence that better-functioning local institutions produce more pro-poor benefits is not always conclusive -- the converse is certainly true: inadequate institutions diminish people’s lives and life chances. IFAD’s background paper (2003) on this subject emphasizes:

> Weak, ineffective, corrupt or narrowly-based institutions create uncertainty and unfairness, discourage saving and investment, and lower growth rates. If the rule of law and judicial institutions are seen as ineffective or biased and property rights are insecure, they discourage investment for land improvements. Where markets and systems of exchange and finance are inefficient and unreliable, or captured by narrow groups, they engender distrust and raise the transaction costs of economic activities, which naturally affects poor producers particularly harshly. Not only does this entrench poverty, but it also reduces economic opportunities for all, the better-off as much as the poor...

> [The poor] suffer from low productivity and poverty, not because they are without skills but because they do not have available opportunities to raise their productivity and incomes. In such countries, the best, and perhaps the only, way to accelerate the pace of growth and development is to harness their underutilized capacity by creating an institutional framework that offers them a greater voice in decision-making, and improved access to assets and to the services that can raise the productivity of these assets.

IFAD’s discussion refers to the full range of institutions that affect the well-being and productivity of rural populations, including those that are diffuse and pervasive, lacking organizational form.

**In this paper we focus on institutions that in fact have some organizational structure,** seeking to make them more amenable to introduction and improvement. These are institutions that can have leadership and purposeful direction. Those of which this cannot be said are certainly of similar importance; however, they function very differently.
2 Mapping the Conceptual Terrain

We briefly consider definitions and typologies that make the variables of concern more analytical and concrete. We start by addressing the distinction between *institutions* and *organizations*, one that is seldom addressed explicitly but that is central for anyone working with RLIs and seeking to strengthen their capacities.

2.1 Institutions and Organizations as Overlapping Sets of Phenomena

In much of the literature, the terms institution and organization are used interchangeably. Some institutions are also organizations, and vice versa, some organizations, though not all, are institutions. On the other hand, there are some institutions which are not organizations -- and some organizations that are not institutions.

**Institutions** can be usefully defined as *complexes of norms and behaviors that persist over time by serving socially valued purposes*. Institutions understood this way can function either as **organizations** -- defined as *structures of recognized and accepted roles that serve particular purposes* -- or they can be diffuse, persisting *patterns of behavior* with a normative dimension, i.e., some sense that people ought to cooperate or comply. The latter, not being structured in terms of roles, do not function on the basis of such structure, but rather they depend on norms.

*For example, Land tenure* or the more general institution of *private property* is an institution that is not an organization. There are many predictable behaviors associated with such a complex of norms, beliefs, obligations, claimed rights, etc. Concurrently, a government’s *land registry office*, if well-established and generally recognized and accepted, will have both institutional and organizational characteristics. In contrast, a small or new *surveying firm* would be an example of an organization that is not (yet?) an institution (ref. Annex A).

The focus here is on **institutions that are relevant to RLIs and that have organizational form**, as these are relatively concrete and delimited and have capacities that can be enhanced for the purpose of supporting SL creation. While we recognize that institutions without any organizational form are important in rural development, and also for SL creation, they present very different challenges for policy-making and project design and deserve separate treatment.

We thus consider organizations that are contributing or could contribute to RLIs and that could become institutionalized or more institutionalized. For organizations to acquire qualities and status that add to their institutional character makes them better able to operate effectively and sustainably on behalf of RLIs, which in turn makes them of interest here.
2.2 ‘Local’ and ‘Rural’ as Intersecting Domains

‘Local’ refers to a level or levels, while ‘rural’ refers to a sector that has both economic and geographic frames of reference.

The term local will be used to refer to three distinguishable levels of decision-making and activity – the group level, the community level, and the locality level. These three levels exist and operate above the individual and household levels -- and below the sub-district, district, provincial, national and international levels. The three intermediate ‘local’ levels – group, community and locality - are all levels:

(a) where there is or can be face-to-face interaction on an ongoing basis, and thus (b) where potential for collective action exists that can mobilize resources and solve problems that individuals and households by themselves are less able to deal with.

These features capture what is usually meant by use of the word ‘local,’ even if the term is used often inconsistently or not explicitly defined (ref. Annex C).

That there is more than one local level complicates issues of institutional design. However, it also creates more options and opportunities to tailor policies and investment to buttress institutional capacity at the most appropriate levels for decision-making and action, rather than pursue a one-size-fits-all approach. While ‘local’ refers to one or more levels of decision-making and activity, all three levels share the basic characteristics of face-to-face relationships and potential for collective action.

The term rural is generally defined operationally as referring to non-urban areas. The word offers mostly a geographic delineation, although it has also an economic reference since certain economic activities, mostly agricultural, are associated with rural areas. These boundaries are becoming more permeable and less distinct.

The increasing heterogeneity of economic activity in rural areas is one of the trends that should be understood and capitalized on for enhancing SLs. As pointed out by Ellis (2000), livelihoods particularly for the poor are more likely to be enhanced by diversification of economic activities beyond the agricultural sector than by intensifying agricultural production in today’s world.

2.3 Expanding the Analysis of Institutional Sectors

To the normal use of the concepts of public and private sectors a third, or middle, sector can be added, which has some characteristics of each of the other two sectors. We refer here to this third sector as the civic sector, following the terminology of Flora (2001). However, it could just as well be called the collective action sector, the participatory sector, the voluntary sector, or the membership sector.

In the public sector, at local levels there are organizations/institutions that are variously referred to as local administration (LA) and local government (LG). These designations can be and often are ambiguous, being applied to each other. However,
LA is an agency or arm of higher levels of government which is operating at local levels. LG represents an organization that is accountable to a local constituency through elections or some other mechanisms.

LA decision-makers refer upward to political or administrative superiors, while LG decision-makers refer downward to constituents. Both LA and LG operate with legal authority and can impose penalties or sanctions backed by governmental powers of enforcement.

In the **civic sector**, there are two categories of local organizations that can have institutional characteristics to varying extents:

- Membership organizations (MOs),
- Cooperatives.

Membership Organizations, which are constituted to advance some *common interest* of their members, function socially and politically like *companies* in the economy with *limited liability* as their members have committed only membership fees or other assets to the enterprise.

Cooperatives, on the other hand, function more like *partnerships* do in the economy, with their members *pooling resources* and having *joint liability*. The resources that cooperative members pool can be their

- Products (marketing cooperatives),
- Capital (savings cooperatives),
- Labor (labor exchanges),
- Purchasing power (consumer cooperatives or input-supply cooperatives),
- Factors of production (producer coops).

It is recognized that companies and partnerships have different incentives and dynamics in economic terms; similarly, MOs and cooperatives are different enough in their operation to justify separating them analytically, even though both have direct accountability to members/shareholders. This sets them apart from public sector institutions. These days, many MOs are referred to as *community-based organizations* (CBOs).

In the **private sector**, there are also two broad categories, namely organizations operating on:

- Not-for-profit basis, or service organizations (SOs), which includes non-governmental organizations (NGOs), private voluntary organizations (PVOs), charities, trusts, foundations, etc., which we classify together generically as
- For-profit basis, i.e., private businesses (PBs).

When SOs have a membership base to which their managers and decision-maker are accountable, they are really MOs (or cooperatives).

To the extent that the persons who receive SO services or other benefits are clients or beneficiaries, rather than members, these SOs operate much like private enterprises. They are
accountable to a board of directors or maybe even a single director, who can make any decisions they like so long as they stay within the law. Persons who are receiving or expecting benefits from SOs that are not MOs have about as much ability to control operational decisions of SOs as do the customers or investors in private for-profit businesses. Persons who do not like certain policies or products are free to go somewhere else for benefits or to invest their money elsewhere. SO beneficiaries have no right to replace an SO’s decision-makers if unhappy with its offerings or results in the way that MO or cooperative members can do when dissatisfied.

These categories of local institutions are ideal types since specific organizations/institutions can operate in a hybrid manner, having characteristics of more than one kind of institution.

- Service organizations can have some commercial activities while remaining basically not-for-profit in their operations and objectives, for example.
- Local governments can have some local administrative responsibilities on behalf of the central government while still functioning mostly as agents of local constituencies.
- Cooperatives can move beyond their economic activities to undertake advocacy and function much like a membership organization.
- NGOs in particular may be hard to categorize since they can be membership organizations which are working mostly with non-members in a charitable, non-profit mode. As discussed above, in this case they have more in common with private businesses, serving clients or beneficiaries rather than customers.

*Rural producer organizations* (RPOs) represent a hybrid category ⁸, which include a variety of RLIs that qualify as MOs or cooperatives or PBs under the above classification. RPOs have the following characteristics:

- They have emerged in different ways;
- they aim to make profits but they perform multiple functions (of which some are not profit-oriented);
- they produce and manage different types of goods;
- they can be multi-sectoral;
- they can be organized in different ways and have varying degrees of [legal] recognition;
- they may operate at both micro and macro levels; and
- they evolve over time” (p. 9).

The Rondot-Collion report offers an excellent overview of RPOs as a large and diverse category, giving a good summary of the origins and types of RPOs.⁹ We think it is useful to differentiate among types of RPOs however, as presented in Annex E.

### 2.4 Sustainable Livelihoods

In reviewing the literature on sustainable livelihoods, we found much of the thinking and writing focused on *sustainable livelihood approaches*. Three analytical elements have been identified as giving rise to livelihoods:

(a) the capabilities that people have for engaging in productive economic activity,
(b) the *activities* that produce value-added and also income or other benefits that make people’s lives more satisfactory and secure, and

c) the *assets* that underlie these activities. The latter have been delineated in terms of five different and complementary kinds of capital:

- Natural capital – constituted from soil, water, flora and fauna, minerals and other things not created by human design but rather representing a finite endowment from nature, although some may be renewable and can be nurtured or enhanced by human activity;
- Human capital – strictly speaking, overlapping with the category of ‘capabilities’ but representing the accumulated knowledge and other personal assets that people have which will make them more productive and thus better able to obtain gainful employment;
- Financial capital – reserves of money or other assets that confer purchasing power to acquire other resources for funding productive activity that can earn additional income;
- Physical capital – material assets that enhance productivity, such as equipment, tools, transportation or communication infrastructure, housing and other facilities; and
- Social capital – relationships and norms that are conducive to cooperation and sharing that give persons opportunity and security for economic and other well-being.

In light of what we have seen in our literature review, we would propose adding a sixth category: *Institutional capital* – complementing social capital, but referring to institutional capacities.

Institutional capital is important for sustainable livelihoods because people need to be protected from the vulnerability to disruption or displacement of livelihoods that is characteristic of the circumstances of the poor. While possession of the other five forms of capital can help to insulate people from the crises or vagaries which deprive them of livelihood, *institutional capital*, especially at local levels, is important for buffering or mitigating those factors that endanger or deprive people of their livelihoods (Devereau, 2001). We reiterate that institutional capital is not held or controlled by individuals or households.

2.5 Value-chain’ perspective on activities

While discussions and analyses of rural livelihoods commonly dichotomize between *agricultural* and *non-agricultural* activities, we favor a ‘that implies a *continuum* of activities from primary to secondary to tertiary. The connectedness among activities is more important than their separation. Also, there can be a multiplicity of service-sector livelihood opportunities that arise in rural areas. These depend on *value-added* being generated in various primary production activities that raise local incomes and thus boost effective local economic demand. *This interdependence among SL opportunities should never be lost sight of.*
3  Local institutional capacities and functions for supporting sustainable livelihoods

We will present here a very simple typology that maps out the important domain of RLI services and support for SL. The capacities that local institutions can have for making contributions to the creation and sustainability of SLs can be grouped in terms of four kinds of functional services and support, calling attention to a range of ways in which SLs can be promoted:

- Information
- Direct provision
- Facilitated access
- Creating favorable environments

**Information** that helps individuals and enterprises to learn about income-earning opportunities in rural areas – information about new products, new markets, new technologies, new sources of supply for inputs. Information provision is a simple, low-cost but important service needed for SLs. These include:

- Input availability – information on capital, skilled and/or unskilled labor, or raw materials.
- Alternative/appropriate technologies that could be used for more successful production.
- Market opportunities – information on kinds, places, and levels of demand for certain products or services.
- Regulations, relevant laws, and taxes governing operations, expansion, etc.

**Direct provision** of resources/services and/or opportunities that enable enterprises to establish and maintain income-earning activities in rural areas, through access to capital (credit), market facilities, skilled labor, land for constructing factories or shops, etc. These include:

- Market stalls/facilities, for sale or for lease.
- Land for building production or sales facilities; industrial estates.
- Public utilities that are reasonably priced and reliable: water, electricity.
- Credit or loans on favorable terms; loan guarantees.
- Hiring halls (or equivalent) to get quick and reliable access to labor.
- Leasing or sale of rights to natural resources, renewable or non-renewable.

**Facilitated access** to resources/services and/or opportunities that facilitate local enterprises to establish and maintain income-earning activities in rural areas, by training persons who can then provide more productive labor, introducing or supporting activities like tourism that bring potential customers into the region, managing and maintaining renewable resources like forests that constitute inputs for enterprise, etc. These include:

- Maintenance or improvement of good transportation and communication infrastructure.
Banking services for money transfer, secure savings, etc., which is different from access to loans.

Training programs that upgrade skills of local labor.

Consultancy services that give advice on business operations.

Regulation or management of renewable natural resources such as forests or fisheries to ensure adequate and continued availability of raw materials.

Advocacy with authorities on behalf of local enterprises or their sector to get favorable government action or regulations.

Pest control and disease prevention as a service to agriculture; in general, maintaining good hygiene for humans, plants and animals is ‘good for business.’

Facilitation of commerce through standardization and protection of weights and measures, through mechanisms for quality control, or through promotion of local product identities, e.g., a local appellation or trade mark for wines.

Demand stimulation, such as through promotion of tourism to bring customers to the area.

Insurance programs, or access to insurance, for crops, facilities, investments, etc.

Support for development of ‘niche’ markets for local products or services

Creating favorable environments for investment and entrepreneurship can expand enterprises which establish and maintain income-earning activities in rural areas: by improving safety and security; enriching the local cultural environment; increasing shopping, schooling and other services that make an area more desirable to live and invest in; enhancing the future prospects of an area as attractive and secure, etc. These include

- Local regulatory environment that is known, stable, and favorable for enterprises.
- Maintenance of a secure environment, ensuring personal and enterprise security.
- Protection against illegal/unwarranted interference or extractions; maintenance of the rule of law.
- Maintenance of an attractive ambience that is good for attracting and keeping employees, customers, managers, etc.
- Creation of an environment that offers apparent long-term stability and satisfaction, such that persons are well-disposed to make investments, partly because it is a desirable place to live, for the next generation as well; recreation facilities, good communication access, education and cultural facilities, skilled support services, e.g., for repairs.
- A positive ‘community spirit’ that makes a place innovative and attractive and gives it a distinctive identity.

The listing above shows the large number and variety of contributions that can be made to enterprises indirectly, or that even more indirectly benefit the process of creating value-added opportunities by making more conducive the environment in which they can be realized. Many of these latter functions can, indeed, only be provided through local institutions because they require too much local knowledge and fine-tuning to be undertaken at higher levels. Moreover, their public-goods nature makes leaving their provision just to individuals, households or enterprises unpromising, costly or simply dubious.
3.1 Capacity-Building for Rural Local Institutions

Approaches to capacity-building of RLIs for SL span a wide variety of activities, which have and can be applied depending on the context. A list of approaches is presented below in random order:

**Legal frameworks** for local economic activity: developing laws, regulations, etc. -- within the framework of national laws, regulations, etc. -- that are facilitative, encouraging and protective for local enterprises, giving security of property and investment; also making these frameworks transparent and widely known. As these require authoritative decision-making and action, these capabilities will reside with either local administration or local government.

**Enforcement capacities** for legal/governmental decisions; these may be deficient even if legal frameworks are satisfactory. These capacities are likely to be in the public sector, although MOs and SOs could participate in monitoring, reporting and evaluation activities that add to the effectiveness of whatever public-sector institutions at local (or higher) levels undertake.

**Conflict resolution** – roles, rules, precedents and procedures for resolving conflicts over contracts, property rights, labor agreements, etc. in ways that are quick, equitable and reasonably predictable; creation/maintenance of equitable, non-conflictual relations between employers and employees. This can be undertaken in any and all institutional sectors.

**Banking services** – institutions for saving, protecting and transferring money, handling currency transactions, and making loans on reasonable terms. These are usually provided in the private or public sectors, but banking can also be done through cooperatives of MOs.

**Financial management services** – access to training and advice for handling enterprise finances; could be associated with banking services, or separate. This support is often best provided by private-sector institutions, which have a more appropriate mindset than usually found in the public sector.

**Business management services** – access to training and advice for managing economic and personnel operations more broadly than just financial management. These services are also likely to be provided best from the private sector, although a good example of this support being provided by a cooperative institution in Sri Lanka is given in Box 3.

**Training** of all sorts – in particular skills that are in short supply and needed for certain economic enterprises, possibly in management of various sorts, financial, personnel, etc. Training on promising new technologies or for promising new markets is particularly useful. This is often undertaken as a public-sector contribution to income and enterprise enhancement, but any sector can do it.

**Physical facilities** – are often provided, but with uneven success. Construction of market stalls, shops for rent, industrial estates with water, electricity and other utilities, warehouses
or other buildings for storage are some examples, which could include also provision of transportation facilities. These facilities and associated services are usually public-sector, but they can be provided by for-profit enterprises if sufficient fees/prices can be charged.

**Utilities** are commonly provided as a stimulus for economic activity, particularly electricity and piped water, being generally available rather than located just in designated development areas. These are usually public-sector services, although privatization is increasingly promoted. Waste removal as more than a public utility was considered in Box 1.

**Information-rich environment** – special efforts to make information relevant to local economic enterprise widely available. This raises the issue of the general provision of facilities, incentives, etc. vs. targeted provision. The latter creates stronger incentives because it confers some market advantage to a few individuals or enterprises, but this is less likely to result in the most efficient operations or greatest aggregate SL impact.

**Venues for information/experience sharing** – institutions like chambers of commerce or commodity-oriented organizations could promote investment and expansion by reducing uncertainty and by giving encouragement. These are often collective-action sector initiatives although public and private sector participation is important in these for wide coverage.

**Intellectual property rights** – develop local expertise on these issues so that enterprises can be advised on how to keep these from being constraining and how to use them to support new activities. This is a new area of expertise that is being developed.

**Credit/micro-credit** – either direct provision of capital or facilitation of access to capital; possibly mobilization and provision of venture capital. This is the area of greatest RLI growth for SL promotion in recent years, thanks to the example of Grameen Bank in Bangladesh.

**Facilitation of commerce** – monitoring and certification of weights and measures; inspection of goods and monitoring of services to ensure quality control which makes penetrating other markets easier. This has often been a public sector function (local administration or local government), but it can be a collective-action or a private-sector initiative.

**Public goods** – assurance of public safety; maintenance of attractive environments for shopping or otherwise transacting business; good signage; promotion of positive image of locality in minds beyond the locality; promotion of positive morale and self-image in locality; creation of cultural, social and ethical climate of cooperation, innovation, and public service. These are usually public-sector responsibilities, but certain public goods can be provided effectively through collective action or private activity.

**Local leadership** for economic activity – along with the promotion of business- and commerce-friendly public goods, the undertaking of ‘bridge-building’ relationships and partnerships across and within sectors, both within the locality and outside. This can come from any, and preferably all, of the three institutional sectors.
**Fostering of horizontal and vertical linkages** that reduce transaction costs, facilitate the aggregation of larger volumes of resources, the entering and penetration of new/other markets. This is related to local leadership, but it involves more than this. It requires the forging of a shared vision of market integration and cooperation for economic development that becomes part of local culture and expectations. By its nature, this process needs to involve institutional participation from all three sectors.

These are all important in their respective ways, with many little-considered in policy or planning processes.

### 3.2 Value-Added Retention and Investment

Availability of financial capital is one of the central factors in the process of increasing SL.

If production has been achieved with local factors of production, local residents control the income and profits resulting from economic activity. If communities and localities are attractive places to reinvest capital, there will be an expansion of economic activity and livelihood creation. The same effect can result even when many or most factors of production are owned outside the community or locality if, in response to economic incentives, favorable local conditions, and good prospects for future growth, there is reason for outsiders to reinvest in the area where new resources are being produced.

**Local ownership of the means of production is thus an important -- but not the only -- condition for dynamic rural economies.** However, even if most local resources are locally owned, in the absence of functions and services, local controllers of investment capital may prefer to utilize it in other locations.

### 3.3 Vulnerability

How can RLIs address, in flexible and effective ways, the needs of individuals and households who are victimized by the precariousness of living in poverty, enabling them to restart income streams or to start new ones? Unfortunately, the literature mostly focuses on ‘safety net’ functions. Most of what documentation there is shows income, jobs and credit coming to the poor usually through family or kinship institutions that do not come under our heading of RLIs.

RLIs can play important roles in countering the vulnerability that is so endemic in the life experiences of poor individuals and households. There are many ways in which RLIs can provide ‘safety nets’ to mitigate the consequences of job loss and income interruption, although some of the institutions involved are without organizational foundation. For example,

- tithing to accumulate funds to support the poor,
- norms providing access to common property in times of distress,
- obligations for making interest-free loans to relatives and acquaintances in need,
- exemption of the poor from certain tax or other impositions.
4 Changing opportunities for rural local institutions as related to sustainable livelihoods

4.1 Migration

Already 25-30 years ago there was substantial migration between rural and urban areas, or often seasonal migration that made communities into open rather than closed systems. Now most rural households are affected indirectly if not directly by migration: the absence of family members, the inflow of remittances, disruption of marriage patterns, changing status and other relations in the village, etc.

Local organizations of migrants are not a new phenomenon. They have been reported from West Africa for at least 50 years, where person who had left their ‘ancestral villages,’ would meet periodically when they returned, would remit funds for village improvements like schools and water supplies, and often play a role in trying to modernize their home communities. Also, the increasing number of returned migrants has an impact on how well and how ambitiously other local institutions function.

A number of developing countries including Brazil, Mexico, India and Philippines offer incentives to attract remittance transfers into in-country savings accounts and investment funds. These countries have set up migrant pension plans, offer preferential loans or grants for business ventures using remittances, and provide access to capital for recent returnees. As a result, they are reaping economic development rewards from having a large pool of citizens living abroad.

Even without official facilitation, remittances to Africa find their way deep into rural areas where the money may send a child to school, build a house, or buy food for those remaining at home. Associations of migrants formed by expatriates in the countries that are the source of remittances to developing countries have helped build up infrastructure.

Increased movement of people has blurred the line between ‘urban’ and ‘rural’ which was previously a matter of culture as much as geography. Rural areas as a result of migration, as well as of globalization and technological changes are increasingly engaged in ‘the world culture’ which is shaped by clothing styles, sports heroes, pop music, career aspirations and other symbols and ideas shared widely. Previous satisfaction derived from the uniqueness of local history and culture is superseded in many communities and localities by desires to partake of material benefits and ‘modern’ characteristics. This can give impetus to reduced commitment by rural residents to the maintenance and performance of their local institutions, particularly those rooted in traditional values and roles (Baumgartner and Hogger, 2004). This could weaken RLIs. On the other hand, there can be offsetting motivations resulting from migration to make local situations more productive and more progressive. Migration is an important but not deterministic factor.
4.2 Communication technology

The most evident and widespread example is the introduction of cell phones and other modern communication technologies. Internet and worldwide web access are spreading similarly, with even more possibilities for changing horizons and behavior.

Having access to real-time communication provided conveniently and relatively low cost, changes not just village life but also the capacities for RLIs to engage in or promote enterprise. While this connectivity can perpetuate and reinforce male dominance in certain indigenous rural households, it also can give leadership of RLIs access to information and funds not previously available.

Satellite dish, video and DVD technologies have further transformed rural access to information and images of the ‘outside world.’ Digital cameras and video cams have made visual communication possible that was hardly dreamed of 25 years ago. While the impacts of these technologies have not been greatest for RLIs, they have changed the environment in which rural residents relate to and participate in RLIs. They create possibilities for documenting and publicizing malfeasance by RLI leaders or local businessmen that begins righting historic power imbalances.

4.3 Globalization

Globalization in terms of trans-national movement of goods, services, resources and information is affecting, in ways both positive and negative, the contexts of rural institutions and livelihood creation. Two other aspects of this larger pattern are capital movement (paralleling the movement of labor) and market expansion, incorporating more and more persons, farms and enterprises into a world economy.

Price relationships are subject to supply and/or demand fluctuations from sellers or buyers outside of the locality. People’s allegiances and aspirations are less fixed locally and more attuned to external factors and opportunities. This can have adverse effects on local senses of solidarity (although these may not have been terribly strong previously). In as far as there is a disposition to resist adverse effects, local solidarity can be enhanced, as when people pull together in the face of a common threat.

Participation in a more globalized economy requires a more developed ‘transactions infrastructure’ to deal with the kind of integrated supply chains discussed below. This involves not only physical infrastructure for transportation and communication but also organizational and managerial capacities. Weakness in institutional capacities can lead to exclusion from the opportunities potentially opened up by globalized markets.

There is no basis in the literature for generalizations about how globalization, itself a multi-stranded phenomenon and not homogeneous, will affect RLIs one way or another. What can and should be said is that RLIs must function in a very different environment now than previously because of the many strands of what is referred to as ‘globalization.’ Some strands may tie down and even strangle, while others are a tow line or even an upward rope to be climbed.
4.4 Education
Due to a large increase in educational opportunity and in the acquisition of literacy and at least basic education the populations from which the membership and constituents of RLIs are drawn have ever more access to knowledge about the world around them. This also means that the skills and capacities of persons in and around RLIs are becoming greater.

Legitimate concerns can be voiced about the quality of education provided. But overall, rural populations have become more knowledgeable and articulate, better able to make demands on RLIs, and also better able to make them perform more competently. Thinking about and expectations of RLIs should reflect this current reality of more educated and capable local populations.

4.5 New Institutional Arrangements

4.5.1 Contract farming or out-grower schemes
While independent producers are still most common, the relationship that many have with markets has been modified by the introduction of contract farming or out-grower schemes.

These bring a new set of private-sector actors into the agricultural sector that can cooperate with or be in competition with LA, LG or cooperatives. The terms on which contracts or payments are negotiated will affect what impact these new arrangements have on people’s livelihoods and on equitable development. Consideration of RLIs and their contribution to SLs needs to include these institutional forms also with new forms of coordination and negotiation among them.

4.5.2 Retailer-dominated supply chains
A more recent development, making contract farming more tightly managed, is the rise of retailer-dominated supply chains. The backward linkages being established by supermarkets in Asia, Africa and Latin America have enormous requirements for information, capital requirements, and the governance and management of supply systems which are both introducing new institutional arrangements and depreciating others. Thus the demand side is becoming more structured institutionally.

4.5.3 Public Sector Roles and Capacities
Another trend over the past 20-25 years has been declining scope and capacity of public sector institutions, due to relatively diminished fiscal resources and lowered public confidence in and esteem for ‘government.’ These effects have reinforced one another. It was prompted in large part by a conviction that ‘the market’ could provide more optimal solutions and contribute better to development than ‘the state.’ The pendulum of opinion has been swinging back toward a more favorable view of the public sector, but state institutions are unlikely ever to enjoy again the preeminent status they had during much of the previous century.
Although rural local institutions can escape the opprobrium of ‘big government,’ they are affected by the strained financial circumstances of central governments which otherwise could be more supportive.

With scaled-back expectations for what national government can and should do, there may be now something of a revival of interest in what local governments (LG) can and should undertake\textsuperscript{23}.

For decades, LGs have been regarded as a kind of ‘stepchild,’ not enjoying respect or resources, with authority more nominal than functional. They have had innumerable responsibilities delegated but without funding, personnel or expertise to handle them properly, tainted by mixed reputations for corruption and lack of competence. But as the limitations of current national government capacities become ever clearer, there seems to be a renewed interest in strengthening and supporting LG bodies, not as sole actors but as part of the institutional framework for governance at local levels.

When thinking about RLIs at present, the most tenable position is to support a mix and balance among sectors with a concern for strengthening local government in conjunction with private-sector and civil-sector institutions.

### 4.5.4 Civil Society Institutions and Capacities

Another important change over the past is the burgeoning of civil-society institutions. Whether these qualify as institutions or organizations, their effect has been to give large numbers of the public greater ability and confidence to speak up and to speak out in ways not possible with only public-sector and private-sector entities dominating the institutional landscape.

The place and role of NGOs continues to be debated. One view is that they are grassroots organizations (more likely SOs than MOs) devised to solve local problems\textsuperscript{24}; alternatively, they may be viewed as opportunistic, donor-driven and ineffective institutions with little grassroots representation, created and controlled by local elites.

In our analysis, we consider NGOs as operating in the private sector parallel with private businesses, rather than in a middle sector with cooperatives and membership organizations because of differences in mechanisms for accountability.

An NGO that operates as an MO has different controls and responsibility than one functioning as a charitable organization (SO). We propose this distinction (or classification) to highlight issues of accountability.

*Civil society* includes MOs and cooperatives, SOs and private businesses, who all are important participants in what can be broadly understood as ‘civil society.’ Civil society be comprehended in terms of a *continuum* between citizens and state rather than in terms of fixed, mutually-exclusive categories.

Civil society initiatives appear to be more effective where supportive cultural and historical roots exist\textsuperscript{25}. 

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\textsuperscript{23} Eshetu (1997), p. 26

\textsuperscript{24} Eshetu (1997), p. 28

\textsuperscript{25} Eshetu (1997), p. 32
Another proposition put forward is less general but worth considering, that civil-society institutions can improve rural livelihoods by bargaining or negotiating on behalf of disadvantaged groups (migrants, unorganized agricultural laborers, ethnic minorities, etc.) or by helping them to organize themselves to represent their interests and meet their needs more effectively\textsuperscript{26}.

It is becoming more common in developing countries for NGOs (national, local or international) to engage in efforts to improve the wages, prices or living conditions of marginalized populations or to get their legal rights recognized and assured\textsuperscript{27}.

The livelihoods of poor households are often wretched not because these persons are compensated minimally because market forces that reflect disparities between that supply of labor and the demand for it yield little remuneration, especially when poor providers are unorganized and unrepresented politically. Often, poverty is indelible because existing laws regarding minimum wages or acceptable working conditions are not enforced. NGOs can pressure the authorities for proper implementation, or they can facilitate people’s organization to improve their \textit{bargaining power}\textsuperscript{28}.

Helping improve remuneration of the poor by bolstering their bargaining power is one of the most important contributions that MOs, SOs and other RLIs can contribute to sustainable livelihoods.

\subsection*{4.5.5 Environmental Problems}

Another consideration to keep in mind when thinking about RLIs is the accelerated and more widespread environmental degradation that can now be found in many rural areas.

Any consideration of how RLIs can contribute to SLs now has to take account of the \textit{natural resource base}. Many new organizations or networks of institutions have been springing up in response to the need for more and better natural resource management (NRM), and existing institutions are increasingly taking on NRM functions\textsuperscript{29}.

RLIs are already contributing to better NRM, but they could contribute more, in areas such as the preservation of hydrological cycles, an urgent task in many localities; forest protection; marine protection; and biodiversity conservation.

Here we want to flag its importance as a widespread issue for RLIs that are expected to enhance SLs. Livelihoods cannot promoted or sustained in many areas unless pressures diminishing ecosystem integrity and natural resources are countered.

\subsection*{4.5.6 Gender and Family Relations}

In looking at membership in RLIs, a family or household perspective should be taken rather than look just at individual members. Indeed, when male household heads hold formal membership, there are often informal ways in which the household is nevertheless the unit of de facto
participant, with women’s interests and ideas given expression by culturally acceptable indirect methods. Gender considerations need to be fundamental and pervasive in any thinking about RLIs and evaluation there of.

Gender as a factor needs to be understood and acted upon within a family context, not just in terms of the male-female dichotomy. IFAD from evaluation profiles reports that women in particular are often “dynamic organizers and participants in grass-roots organizations and are effective at initiating and sustaining local self-help initiatives” (IFAD, 2003). This particular reference cited evidence from Vietnam, but this comment is found many times in the literature. Women’s motivations are often compelling for making RLI initiatives successful. Hence the inclusion of women in RLI membership and positions of responsibility should be a matter of general concern.

Sometimes the best strategy will be to create or support same-sex organizations in situations where gender discrimination and stereotyping is very strong. However, the bulk of experience reflected in the literature suggests that efforts to establish and/or operate both-sex organizations are likely to have the most positive effect upon women’s livelihoods over time, undermining historic derogations of women’s capacities and denials of their need for equal opportunity.

The participation of youth in RLIs must be highligthed. Most developing countries have social norms and cultural preferences (prejudices) that favor age over youth. The effect is sometimes to subordinate young people to their elders, and often to alienate and exclude them from meaningful roles in local institutions. With the spread of education, technology, communication, globalization and opportunities for migration, this creates a very dire situation for rural areas and their institutions. When young people, especially those with leadership propensities and with talent, energy and ambition, are denied status and responsibilities in local institutions, they are more likely to opt for the ‘exit’ strategy.

4.5.7 Conflict and Post-Conflict Situations and Effects of Natural Disasters

Warfare and other forms of conflict have beset rural sectors from time immemorial, but in recent years there have been a succession of situations with large-scale disruption. RLIs are some of the first casualties of conflict, and their reconstitution is one of the most critical steps in post-conflict rehabilitation, largely ignored.

The need for generation and expansion of SLs is probably most acute in conflict and post-conflict situations. We found little literature on this subject.

Thinking about RLI-SL relationships should be expanded to consider out-of-the-ordinary circumstances.

Efforts to create or modify structures and programs need to keep this changefulness in mind, not assuming that there is some ‘optimal’ design that will be of permanent utility.
5 Approaches to Rural Local Institutional Capacity Development

The understandings that we have from previous empirical work appear, from this current review, to be quite robust, so they are summarized in this section with a focus on the issues highlighted in our terms of reference, to address lessons to date from experience with:

- Creation of dedicated, sector-specific local organizations;
- Creation of multi-purpose local organizations which included services relevant to rural livelihoods;
- Collaboration with or transforming local organizations created for a specific purpose or single sector into other livelihoods-related services; and
- Collaboration with or transforming pre-existing socially-embedded local institutions to sustain or enhance rural livelihoods.

5.1 Working with Sector-Specific vs. Multi-Functional Organizations

The first two considerations can best be considered together, and by starting with a broad observation.

The impetus for organization throughout history has been problem-solving, seeking to solve problems through collective action that could not be remedied -- as quickly, as well, as easily, or as cost-effectively – by individual decision-making and action. Organization for its own sake has been a non-starter as there are costs associated with organization that must exceed the benefits to justify continuation.

It is essential whether the purposes for which the LO was initiated were of high priority for local people. It is less important whether the organization is self-made or started up with the help of ‘catalysts’ e.g., from central government.

A study in 1984 (Uphoff) found that many if not all of the more successful, multi-functional organizations had started as single-functional organizations, focused on an agreed priority need. If and when they were able to deal with that problem effectively, members used the organizational capacity that they had acquired to enable themselves to deal with more and more problems.

This validates the concept of organizational capacity as something that can be developed and is fungible. Core elements of such capacity are the establishment of roles, accompanied by rules, precedents and procedures, for:

- Decision-making, including planning and evaluation,
- Resource mobilization and management,
- Communication and coordination, and
- Conflict resolution
The question of ‘how many sectors?’ should be reframed in terms of ‘what capacities are being developed, in what manner and how effectively and how can they be developed and extended?’ Whether a single-sector local structure or a multi-sectoral one should be designed asks the wrong question.

While multi-functional organizations are in general more effective, this result has many roots. Such LOs are meeting more and more varied needs, so they become more indispensable to the people whose cooperation and support is needed to make them successful. By disposing of more resources in total, they have more ability to withstand shocks. Learning from one area can inform and improve operations in other areas of activity.

The message for donor agencies like the World Bank that emerges from this analysis, supported by field experience, suggests taking a dynamic view, rather than a design perspective.

‘Supply-side’ approaches have lost support in favor of ‘demand-led’ strategies in other areas of development theory and practice; similarly, the latter should gain support in this area of local institutional development.

Rather than try to decide on strategy unilaterally, donor projects and agencies are well-advised to consult with local communities and their representatives on how local capacities can best be developed and/or strengthened. And as discussed below, introducing new capacities may not be the most promising approach.

The question of ownership must also be addressed clearly and resolved in favor of communities. In any project, whether initiated by a government, NGO or donor agency, there is a tendency for any new organizations associated with it to be regarded – by the community and by the outside agency – as ‘belonging’ to the project, rather than to the community (or to resource-users if the organization functions at the group level, e.g., a water user association or a forest user organization). If the organization is understood by everyone to ‘belong’ to local residents, they should be deciding how many and which functions the organizational capacity will be used for.

Government or donor agencies tend to take initiatives that are sectoral because of their budgetary situation and organizational mandates. NGOs tend to be more multi-sectoral in their approach because of their more holistic objectives, but even so, they often start with very specific functions.

What is needed for broad-spread, equitable and sustainable development is an effective ensemble of RLIs across the three institutional sectors.

This consideration is another reason why the question of single- vs. multi-sectoral organizations in either-or terms is not very helpful.

What is seen from evaluation of the most successful rural development initiatives is how often and effectively they start with an initial activity that has high salience to rural people, but then as their organizational capacity (5.6) grows, they diversify into many other functions and sectors.
Annex F presents a table which show how capacities developed for collective action in one sector can be used for meeting needs in other sectors. This reflects organizations proceeding in a demand-led manner, not being preoccupied with the supply of certain goods and services. While these need to be provided efficiently and correctly, the key element is being responsive to demands, not just from ‘the market’ but from members and others.

The record of outside agencies promoting such expansion of the work of single-purpose organizations to embrace multiple is not encouraging, in contrast to the experience of organizations themselves, in response to members’ and community residents’ needs, enlarging their domain of institutional performance. Although such enlargement is not widespread, it is quite feasible and can be very successful.

The issue of sector specificity vs. multiplicity often gets confounded with the question of levels of organization.

It has been well-documented that the most successful rural development efforts, which would include SL creation, have been associated with systems of organization that are multi-tiered, with horizontal linkage and cooperation among similar organizations at the same level (and often with other organizations at the same level) co-existing and co-evolving with vertical linkage between levels, lower and higher.

When the combination of vertical and horizontal linkages was evaluated, we found clear advantages reflected from having both together, with horizontal linkage – meaning communication and cooperation among organizations at the same level – having the more powerful effect. This is consistent with the effect we found in this literature review, but not in a quantified or quantifiable form, that generation of SLs was most benefited by having active and effective networks of RLIs.

5.2 Working with Pre-Existing Organizations vs. Introducing New Organizations

Whereas the burden of proof used to be assumed to rest with those who proposed working with pre-existing local organizations in preference to new organization designed by development experts, the presumption now has been largely reversed. There have been enough failures of the newly introduced organizations that the cost and time required may be hard to justify.

This does not automatically mean, however, that any and all preexisting organizations are good candidates for involvement in development initiatives. They offer the advantage to development programs of being in place – hence probably quick start-up, and relatively lower costs. The roles, rules, precedents and procedures for decision-making, resource mobilization and management, communication and coordination, and conflict resolution are familiar and legitimated in local people’s minds.

There is no assurance that preexisting organizations will be found in every situation where development initiative is intended. On the other hand, in some of the most successful cases, there was a direct cooptation of existing organizations.
The conclusion from our earlier assessment of this question still looks very tenable: that before deciding on the establishment of new local organizations, the existing institutional ‘landscape’ should be carefully surveyed and evaluated, with a burden of proof on those who would circumvent or bypass existing social organizational arrangements.

It is also supported by a World Bank working paper that concluded: “The key failure [in donor strategies for local organization] is to attempt to move too rapidly to the choice of a single organization. Not enough time is spent in exploring and weighing alternatives and having those who will have a role in implementing the final choice themselves suggest alternatives” (Smith et al., 1980: 38).

There is an understandable concern from outside that existing institutions may be very ‘conservative’ and will not embrace and accelerate changes in the status quo which outside agencies aim to alter. However, it is evident that unless a desire for change is shared by local residents, and particularly by local leaders, it will come to naught.

For successful local institutional initiative, choice of problem is thus probably more important than choice of channel, and rather than try then to design a ‘blueprint’ to deal with the problem, whatever it is, agencies are advised to deal with it in a ‘learning process’ mode.

However, it is also important to assess whether existing institutions will contribute to the equitable outcomes we expect development efforts to accomplish and whether they will be inclusive or excluding in their membership and benefit structure.

Many existing organizations can be faulted as vehicles for development for their being controlled by and serving minorities rather than the majority, or in many cases of majority rule, they may exclude disadvantaged minorities from benefiting from program outcomes. New institutional channels may sometimes be justified because the existing ones are not open or sympathetic to sections of the local population currently disadvantaged and marginalized.

A related concern is whether existing organizational vehicles are particularly politicized or beholden to partisan special interests that favor only part of the population or are protective and even supportive of corrupt practices that are not legally or ethically acceptable.

### 5.3 User groups

For example, the introduction of user groups into an Integrated Rural Development Project being designed for the Rapti Zone of Nepal was intended to provide opportunities for active local participation in natural resource management -- under the auspices of the relatively corrupt and ineffective LG (panchayat) system at the time, but without subordination of groups to the control of local politicians. Within user groups, even chairpersons of LG units were considered as users along with everyone else.

This introduced ‘new’ organizations into rural areas, linked with but really in preference to existing LG organizations; however, as the new ones operated very informally, they drew on
indigenous concepts of social responsibility, norms for leadership selection, etc. So whether they should be considered new or preexisting was ambiguous.

This strategy for local institutional development provided a way for persons dependent on resources such as water or forests to work together in a consensual and essentially equitable way, working out rules of access and means for sharing costs and benefits. There is considerable implicit legitimacy in ‘users managing their own resources.’ This enabled rural people to limit the intrusion and influence of powerful actors into community resource management.

The link from the Rapti Zone initiative to developing a national network of forest user groups that now has over 5 million members (Britt, 2003) was not direct. But the legacy of user groups in Nepal and other South Asian countries is very positive for participatory rural development.

We have seen from personal experience how new organizations that build on preexisting thinking and practices can, quite quickly, establish new norms and behavior that become institutionalized with socially-desired performance.51

Where there are preexisting social organizations with precedents for authoritatively managing natural resources, as in the case of the Borana communities in Ethiopia reported on in Box 6, there are good reasons to work with them, shoring up their status and legitimacy.

Where there are debatable practices such as gender discrimination or unequal access to resources based on age or caste, these can often be discussed. Elders in the contemporary world know that social and economic (and therefore also political) relationships are changing. If they are going to preserve ethnic identities and integrity, some accommodations need to be made. The point is to engage in discussions, as suggested in 5.21 by Smith et al. (1980).

There are many other issues that could be discussed under the heading of ‘approaches’ to RLI capacity development, but most can be best understood and addressed under the broad heading of participatory approaches, which imply that people in rural area, acting at different levels of decision-making, are regarded as partners rather than as beneficiaries. The institutions of interest need to be regarded by everyone -- especially staff and representatives of donor agencies -- as belonging to the members or the communities from which they are constituted.
6 Contexts of Rural Local Institutional Capacity Development

The topic of environmental factors influencing rural local institutions’ performance is a broad one, and would warrant a separate study.

Certainly the setting in which RLIs introduction and strengthening is undertaken, like the functioning of RLIs themselves, will have some influence on the degree of success in these endeavors. But the influences on institutions from their environment are not uniform or often predictable. Environmental factors can be an impetus for the creation and maintenance of RLIs. They have an influence on the frequency and degree of success, and also certainly on the costs of attaining goals. But they are not determinants of RLI outcomes.

How persons – e.g., members, voters, taxpayers, contributors, clients, employees, etc. - responsible for institutional operation and others interacting with an institution respond to environmental factors appears more determinant than the factors themselves.

This does not mean that environmental factors are unimportant, but that they are not consistent enough to register statistically significant effects.

While favorable outcomes were often associated with favorable conditions, there were enough cases where desirable results were produced in an unfavorable setting, because of innovative or simply persistent efforts, that no strong overall relationship was observed.

There is no assurance that success will be obtained by particular efforts, or that such efforts will be made. But the existence of obstacles or difficulties can itself evoke initiatives to circumvent or eliminate them.

We are reminded of the argument made by the development economist/philosopher Albert Hirschman after observing a number of World Bank projects (1994) that ‘problem-solving’ is the essence of development.

6.1 Effects of Physical and Economic Environments

There are many aspects of rural physical environments that can have some impact on the viability and effectiveness of RLIs. Important aspects are

- Climate
- Rainfall distribution and reliability
- Seasonality
- Soil fertility
- Population density
- Geographic topography

However, these appear less determinant that might be surmised.
In rural areas, one pervasive influence is the climate and its accompanying effects on soil fertility. Extreme rainfall patterns – too much or too little – set definite limits on agricultural productivity; but farming systems have usually adapted already to these parameters, as has population density.

The distribution of rainfall over time has as much effect as total annual amounts; and the reliability of rainfall patterns is crucial, affecting whether farmers can count on precipitation for their crops and livestock. Patterns appear to be changing in many parts of the world. Still, for the most part RLIs are expected to deal with these factors rather than be shaped by them.

The adverse effects of seasonality often need to be taken account of, but they can be counterbalanced by adjustments in schedules, communication innovations, etc. The adverse effects of climate on RLIs are often more indirect than direct, since they affect levels of local income from which funding for institutional operations must be mobilized. Compensatory allocations of financing from higher levels can offset this constraint, however; so this need not be an insuperable barrier to RLI performance in adverse settings.

A concomitant of adverse climate and poor soil fertility is lower population density which reduces the amount of human resources that RLIs can draw on. With lower density there can be higher costs of involving and serving more dispersed populations, often made worse by topographical impedance.

How much RLIs can do, and at what cost, will certainly be affected by density, much as is true for geographic topography. Mountainous terrain or separated and frequently flooded delta areas, however, make not only RLIs but also the daily tasks of life more difficult. The quality of RLI participation and services can be high with such impediments since with the more evident need for cooperation under adverse circumstances, there can be compensating higher degrees of solidarity. An effective ‘response’ to ‘challenge’ is not guaranteed; but in human communities, action (‘voice’) is an option to acquiescence (‘loyalty’).

Wherever adverse physical conditions make life itself difficult, there will be more constraints on the functioning of RLIs. Certainly some extreme conditions can make individual efforts and outside investment in RLIs unfruitful. But under adverse conditions, the unit-value of services, protection, social intercourse and other benefits from collective action will be accordingly higher (much as the value of potable water per liter is much greater in an arid area compared to a humid one). This higher value of services, etc. can justify people’s bearing more costs for RLI operation -- and can warrant external agencies investing more in their provision.

Like physical factors, material influences of economic productivity and wealth are important to consider, but not in a deterministic way. They set some parameters such as resource availability and cost, but persons can decide to undertake collective action even in the face of adversity (or maybe because of adversity). There was a slight, but non-significant association between per capita income levels and local organizational success, but in statistical terms, the former would not explain more than 1% of the variance in the latter. Resource endowment as an independent variable had a slightly negative coefficient, but of trivial magnitude and significance.
6.2 Effects of Social and Cultural Environments

Perhaps unsurprisingly, social and cultural factors made a stronger showing in our 1984 published analysis than physical and economic ones as predictors of local organizational success.

Measures for social heterogeneity, social stratification and community norms (toward egalitarian outcomes and people’s participation) achieved statistical significance (footnote 5) but without much predictive power. Stratification and heterogeneity, it turned out, were not barriers to collective action as might have been expected from much of the social science literature.\(^{54}\)

Precedents and evident examples of collective action, provided they lead to success, can create a perceptual environment in which people expect that working together will produce desired results. Also, norms such as leadership integrity can become established, making it easier for all kinds of RLIs to function better.

Logically, there should be some environments that are more favorable to RLI success than others. However, there are many paradoxes in development (Hirschman, 1994), and in situations that are adverse, there can be incentives that motivate people to work harder, be more persistent, to be innovative, to take risks that produce desirable results.\(^{55}\)

This suggests that \textit{probabilities for success may turn on how RLI capacity building/strengthening is undertaken}. Adverse conditions are a reason for more care, caution and even pessimism, but they should not be regarded as grounds for not avoiding efforts (Box 7).

Contextual analysis and evaluation will not be as useful for predicting \textit{whether} to make investments as for planning \textit{how} to design RLI efforts, trying to devise the most appropriate strategies and estimating requirements of time and resources. Ironically but fortunately, where environmental conditions are the most unfavorable, the need for RLI development is likely to be greatest. This means that the payoffs from investment in institutional capacities should be commensurately greater in terms of human welfare and productivity.

Using one standard average value to assess the returns to investment in all locations is quite inappropriate if one is trying to maximize human well-being subject to resource constraints. It would be very desirable to have better data and theory for guiding RLI investment decisions. But as suggested above, this would better inform decisions on \textit{how} rather than \textit{whether}.

There will be some environments where certain kinds of institutions will have a very difficult time functioning, such as ‘revolving funds’ where there are few norms of solidarity, for example, or where loyalty to family interests trumps obligations to persons outside one’s family. But in such environments, one might constitute Grameen Bank-type borrowing groups along familial lines rather than without kinship considerations.

6.3 Effects of Political and Policy Environments

Throughout the literature, there are many references to the influences of political support or interference, for good or for bad, for the functioning of rural local institutions, and to the importance of the policy environment in general.
While ‘political support’ could be very positive, rural development benefits were achieved by local action in the face of political opposition or indifference so that statistically, no consistent effect was observed. This does not mean that positive support from government or political actors is unimportant or to be avoided. Common sense as well as many positive examples suggest that it should be sought. But the overall conclusion is that it is not a sine qua non.

It is possible that limitations in the political and policy environment, at least in the short run, can be offset or overcome by utilizing strengths in rural communities’ social and cultural endowments. But this kind of compensatory effort cannot succeed if there are countervailing political/policy influences.

Policy/governance institutions, especially those addressing property rights, land tenure, and access to credit, set limits on what local institutions can do, particularly traditional or familial institutions. So this combination may not be an easy or compatible one.

However, supportive policy/governance institutions can have positive effects on what RLIs can accomplish. Various local improvements, which government agencies might otherwise have had to fund themselves, could be achieved at little or no opportunity cost to higher-level institutions. Working out compatible relationships between higher level and local level institutions is usually worth the effort.

By way of concluding this section, we put forward the proposition that environmental influences may not in themselves be as important as the responses that these varied factors evoke or induce from various decision-makers and actors – and then exacerbate or mitigate.

Certainly factors like population density, literacy or illiteracy, ethnic differentiation, and traditions of active, bottom-up political participation will affect basic operational matters like transaction costs or the need for conflict resolution which influence the attractiveness and viability of RLIs.

It is recommended to increase efforts to trace out links between environmental factors and RLI performance, recognizing what IFAD (2003) refers to as the ‘context specificity of transformation.’

However, this knowledge is more relevant to planning and implementation decisions on how to make RLIs work more effectively than to whether to make efforts to have more effective RLIs.

Questions of design (which outside agencies should not attempt to resolve by themselves) should take account of both positive and negative influences from the multiple environments that bear on RLIs, adjusting features such as organizational structure, accountability, and inclusiveness accordingly.
7 Issues Relating to Development of Rural Local Capacity

There are many issues that bear on RLI capacity. In a paper like this, we cannot address them all, or address them all fully. We offer in this concluding section an overview, with some specifics, of ideas and experience concerning the capacities of rural local institutions to contribute to development and livelihoods that could stimulate further thinking and work on this subject, both within the World Bank and in other institutions.

7.1 Decentralization, Deconcentration and Devolution

The issue of decentralization, to counter the unproductive effects of centralization (over-centralization) in so many developing countries, is one of the most recurrent. Many governments in Asia, Africa and Latin America have in the past 25 years undertaken a variety of decentralization initiatives, few with dramatic success but many with positive effects on their countries’ capacity for development. Decentralization is not a single thing or a single program, so many kinds of legal and organizational changes have been introduced in the name of decentralization. We want here to introduce an analytical distinction that grew out of our previous work on local institutional development, which remains very relevant today.

In the literatures on public administration and political science, there is frequent distinction made among decentralization, deconcentration and devolution. The definitions are shown in the table.

<table>
<thead>
<tr>
<th>Decision-Makers Accountable</th>
<th>Decision-Makers Located</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Centrally</td>
</tr>
<tr>
<td>Centrally</td>
<td>Centralization</td>
</tr>
<tr>
<td>De-Centrally</td>
<td>(Democratization)</td>
</tr>
</tbody>
</table>

(Source: Uphoff 1986a: 221-222)

Deconcentration can strengthen RLIs, but if they remain subordinate to and accountable to central authorities, they are ‘local’ only nominally.

A more basic strengthening of RLIs involves devolution. This involves delegation or conferral of authority to decision-makers at regional, district and lower levels, along with the resources needed to exercise that authority: funds, information, personnel, etc. In formal-legal terms, devolution seldom goes below the district level; little if any governmental authority gets shared with sub-districts, localities or communities, although there can be limited grants of self-government privileges that are exercised within the formal-legal framework set by higher levels of government.

For strengthening RLIs to support SLs, it is interesting to consider how devolution can be taken to these lower levels, not by granting them all of the powers and duties that governments have, but by recognizing and supporting their functional responsibility for different development
activities. Note that if authority is being exercised by local administration (LA), this amounts to deconcentration rather than devolution.

Table 7.2: Four Alternative Forms of Devolution for Local Levels

<table>
<thead>
<tr>
<th>Purpose of Organization</th>
<th>Mode of Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>For Others</td>
<td>(I) STANDARD DEVOLUTION</td>
</tr>
<tr>
<td></td>
<td>Local Governments</td>
</tr>
<tr>
<td></td>
<td>(III) PHILANTHROPIZATION</td>
</tr>
<tr>
<td></td>
<td>Service Organizations/Charities</td>
</tr>
<tr>
<td>Self-Help</td>
<td>(II) INTERMEDIATION</td>
</tr>
<tr>
<td></td>
<td>Membership Organizations, CBOs</td>
</tr>
<tr>
<td></td>
<td>and/or Cooperatives</td>
</tr>
<tr>
<td></td>
<td>(IV) MARKETIZATION</td>
</tr>
<tr>
<td></td>
<td>Private Businesses</td>
</tr>
</tbody>
</table>

When devolution has been undertaken to local levels in the past, it has been what we refer to here as (I) the ‘classic’ form, where local government bodies are given comprehensive responsibility, making policies and decisions for all citizens within their jurisdiction. “Local governments have the vocation to represent all citizens and thus cannot single out one population group, e.g., the rural poor, and develop exclusive programmes and activities for that group alone, even if it constitutes the majority of the population.” This is both a strength and a limitation of LGs as institutions for promoting SL.

Intermediation (II) refers to the universe of rural local organizations that were studied at Cornell at the same time under a parallel cooperative agreement with USAID (Esman and Uphoff, 1984).

Philanthropization (III) refers to organizations engaged in not-for-profit activities in support of rural development, while marketization (IV) designates the work of for-profit organizations.

Agricultural extension is a good example of how rural development can be advanced by varying kinds of RLIs, each representing a different form of devolution:

- **Standard devolution** - extension work is done by local government units - LGUs are responsible for all the programs, personnel and financing of extension, with central government ministries and departments providing technical backstopping only.
- **Intermediation** - extension work done by cooperatives as a service to their members.
- **Philanthropic devolution** - extension done by a NGOs or a church organization on a pro bono basis.
- **Marketization** – extension is undertaken by businesses on a for-profit basis, which would amount to the of extension services. This could be accomplished by providing technical support on a fee-for-service basis; or by ‘bundling’ it with other commercial transactions, e.g., with credit; or by linking it to agricultural inputs being sold; or in connection with purchase agreements. This has often been done by tobacco companies in their dealings with smallholder producers; where there are strong incentives for farmers to heed the advice given, such a mode of extension can be very effective. There are many ways in which marketized devolution could occur.
This discussion makes clear that (a) decentralization is not a single thing or a single strategy, and (b) devolution can be undertaken in diverse ways.

For developing RLI capacities to promote SLs, one should consider as options the full range of types of RLI presented. For different kinds of SL support, different institutions will be more appropriate, cost-effective and sustainable.

LG units, for example, have difficulty targeting benefits to just one part of the community or locality since they are set up to represent and advance the interests of all their constituents. On the other hand, LGUs are well-suited to establish something like a local trademark for ‘niche’ products that could generate employment for poor households. Such households could be trained by a service organization such as a church-based program, which would be less effective in establishing such a trademark because it would not have enforcement powers like a LG has.

7.2 Collaboration and Coordination

A theme we came across several times in our review of the literature, although seldom stated explicitly in these terms, was the desirability of having an ensemble of local institutions, complementary and based in different institutional sectors, engaged in SL activities. Some local institutions can attend to the needs of targeted groups, while others serve the whole community or locality; some can deal with economic activities and opportunities, while others are better at addressing social or even political needs. This proposition about RLIs has been generally accepted in the literature, though not often put into practice, largely because government and NGO agencies continue to be more interested in promoting ‘their’ local institutions, rather than strengthening whole sets of institutions together.

Outside agencies, which are often the source of multiplicity in local organizations, can render a service to their own associated local institutions and to others by taking a more inclusive, non-competitive approach to RLIs, encouraging them to discuss where comparative advantages lie, and leaving to local decision-makers the choice of whether to deal with problems/needs by creating specialized organizational capacities (informed and strengthened by existing experience and capabilities) or by reconfiguring existing capacities, diversifying their focuses of activity. Outsiders, who often contribute to local institutional cacophony, have responsibility to encourage collaboration.

7.3 Voice and Self-Help

One issue that came up a number of times in the literature was the extent to which RLIs should be operating as advocacy organizations, championing the interests of rural areas and local society.

Getting voices for rural and local interests heard can be difficult because they have little status and limited information relative to the more prestigious and educated voices of persons in urban centers. There are some policies that should be changed or improved to make livelihood expansion more feasible and sustainable. Getting effectively involved in these processes is difficult for many rural institutions and their leadership, and one part of capacity building should
strengthen local knowledge, skills and confidence for engaging in proposals and negotiations with government authorities.

Even within a very democratic system, a variety of RLIs are essential for more effective representation of rural interests, needs and ideas because rural residents as individuals in remote locations are so easily overlooked in political processes. Even having a vote in elections does not confer significant voice because these are one-off events, having little influence on resource allocations and policy formation and implementation which are ongoing processes.

A problem with assigning priority to ‘advocacy’ is that this tends to be zero-sum in effect if not in orientation, getting existing resources possibly reallocated, and doing little to ‘enlarge the pie.’ Advocacy has tended to involve claims for getting the government to provide more goods and services to particular localities or sectors. This puts the government (or donor or NGO agencies) in the role of being a provider of resources and can have the effect of perpetuating or confirming ‘dependency’ thinking among rural populations. Accordingly, we think there is reason to temper the recommendation that RLIs should be heavily or even primarily engaged in advocacy.

If the focus of claims is improving policies – such as legal rights, land tenure provisions, etc. – this may create new opportunities for enhancing productivity.

The rural local institutions that have had the most positive impact on sustainable livelihoods have been those which embraced and practiced the principle of ‘self-help,’ whether as a matter of philosophy, pride or simple pragmatism. That rural people are organizing themselves and mobilizing resources to meet evident needs often enhance the respect they receive from technicians, officials and politicians and give them more bargaining power.

Strengthening capacities for self-help efforts can directly improve local livelihoods and at the same time position the RLI better for articulating and promoting local interests outside the locality. Negotiating to get a ‘fair share’ for local areas and interests is justifiable; but even this can reinforce dependency thinking and can become simply ‘zero-sum,’ disadvantaging less well-organized and less influential neighbors.

We would emphasize the merits of self-help, self-determination and self-management in RLI activities, building on these then to address larger enabling issues with higher levels of state organization.

A further point which we found in the literature review was that, given current trends and rates of change (section 4.0), one of the new functions that RLIs should be undertaking is to develop widely-shared and well-informed ‘visions of the future’ that have understanding and support among rural residents for how and in what directions future development should be undertaken (Mercoiret et al., 2001).

Horizontal linkages among similar and diverse institutions/organizations can be used to elicit new ideas and to forge consensus that can then be refined and articulate through vertical linkages. Outside agencies are considering the future of rural areas and making decisions and plans that
will shape this future. Better-developed systems of rural local institutions are going to be necessary for rural voices to be heard and for the term ‘stakeholder’ to acquire real meaning.

7.4 Base Units and Federation
It is tempting for development agencies to try to design organizational structures that will enhance rural capabilities and representation. But this gets agency personnel into a situation of preempting decisions and preferences of rural residents, thereby diminishing their sense (and the reality) of ownership.

One notion that can be discounted from considering the literature and doing empirical analysis is that larger organizations should be encouraged on the assumption that these will be more effective. Size needs to be addressed not as an issue of gross number of members, but with an appreciation of the dynamics of aggregation and disaggregation, paying attention to structure rather than just membership. What has turned out to be more predictive than size of a local organization’s success is whether or not it has vertical linkage, i.e., whether there is base-level organizations federated upward within a larger organizations having one or more tiers of decision-making and action above it.

This supported a macro-level analysis of national systems of rural local organization based on a comparative study of Asian experience that concluded that such systems made the greatest contribution to rural development where organizations were developed and operating in multiple sectors and that had organizations functioning across levels. Having small base-level organizations working close to the grassroots but aggregated into larger overall organizations, in some federated form, gave organizations the benefits of both (a) solidarity, and (b) size (i.e., economies of scale).

The logic and benefits of federated RLI structures is emphasized in the CIRAD report (2001) on rural producer organizations.

7.5 Inclusion and Participation
If there is a ‘system’ of rural local institutions operating in a country, inclusiveness is a phenomenon that should be sought and judged in terms of the whole set of RLIs.

For example, LGUs are expected to be heterogeneous and thus themselves inclusive, while others that are membership-based or targeted to particular groups such as poorer households or ethnic minorities will be homogenous and thus ‘exclusive.’

The question most appropriately asked is whether the full set of RLIs is inclusive, or more to the point: who if anyone is being left out? When groups are identified that are not included within the panoply of rural local institutions, and after their needs and assets are sufficiently understood, the policy questions become whether and how they can have their respective organizational capacities strengthened, or whether and how their participation can be promoted in existing RLIs, or (probably better), both?
Women
A long-standing issue has been the inclusion of women within the functioning of RLIs, and in effective ways, not just nominally. There is no longer any debate about the desirability of this, but the reality remains that women seldom participate equally in decision-making, though they often are called upon to do more than their share of the work of implementation. Nor do they as a rule share equally in the benefits of RLI functioning. Some targeting of efforts, as noted in the KNFU case (Box 8), will generally be appropriate. In this case, the institution both has all-women groups and seeks to ‘mainstream’ women’s participation within the organization.

Other disadvantaged groups
Such a both/and strategy may be less appropriate for other disadvantaged groups, which can be either a minority or a majority. Integration into mainstream activities may not produce very quick benefits, but as long as it does not perpetuate their subordination and exploitation in any way, it can contribute to long-term advancement. Separate groups that can function in cooperation with other groups may give the most short-term benefits. Rather than try to decide from the outside how best to resolve these tensions and contradictions, however, these issues are best addressed with representatives of the various groupings or segments. Forced efforts from outside are seldom successful because outsiders come and go, but residents and their attitudes remain in place. What outsiders can do is support consensual, negotiated accommodations.

Youth
Probably the ‘underrepresented minority’ of most significance for rural development and livelihood creation is youth. Young people are an ‘unseen’ category because they have most of the same socio-economic characteristics as the rest of the population – except the crucial one of age. The common practice that ‘household heads’ are members of local organizations on behalf of their family is very exclusionary, most obviously for women, except where female-headed households can claim equal representation, but more insidiously for young persons. The influences of the world culture are often estranging rural youth from their elders, contributing to the extent and impact of migration on rural communities.

Both ageism and sexism deny communities the benefit of a large share of their talent and energy which could support more productive economic activity and more effective governance. But whereas gender discrimination – excluding women from decision-making, ownership of property, and other qualifications contributing to status, security and sense of fulfillment – does not drive women out of communities, such exclusions for youth do give incentive to emigrate, seeking opportunity and recognition elsewhere. This is not a subject much addressed in the literature, the problem being a relatively invisible one – at the same time that rural-urban migration and rural depopulation are lamented. One of the most significant things that any and all rural local institutions could do to strengthen themselves and to contribute to livelihood creation would be to purposefully increase the participation of youth in their affairs.

The elderly
At the other end of the age spectrum, we have the growing problems of the elderly -- their limited participation in organizations, their exclusion from livelihoods, and their marginalization in general. Usually some elders are very well-placed, quite secure and even prosperous, enjoying
respect and influence. But many, even most are excluded from the public realm and increasingly they are not receiving private care and protection. The ‘graying’ of developing countries is already beginning, with the numbers of persons over 60 years of age climbing more rapidly than the general population.

Concerted efforts to redress gender inequities cannot abate as the ‘battles’ for equal opportunity are not yet won. On the other hand, concern with similar attentiveness and strategizing with respect to age needs to move up on the agenda. In fact, rural local institutions are uniquely well-placed to address the needs of both the youth and the elderly, seeking cost-effective, culturally and socially suitable local innovations and solutions that will engage the talents and resources and meet the respective needs of the young and the old. Dependency ratios are growing around the world, and the only way that the aged are going to have decent lives (not just livelihoods) will be if the young are well and fully employed, not only in economic terms but socially and politically as well. This appears to be an area where RLIs have a real comparative advantage, but this needs to be capitalized on by efforts from the current leadership of RLIs and by outside agencies that work with them.

### 7.6 Accountability

This term was one that appeared frequently throughout our review of literature. There is no question that accountability is one of the key factors affecting the performance of RLIs. This concern is relevant to all of them, from local administration and local governments to private businesses. It applies especially to civil-society and voluntary organizations, where misconduct, malfeasance or ignoring the needs of members can easily lead to the organizations’ demise.

Questions of accountability are in some ways most acute for service organizations or charitable organizations where clients or beneficiaries seldom have any institutionalized means of communicating needs and priorities or enforcing evaluations. Usually they have a ‘take-it-or-leave-it’ relationship with service providers similar to that of customers vis-à-vis private businesses. Only they are not withdrawing purchasing power as a sanction when they are dissatisfied. A number of NGOs have tried to build in some degree of accountability when the persons served are not, or not only, their members, who do have an institutionalized ‘voice’ in the running of the organization. Having regular open evaluations or reviews of their operations to get feedback, or having representatives of intended beneficiaries sit on their board of directors can create mechanisms for accountability.

Persons being given goods or services as gifts are invariably less ‘empowered’ than those who are purchasing them. Accountability for public-sector goods and services is intermediate between the civic sector and the private sector in that constituents have the right to express their evaluations when voting for representatives or political leaders. However, such messages are usually unclear among the flood of claims and criticisms accompanying electioneering. This means that accountability is really a serious problem within most institutions.

Formal mechanisms, even as direct as having representation on the board of directors, can have little impact, e.g., representatives can be hand-picked by organization leaders, or can be
intimidated by status differences, or may simply be too few in number to have real influence, becoming only token representatives.

A review and evaluation specifically of innovations and mechanisms for enhancing accountability of all kinds of RLIs would be a useful undertaking. Mechanisms identified by Agriterra based on its work with Latin American producers’ organizations include elections, regular changes in leadership, and statutory arrangements within the organization \(^73\).

In favor of greater accountability in RLIs is the secular trend of more education and higher literacy along with a greater commitment to democratic governance, and with this a diminished deference to social ‘superiors.’

Rumors have always been a pretty good source of information, very often if not always reliable, in less literate societies. Word-of-mouth communication continues to be important, but it is now supplemented by inexpensive modern technologies. Digital cameras and cell-phones (especially ones with photographic capability) can become instruments for documenting and deterring corruption, for example \(^74\).

**7.7 Institutionalization and Sustainability**

We did not find this issue addressed analytically in the literature, although there were many references to this as a process or a problem, without clear definitions and empirical support \(^75\). Thus, this remains a large area for further work.

From our reading of many discussions touching on this matter, we would raise the question whether older ideas about ‘institutions’ may need to evolve. The idea that institutions are all long-lived and essentially unchanging is becoming passé in a world of accelerated change. We know that in current economies, people’s turnover of jobs is becoming greater, with the life-long career with a single employer become more and more uncommon. We are seeing that organizations which have institutional qualities seem to merge or morph with more frequency than ever before.

An implication of this is that institutionalization may become more a matter of function than structure, with capacities – individual and collective – developed in one setting being carried over to other settings, so that competence becomes the hallmark of institutional capacities more than longevity. Experience and skills in the basic organizational capacities of decision-making, resource mobilization and management, communication and coordination, and conflict resolution are things that can be acquired in one circumstance and applied in various others. Institutional development thus may become a matter more of developing such capacities than of developing ‘the institution’ per se.

In the private sector, it is well-known that successful businesses and businessmen often go through a succession of enterprises, which each fail for various reasons, with learning occurring that eventually culminates in business success. Even this may not be manifested in a single enterprise for many decades, however, as the norm in business is becoming more a matter of
continuous change. This is not likely to occur in the public sector, where government units as monopolies may change their functions over time, but not their jurisdictions. But the private-sector pattern is likely to spread in the middle sector.\textsuperscript{76}

The preceding discussion of ‘institutionalization’ has implications for ‘sustainability’ too. Sustainability usually implies that something continues for a long time in the form that it exists. One conclusion drawn by our institute at Cornell (CIIFAD) from its 15 years of engagement with problems and opportunities for sustainable agricultural and rural development is that sustainability in many situations, if not all, is highly dependent on capacity to change.

Sustainability is not a result of intrinsic characteristics -- of a technology, an organization, a culture – but of the extent to which that phenomenon (technology, organization, culture, etc.) is able to adapt to changing circumstances, given that such change is pervasive. It is the ‘fit’ between a phenomenon and its environment that enables the former to persist.\textsuperscript{77} Sustaining an institution in some ways, continuing as it is in the face of pressures and even opposition, resisting change, is sure to lead to unsustainability in a more fundamental sense.
8 Conclusions

The overall task of strengthening RLIs and their ability to promote sustainable livelihoods is becoming one of preparing them for successful performance in an *evolving environment* and for ‘navigating the rapids of change.’ Indeed, sometimes the environment is not evolving but rather seriously disruptive and even dysfunctional.

The perspective that we put forward here underscores the importance of continuous learning and innovating, all the time being attentive and responsive to constituents (members, beneficiaries, customers, voters) as well as to peer institutions and a diverse array of other institutions within that institution’s broader arena of interaction.

We noted from our literature review that the level of *sophistication* that exists now among RLIs compared with 10 and 20 years ago is becoming ever higher\(^78\).

With this there is an increasing *professionalization* of the organization and capacities of RLIs.

The emerging reality is that to be effective under contemporary conditions expertise is more important than before, with the ability to communicate and cooperate across a spectrum of RLIs and with external agencies.

There is, of course, significant danger that professionalization, that RLIs will become distanced and even alienated from their membership bases. This puts a premium on mechanisms of accountability and on having well-educated and informed members.

The need for more forward-looking, decisive and persistent leadership at central and local levels is certain. The existence and potentials of rural local institutions represent a key element for tackling these problems, along with the opportunities created by our improving technology and healthier, better educated human resources.

The combinations and strategies discussed in this paper represent means for broader sharing of responsibility and benefits that will make our technology, human resources and financial capital more productive and more likely to achieve sustainable increments in general well-being.
9 ANNEX A: Making a meaningful distinction between institutions and organizations

A.1 Although in common language, and even in much of social science, the terms ‘institution’ and ‘organization’ are used interchangeably, as if they refer to the same phenomena, there are implicit differences in the ways that the two words are used. These imply a Venn-diagram kind of relationship where there is a ‘middle ground,’ where one finds institutions that are also organizations, and vice versa, while there are also institutions that are not organizations, and organizations that are not institutions.

A.2 This relationship can be explicated with the definitions presented in 2.5 above. The two terms focus on different aspects of the universal phenomenon of social organization, respectively emphasizing different aspects of institutions and organizations as overlapping sets. Some examples will make this abstract distinction clearer.

Money is an example of an institution that is not an organization; people generally understand and value its use in economic transactions. No structure of roles is required for its use, although there are many roles, and hence organizations, that have grown up around the use of money. A country’s central bank and any well-established private bank are examples of money-related institutions that have organizational form, manifested in an established structure of roles. On the other hand, a new private bank or the local branch of an existing bank can function as an organization without having achieved institutional qualities or capacities (yet?). The definitions of ‘institution’ and ‘organization’ spelled out in Uphoff (1986: 8-10) provide a conceptual foundation for making some rigorous distinctions. Figure A1 shows this overlapping relationship diagrammatically.
Carloni (2005) offers a list of ‘illustrative examples’ of institutions, including both membership organizations and invisible ‘rules of the game’. This guide offers some very useful practical listings and checklists, but the treatment of institutions is not very systematic in our view. The list is as follows: formal membership organizations such as cooperatives and registered groups; informal organizations such as exchange labor groups or rotating savings groups; political institutions such as parliament, law and order, or political parties; economic institutions such as markets, private companies, banks, land rights or the tax system; and socio-cultural institutions such as kinship, marriage, inheritance, religion or draught oxen sharing.

<table>
<thead>
<tr>
<th>Institutions that are not organizations</th>
<th>Institutions that are also organizations</th>
<th>Organizations that are not institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marriage</td>
<td>The family, in general</td>
<td>A specific family</td>
</tr>
<tr>
<td>The law</td>
<td>The Supreme Court</td>
<td>A firm of lawyers</td>
</tr>
<tr>
<td>Higher education</td>
<td>Oxford University</td>
<td>A tutoring service</td>
</tr>
<tr>
<td>Religion</td>
<td>The Catholic Church</td>
<td>A local congregation</td>
</tr>
<tr>
<td>Taxation</td>
<td>Govt. revenue bureau</td>
<td>A tax advice office</td>
</tr>
<tr>
<td>Private enterprise</td>
<td>General Motors</td>
<td>An auto workshop</td>
</tr>
<tr>
<td>Collective bargaining</td>
<td>United Auto Workers</td>
<td>A union local</td>
</tr>
<tr>
<td>Democratic elections</td>
<td>Board of Elections</td>
<td>Ad hoc poll observers</td>
</tr>
</tbody>
</table>

A.3 Our language classifies observed or conceived-of things in terms of categories, making distinctions in terms of kind. However, both institutions and organizations should be considered more as matters of degree. It is already familiar to speak and think of things as being ‘more organized’ or as ‘less organized.’ This refers to degrees of coherence, purposefulness, and effectiveness. Similarly, certain patterns of behavior and associated norms can be either more institutionalized or less institutionalized. This characterization depends on how respected they are, how readily they are deferred to, whether cooperation or compliance with them is regarded as obligatory or not. Any institution can become more or less institutionalized over time, having more or less of the attributes and effects of being regarded as an institution, much as any organization can become more (better) organized or less (more poorly) organized.

A.4 An interesting contemporary example of the variability and potential dynamism of institutions is the monarchy in any country that still has this remnant form of governance. In general, monarchies are becoming less influential as an institution in most such countries, although in Thailand we have seen the institution of the monarchy growing in its institutional qualities over the last 60 years due to the growing respect and legitimacy that King Bhumibol has accrued by sagacious action (or inaction) in response to historical shifts and popular needs. The monarchy in Nepal, on the other hand, is currently being dismantled as public respect (tolerance) for King Gyanendra has attenuated rapidly in recent months. The implications of these changes go far beyond the personal fortunes of the respective individuals.

A.5 Our language presses us to put phenomena into categories, which gives them a more static quality than most phenomena warrant. The conceptualization offered here is intentionally dynamic in its implications, which opens the door to purposeful efforts and interventions, aimed to enhance either or both organizational and institutional qualities. More could be said on this
subject, which has been analyzed in Uphoff (1994). References relevant to this dynamic process will be provided in the body of the report. Our distinction between institutions that have or do not have organizational form is considered again in Annex D.
### 10 Annex B: Categorization of Local Institutions

<table>
<thead>
<tr>
<th>(a) Institutions that are organizations -- i.e., complexes of norms and behaviors that persist over time, and that are at the same time, structures of recognized and accepted roles, for collective decision-making, resource mobilization and mgmt, communication and coordination, and conflict management</th>
<th><strong>India</strong></th>
<th><strong>Mozambique</strong></th>
<th><strong>Mexico</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Village gram panchayat (LG)</td>
<td>• Traditional authorities (LG)</td>
<td>• Communal assemblies and authorities (LG)</td>
<td></td>
</tr>
<tr>
<td>Cattle-rearing group (MO)</td>
<td>• School-community committee (MO/LG)</td>
<td>• Livestock-raising groups (MO)</td>
<td></td>
</tr>
<tr>
<td>Community mandal (MO)</td>
<td>• Local savings council (MO/Coop)</td>
<td>• Migrant associations (MO)</td>
<td></td>
</tr>
<tr>
<td>Mahila (female) mandal (MO)</td>
<td>• Association of traditional healers (MO)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Youth mandal (MO)</td>
<td>• Churches (MO/SO)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service cooperative society (Coop)</td>
<td>• Village agricultural associations (MO)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Village dairy cooperative (Coop)</td>
<td>• Community development committee (MO)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coop bank (Coop)</td>
<td>• Football clubs (MO)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil seeds coop society (Coop)</td>
<td>• Political organizations or parties (MO)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Seva Kendra, a NGO health service (SO)</td>
<td>• Traditional religious organizations (MO/SO)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Madrasas -- Muslim schools (SO)</td>
<td>• NGOs (SOs)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair price shop (LA)</td>
<td>• Blanchard Mozambique, ecotourism firm (PB)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nationalized bank branch (LA)</td>
<td>• Enterprise Inkomati Safaris (PB)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(b) Institutions that are informal organizations</th>
<th><strong>India</strong></th>
<th><strong>Mozambique</strong></th>
<th><strong>Mexico</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Communities and castes</td>
<td>• <strong>Tsíma</strong> (work party)</td>
<td>• Migrant networks</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• <strong>Xitique</strong> (revolving fund)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Associations of natives and friends</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(c) Institutions that are not organizations -- i.e., complexes of norms and behaviors that persist over time not dependent on structures of recognized and accepted roles having capacities for collective decision-making, resource mobilization, etc.</th>
<th><strong>India</strong></th>
<th><strong>Mozambique</strong></th>
<th><strong>Mexico</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Hindu/Muslim festivals</td>
<td>• Migration structures</td>
<td>• Religious traditions and festivals</td>
<td></td>
</tr>
<tr>
<td>Sharecropping arrangements</td>
<td>• Various forms of mutual assistance</td>
<td>• Agricultural sharecropping</td>
<td></td>
</tr>
<tr>
<td>Farm work for grain, tea and lunch</td>
<td></td>
<td>• Draft animal sharecropping</td>
<td></td>
</tr>
<tr>
<td>Farm work for wages</td>
<td></td>
<td>• Agro-pastoral sharecropping</td>
<td></td>
</tr>
<tr>
<td>Tribal migrant labor for flour, food</td>
<td></td>
<td>• Land rental contracts</td>
<td></td>
</tr>
</tbody>
</table>

LA = Local administration; LG = Local government; MO = Membership organizations; Coop = Cooperative; SO = Service organization; PB = Private business. Identified from Field Research for Marsh (2003: 6), according to Concepts and Definitions from Uphoff (1986a)
11 ANNEX C: A continuum (hierarchy) made up of ten nested levels of decision-making and activity -- including three local levels

C.1 When considering the institutional structures and possibilities for supporting development initiatives, it is important to understand the nested nature of institutions, which parallels the kind of jurisdictional geography on which the political organization of the world is based. (This is sometimes referred to as a ‘layered’ structure; Agriterra, 1999). The nation-state represents a basic unit for decision-making and action, with decision-making and action occurring also, but less regularly and authoritatively at the inter-national level.

C.2 States are organized into a succession of sub-national units for decision-making and action, with the first level of disaggregation called by various names, e.g., region, province, state. These units are in turn disaggregated into units with designations such as district or department, and these are commonly further disaggregated into sub-districts or circles. These are all political-administrative units, varying in their degree of autonomy for decision-making and action depending on whether the constitutional arrangement is a federal (U.S., Germany, Switzerland, Brazil) or unitary one (France, China, Bangladesh, South Africa), or something in between (as in India).

C.3 Levels below the sub-district often have formal-legal political-administrative identities, like a ward, or administrative village, but they have a sociological reality that derives from (usually) hundreds of years of communities and households living in close proximity with one another and having developed certain norms and expectations of mutual cooperation and collective defense. This has been cemented by relationships of economic trade in local markets, of social ties through marriage and friendship, of mutual identity and solidarity through attendance of the same church, temple, mosque or other local institution. The identity and relationships arising from economic, social, religious, as well as cultural, linguistic and other bonds are of a different order and significance from those created by membership in higher-level political-administrative units. What constitutes ‘local’ has grown out of this confluence of historical, cultural, social and other influences.

C.4 While one can, and often does, aggregate all of these relationships into the concept of ‘local,’ analytically it makes sense to distinguish three (imperfectly nested) levels of decision-making and activity. Following Johnson (1970), we would use the term locality to designate a set of communities that have long-standing interaction and emergent collective identity, through economic (market) connections, intermarriage, religious observances, etc. Persons from any one of these communities feels some kinship with persons from any of the others, and is more likely to give assistance and engage in cooperative endeavors with them, compared to how they would deal with someone from some other locality. Norms of reciprocity apply that are more than just some diffuse sense of obligation to fellow human beings. If the two persons do not already know each other, they will have many mutual acquaintances, even distant relatives, in common.
C.5 The social organizational unit most commonly recognized as local is the community or village, each term referring to a geographically identifiable area but more importantly, to as set of persons who are neighbors and thus well-known to each other. This does not mean that all neighbors in a community are on good terms with one another; indeed, conflicts with villages are legion and legendary. But the phenomenon is also widely reported of village neighbors who will contend with each other in the absence of any outside threat, but who will become cooperative when faced with any third-party intrusion. It was a mistake for some of the early community development programs to assume and exaggerate village solidarity, but it would be an opposite mistake to ignore the potential for collective action that exists within most communities. Similarly, there can be competition between communities within a locality, but they are likely to come together if the reputation of the local area is impugned or its security endangered.

C.6 Within communities, there are usually groups of persons who make up subsets of the community, possibly delineated in area/residential terms (hamlet or neighborhood or lane) but more likely defined in terms of gender (women’s groups) age (youth groups), interests (sports clubs), religion or ethnicity (caste grouping, Christian or Muslim associations), economic status (landowners, or tenants), or residence (immigrant groups becoming the most interesting contemporary local organizations for development purposes).

C.7 Groups can also operate across village or locality boundaries, held together by some common interest or shared characteristic, which complicates the neatness of the nested model shown in Figure C.1. Indeed, interest groups can aggregate up to the national or even international level. Rather than try to force reality into a simple model, we prefer to leave the question of how ‘groups’ fit into this essentially-spatially defined framework rather open. Many of the groups relevant to rural development and sustainable livelihoods, e.g., savings and loan groups, are sub-village, though some may have membership from two or three villages. Groups which are much larger and operate at higher levels are better understood as organizations or associations, addressed under the analytical framework of sectors, discussed in Annex D.

C.8 Below the group level we find, universally, the level of household or family, and that of the individual. We do not classify these as ‘local’ because collective action, which is problematic at the three local levels, is not really an issue at the household or individual level. The question for households and individuals is whether they will join together in groups, communities or localities to tackle problems and take initiatives that produce greater well-being and security than would be achieved through separate, independent action by those families and persons.

C.9 There are many reasons why one would want to support household and individual decision-making and action for the reduction of poverty and the economic and social well-being of a society. But those issues and opportunities are quite different from those bearing on capacities and problematics of collective action, e.g., social capital and free-riding, and that therefore relate to development policy and strategy within the domain of rural local institutions. Self-help and entrepreneurial action can occur at both household and individual levels, independent of the decisions of others at the same level (though the effects of household and individual decisions will be influenced by what others at that level decide). At the group, community and locality levels, nothing will happen unless households and individuals made decisions not only about what to do, but about whether to do something in concertation with others.
C.10 Having worked with issues of rural local institutions for many years, we would focus on those institutions and/or organizations that operate at the group, community and/or locality levels. These present particular challenges and opportunities to government operating at higher levels, as shown in Figure C.1 and to donor agencies, NGOs and other external actors who would like to support economic and social development ‘at the grassroots,’ so to speak, where people’s lives are most directly affected. Only limited improvements can be achieved in a top-down, interventionist mode, and they are usually not sustainable. To mobilize a significant degree of self-help, and to gain greater assumption of responsibility for operation and sustainability, it is necessary to engage with the collective capacities of people (rural or urban) at these local levels. Hence, the effort to delineate carefully what constitutes these levels, in preparation for addressing means to strengthen their capacities for sustainable livelihood creation.

**Figure C.1 Nested Levels of Decision-Making and Activity**

1. International Level
2. National (Nation-State) Level
3. Regional/Provincial/State Level
4. District Level (Local Government)
5. Sub-District Level
   (e.g., *taluk* in India, *thana* in Bangladesh, *kecamatan* in Indonesia)
6. LOCALITY LEVEL
   (set of communities having cooperative/economic relationships; where sub-district center is market town; may be same as sub-district)
7. COMMUNITY LEVEL
   (socio-economic-residential unit; constituent element of locality)
8. GROUP LEVEL
   (self-identified set of persons having some common interest or identity; may be small residential group, occupational group, ethnic, age, gender or other grouping)
9. Household Level
10. Individual Level

(Source: Uphoff, 1986a, p. 11)

C.11 This way of looking at the relationships between and among different levels of decision-making and activity is the most common way of thinking and talking about how countries are organized socially and politically. It has, however, the implication of reinforcing ‘top-down’ ways of thinking and acting, because higher levels are presented as superordinate and thus superior to lower ones. This puts individuals at the *bottom* of a steep hierarchy, descending from the whole world to individual persons. This conveys nestedness well, but also subordination.
C.12 An anthropologist in the interdisciplinary working group at Cornell that developed this framework proposed that we supplement Figure C.1 with another, Figure C.2. This shows individuals as being at the center of their respective universes. Persons who operate at ‘higher’ levels of the institutional continuum should keep in mind that for most people, their superior levels are rather abstract and remote from the reality of the majority. A local perspective is better represented in circular than in linear terms.

**Figure C.2**

Source: Uphoff (1986a, p. 12)
**12 ANNEX D: A three-sector differentiation of local institutions**

D.1 There is a conventional distinction made between the **public sector**, which claims to exercise authority on behalf of the whole society, and the **private sector**, which makes decisions and acts on behalf of individual or group interests, not having any responsibility for or intention to benefit the whole of society. The public sector can be easily defined in legal or constitutional terms, so the private sector is in effect a residual sector. Experience with development has focused attention on the potentials (and problems) of what can be identified as a third or middle sector, between the public and private sectors, which has some features in common with the other two sectors but also important differences.

D.2 The middle sector has some collective orientation that it shares with the public sector. It has some need to decide and act on the basis of **consensus** seeking to serve some **common or public good**, which organizations or individuals operating in the private sector do not need to consider. On the other hand, the middle sector cannot invoke **authority**, and all the resources this implies, to implement decisions. It has to operate with **incentives and mutual agreement** as in the private sector, having authority at most over members and employees, not over members of the public at large.

D.3 Having considered the literature on local institutions (organizations that have some longevity and public valuation and function), we have delineated six categories that constitute a continuum of institutional capacities ranging from public sector to private sector, as discussed in 2.16-2.18. Figure D.1 below shows the different categories and characterizes them in terms of different orientations and roles. All of us are likely to perform most of these roles in relation to different organizations/institutions at one time or another.

---

**Figure D.1: Continuum of Local Institutions**

<table>
<thead>
<tr>
<th>Public Sector</th>
<th>Civic Sector</th>
<th>Private Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Administration (LA)</td>
<td>Membership Organizations (MOs/CBOs)</td>
<td>Service Organizations (SOs)</td>
</tr>
<tr>
<td>Local Government (LG)</td>
<td>Cooperatives</td>
<td>Private Businesses (PBs)</td>
</tr>
</tbody>
</table>

**ORIENTATIONS**

- **Bureaucratic**
  - Upward accountability
- **Political**
  - Downward accountability
- **Voluntary**
  - Common interests
  -Pooling of resources
- **Charitable**
  - Not-for-profit
- **Commercial**
  - For-profit

**ROLES**

- **Citizens/subjects**
  - Taxpayers
  - Voters
- **Citizens/constituents**
  - Taxpayers
  - Voters
- **Members**
  - Employees?
  - Managers?
- **Members**
  - Employees?
  - Managers?
- **Clients/beneficiaries, also Contributors, Employees, Managers**
- **Customers, also Investors, Employees, Managers**
D.4 The same development services can be performed by one or more, or even all of these kinds of institution/organization. For example,

- **Schools** and **hospitals** can be operated by the central government as part of the local administration, while others are maintained by and are accountable to an elected local government. Still other schools or hospitals can be established by membership organizations, or by cooperatives, or by charitable organizations such as churches or foundations on a not-for-profit basis, or by for-profit private businesses.

- **Banks** can likewise be set up within any of the three sectors, although banks are more commonly sponsored by central government (LA), cooperatives or for-profit businesses than by local governments, membership organizations, or service organizations.

D.5 Most economic activities can be undertaken by more than one form of organization, although not all forms are equally suitable for all activities. Creating more income and employment streams in rural areas may well be enhanced by looking beyond the usual forms to have a more diversified local institutional landscape. This typology of six alternative forms of local institutions, distributed across the three sectors, maps out the possibilities for rural institutional strengthening and for exploiting respective comparative advantages.

D.6 In Annex B, we showed the listing of local institutions in rural India, Mozambique and Mexico that March (2003) identified from extended case studies prepared for the paper that she wrote for FAO on how RLIs can contribute to sustainable livelihoods. Marsh used the same definition of institutions as we use here, from Uphoff (1986a). However, she did not make any distinction between institutions with organizational form and those that lack this. The result was a randomized listing of institutions that function as organizations, formally or informally, and those that are more diffuse in their functioning.

D.7 Marsh’s listing is more informative if the examples that she gives of local institutions are categorized along a continuum that goes from (a) institutions that are explicit or formal organizations, to (b) ones that are informal, often considered ‘traditional,’ to (c) institutions that do not function as organizations but shape behavior nonetheless. The latter are very different kinds of institutions from the first. The applicability of our RLI typology (2.16-2.18 and Figure D.1) can be seen by our identification in parentheses of each of the examples in category (a) according to the RLI type that it represents. The parallels, as well as differences, among RLIs across Asia, Africa and Latin America are interesting and instructive.

(Source: Uphoff, 1986a, p. 5).

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### 13 Annex E: Roles of RPOs in rural development, proposed by CIRAD

<table>
<thead>
<tr>
<th>Type of function</th>
<th>Thematic field of interest</th>
<th>Linkages with other actors</th>
<th>Scale/levels</th>
<th>Economic issues</th>
<th>Comparative advantages of RPOs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural resource management</td>
<td>Property rights Infrastructure Access to and management control of NR</td>
<td>Customary institutions and other community-based organizations (CBOs) Local government (LG)</td>
<td>Local</td>
<td>Creation of and ensuring access to common pool resources Management of externalities</td>
<td>Capacity to coordinate with customary, CBOs and LG bodies Lower cost of managing externalities</td>
</tr>
<tr>
<td>Supporting agricultural production</td>
<td>Input supply Technical advice Financing</td>
<td>Private and public agents</td>
<td>Local, with national/global dimensions Ability to link primary production with processing and marketing opportunities</td>
<td>Provision of private goods Provision of a common good accessed and used by individuals/families Technology generation and dissemination</td>
<td>Ability to help farming systems take account of NRM and markets Knowledge of local conditions, markets, resources and farmer needs/priorities</td>
</tr>
<tr>
<td>Marketing</td>
<td>Agro-food system Financing</td>
<td>Agro-enterprises Credit institutions</td>
<td>Local, regional, national and international</td>
<td>Economies of scale Reduction of transaction costs</td>
<td>Local-global linkages Increased purchasing power Ability to achieve bargaining power with private sector</td>
</tr>
<tr>
<td>Social functions</td>
<td>Social safety nets and poverty reduction Livelihood improvement</td>
<td>Community-based organizations Local and national organizations</td>
<td>Local</td>
<td>Provision of common and public goods Improved efficiency, effectiveness, relevance and poverty orientation of producer support interventions</td>
<td>Both productive and social concerns Social safety nets and mechanisms to support poor members and/or give poor to access to assets</td>
</tr>
<tr>
<td>Voice, advocacy, representation</td>
<td>Public policy for agriculture and rural development International negotiations Provision of public goods/infrastructure</td>
<td>Donors and NGOs Local and national governments</td>
<td>Local, regional, national and international</td>
<td>Provision of a common good related to a specific rural profession (e.g., farming, herding)</td>
<td>Coordination of different types of activities and key rural actors Allowing produces to influence policy-making</td>
</tr>
<tr>
<td>Information sharing,</td>
<td>All</td>
<td>Private and public</td>
<td>Local, national and</td>
<td>Provision of private</td>
<td>More accurate</td>
</tr>
<tr>
<td>Type of function</td>
<td>Activities</td>
<td>Developing country examples.</td>
<td>Developed country examples.</td>
<td></td>
<td></td>
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<td>------------------</td>
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<td>-----------------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Natural resource management</td>
<td>Negotiation, regulation and enforcement of rules for access to and use of NR</td>
<td>Water user associations (most countries) Pastoral association (e.g., in the Sahel) Community forest user groups (CFUG, Nepal) NRM village committees</td>
<td>Huertas, Valencia (Spain) Water users associations (Italy, France)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supporting agricultural production</td>
<td>Input supply Marketing Linkages with international markets Technical change Advocacy Capacity-building Policy-making Financing</td>
<td>Colombia Coffee Growers Federation (CCGF) Syndicat des Producteurs de Coton et Vivriers (SYCOV) (Mali) URECOS-CI (Côte d’Ivoire) El Ceibo cocoa producers (Bolivia) Sesame Growers Associations (The Gambia) FECECAM (Benin) CRG (Guinea)</td>
<td>Cooperative movement (France, USA, Japan, Denmark, Spain) Crédit agricole (France) Cooperatives for collective use of machinery (Germany, France) Mutual agricultural insurance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social functions</td>
<td>Capacity-building Policy-making regarding safety nets and social services</td>
<td>CONFEUNASSC (Ecuador) FUGN (Burkina Faso) Many RPOs of different types also take on these general functions (e.g., SGAs, CCFG)</td>
<td>MSA (France)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Voice, advocacy, representation</td>
<td>Proposal building for policy-making Provision of public goods in case of market or state failures Information Support to member organizations Capacity-building</td>
<td>CNCR (Senegal) CONAIE (Ecuador) ANOPACI (Côte d’Ivoire) ZFU (Zimbabwe) CONTAG (Brazil) NACOBTA (Namibia) NAWFA (The Gambia) Uganda National Farmers’ Association</td>
<td>NFU (USA) FNSEA (France) Farmers unions in all developed countries (Germany, Denmark, Italy, Spain, Ireland, Portugal, etc.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Information sharing, communication and capacity-building</td>
<td>Information Capacity-building Support to member organizations</td>
<td>All RPOs are concerned</td>
<td>All RPOs are concerned</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 14 Annex F: Examples of the diversification of rural development efforts including livelihood creation

<table>
<thead>
<tr>
<th>Program</th>
<th>Initial Activity</th>
<th>Subsequent Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grameen Bank (Bangladesh)</td>
<td>Making small-scale loans for micro-enterprises</td>
<td>Members encourage/assisted to make improvements in housing through loans; health insurance; nursery schools; adult education; fisheries, agriculture, horticulture; textiles and handicrafts; also tackled social issues such as ending dowry and child marriage</td>
</tr>
<tr>
<td>Orangi Pilot Project (Pakistan)</td>
<td>Self-help sewerage</td>
<td>Health insurance for $4/household; credit at commercial rates plus markup, lowered default rate; women’s work centers for income generation, now self-supporting; low-cost housing; kitchen gardens; family planning (44% accepters, compared with 10% national average); urban social forestry; rural water supply; pilot project to spread self-help measures to rural areas</td>
</tr>
<tr>
<td>BRAC/ Bangladesh Rural Development Committee (Bangladesh)</td>
<td>Post-war relief after Independence</td>
<td>Education (28,000 alternative schools with 1.1 million children enrolled); health and family planning; oral rehydration therapy (12 million mothers trained); employment generation: sericulture, poultry, textiles, tubewells for agriculture; legal aid; income generation for vulnerable groups (food for work); commercial operations to earn revenue for NGO; savings &amp; credit operations</td>
</tr>
<tr>
<td>SANASA (Sri Lanka)</td>
<td>Cooperative savings and loans</td>
<td>Preschools; environmental protection; cultural events: festivals, children’s dramas; consumer shops; loan operations, and barter exchanges among regions to lower prices; sustainable agriculture initiatives; paddy mills for processing rice harvest</td>
</tr>
<tr>
<td>Six-S (Burkina Faso)</td>
<td>Construction of wells and dams to combat drought</td>
<td>Promotion of horticulture, poultry, schools, theaters, stores, grain mills, woodlots, village health programs, rural pharmacies, adult literacy, cereal banks, soil conservation, vegetable gardens</td>
</tr>
<tr>
<td>DESEC (Bolivia)</td>
<td>Improvement in potato production</td>
<td>Handicraft production; agroforestry; consumer cooperatives; health and housing; peasant education; appropriate technology</td>
</tr>
<tr>
<td>AMUL Dairy Cooperatives (India)</td>
<td>Collection and sale of milk from small producers</td>
<td>Cattle fodder; veterinary services; artificial insemination; milk processing and milk product marketing; improving road infra-structure; health services; model for oilseed production and marketing; fruit and vegetable cooperatives; cooperative forestry</td>
</tr>
<tr>
<td>Plan Puebla (Mexico)</td>
<td>Improvement of maize production</td>
<td>Maize-bean system improvement; trench silos; expanded irrigation; women’s groups; fruit production; rural infrastructure; animal production; credit union for loans; family microenterprise</td>
</tr>
<tr>
<td>San Martin Jilotepeque/ World Neighbors (Guatemala)</td>
<td>Increase in hillside farm yields</td>
<td>Soil conservation; fruit trees; composting; animal health; new crops; crop rotation; credit cooperative; land purchase scheme for landless; reconstruction of housing after earthquake; health and nutrition programs for women; potable water; latrines; family planning and nutrition; literacy programs</td>
</tr>
<tr>
<td>Gal Oya Farmer Organizations (Sri Lanka)</td>
<td>Improvements in irrigation management</td>
<td>Savings and credit programs; crop rotation (IPM); income-generation activities for women and youth; collective marketing of paddy; rice milling; civil defense; successor organizations in Polonnaruwa: dispute resolution, cancellation of land mortgages</td>
</tr>
<tr>
<td>Population and Development Association (Thailand)</td>
<td>Promotion of family planning</td>
<td>Rural water storage and supply; animal health and production; renewable energy (biogas); marketing; handicraft production; employment generation (relocation of urban enterprises to rural areas); tourist shops and restaurants (to increase income)</td>
</tr>
<tr>
<td>Iringa Child Nutrition Program (Tanzania)</td>
<td>Reducing child malnutrition and mortality</td>
<td>Local initiatives for increased agricultural production; better caring practices and access to basic services; environmental improvements</td>
</tr>
</tbody>
</table>
15 Annex G: Examples from the reviewed literature

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15.1 BOX 1: Effects of External Initiatives with Local Institutions
Promoting Livelihoods and Environmental Quality In The Waste Management Sector In West Africa

Municipal solid waste is a big problem in many urban areas. A case study of local initiatives to deal with this problem in Bamako, Mali and Ouagadougou, Burkina Faso by linking with farmer and other local organizations in the surrounding area (Eaton and Hilhorst (2003) has documented the positive effects from certain kinds of collaborative external assistance and also the possible negative effects from other kinds of external intervention.

A multidisciplinary project known as APUGEDU, involving local researchers and NGOs in the two countries working with European collaborators (www.lei.dlo.nl/apugedu), has linked up municipal governments, small enterprises and local grassroots associations in the two urban areas to improve the collection, handling and distribution of solid waste. Householders are paying collection fees to get rid of material that is eventually made available for periurban farmers.

This system of waste management generates jobs and income at the same time it improves urban hygiene and restores fertility to highly degraded soils around the city. Organic materials that are otherwise a serious problem become an asset. Project evaluations of pathogenic health risks have established that these were minimal, although sorting to minimize toxic solid materials is an important improvement of the process which the project promotes.

This depends on a multi-party system of institutional cooperation put together by APUGEDU project partners. “Platforms have been created [in Bamako] to bring together the various activities involved in urban waste management,” and two communes have established forums that “bring together the local council, GIEs [small enterprises], community associations of women or youth, local leaders and farmers. Farmers have joined the waste management working group to help set up sorting and separation procedures that would improve the quality of the waste deposited in their villages” (p. 58). This latter addition is quite innovative, making end-users part of the management system.

Similar organizational networks producing and utilizing compost have been developed in Ouagadougou, with training provided by APUGEDU. However, an urban development plan being implemented with World Bank funding could have an adverse impact on this local institutional system. “In Ouagadougou, many associations and enterprises currently involved in waste management are particularly concerned about the possibility of their continued involvement in the sector, given plans for the privatization of waste management and the contracting out [of activities] to a few large local or international companies.”
“This is of particular concern to relatively small groups such as the Wogodogo women’s association. Small-scale entrepreneurs fear that they will either go out of business or be relegated to the role of sub-contractor. Wogodogo and some of these small-scale enterprises are now setting up companies and trying to meet the minimal requirements to be eligible for tendering. At the same time, they are lobbying for the exemption of some zones from international tender and to reserve them for experienced local organizations” (ibid.). A similar plan which was prepared for Bamako but not immediately implemented has been revived with World Bank financial support and with technical support from a consult firm that promotes a large centralized system. “Stakeholders have been invited to participate in several commissions [reviewing the plan] and give advice, but farmers were not included” (p. 60).

The authors attributed the undermining of existing institutional capacity for an integrated and widely participatory waste disposal system where users (farmers’ associations) are also involved in the planning and operation, with significant displacement of local livelihoods, to reliance on plans drawn up by foreign consultants. This need not be a necessary result, however, since consultants can be sensitive to the livelihood and institutional implications of the alternatives that they consider and recommend.

15.2 BOX 2: The Self-Employed Women’s Association In India

SEWA is a prime example of institutional innovation with the specific purpose of improving livelihoods for the poor and marginalized. From 1972, when SEWA started with a membership of women street hawkers who were being victimized by the police and local authorities, it has grown at national membership of >700,000. About 70% of the members live in the Indian state of Gujarat, but there are affiliated local and state-level branches in six other states; and despite its urban origins, 70% of the members are rural. The history of SEWA has been well recounted in Rose (1992) and much information is provided on its web page about program and operations (www.sewa.org; also http://www.gdrc.org/icm/sewa-orgs.htm/).

SEWA’s innovation was to combine the forms and missions of a trade union (membership organization) with those of a cooperative, creating a kind of ‘hybrid’ local organization. Part of its program activity is directed, though strength of numbers and non-violent action, to getting other institutions and policy-makers to be more supportive of the needs of poor women, while it also operates and supports a panoply of self-help activities noted below.

In its union or advocacy role, SEWA lobbies and, if necessary, agitates to improve the social security of its members, seeking protecting legislation as well as more beneficial programs. Rallies and negotiation are complementary strategies; employers, police or local authorities are confronted when members feel that some injustice needs undoing; but it also develops a better employer-employee nexus to improve wages and working conditions by mutual agreement.

At the same time, different groups of women have organized themselves into cooperatives under SEWA auspices according to their livelihoods, so there are vendor coops (fish, vegetables, kerosene), artisan coops (weavers, bamboo workers, embroiderers), service coops (child care providers, industrial cleaners, wastepaper collectors), and land and animal coops (wasteland
management, agroforestry, dairy, tree crops). These ensure that members are better remunerated by improving prices, access to raw materials, or expanding markets, and/or improve working conditions.

SEWA has established its own bank, recognizing that although individual members have very small amounts of money to save, in total their volume can become very great. The bank’s total deposits have reached 625 million rupees, with employment of 10,500 persons and a payroll of about 20 million rupees, generating livelihoods from the handling of members’ money. The bank makes loans to put savings to use and generate capital for the members. It also offers life insurance and assists in mortgage recovery. A particularly valuable service is to make loans to members so they can repay old loans and pay the balance off at lower rates of interest. Similar services are provided to members in the SANASA cooperative in Sri Lanka (Box 3).

Parallel with these activities, SEWA offers various services such as child care at affordable cost to members, as well as training, communication and legal aid. In recent years, SEWA has also expanded its services to include health care. SEWA is now a complex institution, including SEWA Academy for extensive training activities, a trust to finance housing, market facilities, video production, handicraft sales, and a SEWA Research wing.

SEWA’s portfolio of services and activities was not developed according to a pre-set plan. In the same way that it started up by meeting members’ needs, it has grown and diversified by identifying and addressing the needs of members. It has tailored its organizational responses to the opportunities and the circumstances of its members rather than simply borrow existing structures or forms (Uphoff et al., 1998: 24).

Recent activities include initiatives for tuberculosis control; electrification of low-income housing schemes; information and communication technology centers; cooperation with counterparts in Pakistan; and computer sources “for the third generation of SEWA.” In 1986, the State Water Board invited SEWA to increase women’s participation on village-level water committees, to help conserve water and to find non-water based work opportunities, an example of the extrapolation of institutional capacity to new domains (http://newsroom.wri.org/wrifeatures_text.cfm?ContentID=2074).

15.3 BOX 3: The Savings And Credit Cooperative Movement In Sri Lanka

Starting from a village savings-and-loan cooperative society which linked up with other societies in Kegalle district in 1978, a national federation known as SANASA has been established to join together over 8,400 local branches with 850,000 members. Already 10 years ago its accumulated savings surpassed $40 million, so it is a major force within the Sri Lankan economy. The history of this institution will not be recounted here, being well told by its founder, P. A. Kiriwandeniya (1997) (see also Hulme et al., 1994). Here we are interested in some of the innovations of this RLI that enable it to contribute to sustainable livelihoods of members and others among the rural poor.
All of the local branches have a fax machine so that they can communicate daily starting and ending balances, as well as facilitate inter-branch transfers and deal with other business. One of the debilitating economic factors in villages is a lack of market information for small producers, who have to make most of their market transactions through traders who have their own superior network for information on spot prices for rice, onions, dried fish and other commodities at the different market centers through the island. SANASA figured out how it could fax to each branch, at very little additional cost, daily listings of market prices for all basic commodities at the various market centers. These prices are posted in some prominent place in the village so that all residents have easy and reliable access to market price information and can take appropriate steps to try to get the most favorable price for the (often small) amounts of produce intended for sale. Traders no longer have a monopoly on market information with which they can exploit the poor.

Because members know that the money they borrow on loan from SANASA branches comes from fellow members, SANASA has one of the highest repayment rates of any rural credit program. However, as a credit union, SANASA was limited in its lending to the amount of reserves it had in hand, not able to make loans totaling some prudent multiple of its reserves, as a commercial or state bank can do. Accordingly, though it took about a decade, SANASA also got approval in 1997 to establish a parallel bank, the SANASA Development Bank, which allows the membership to multiply the financial effect of their savings. Also, because money-lenders in rural areas who operate pawning services make distress loans at exorbitant rates of interest, SANASA has used its financial base to establish a pawning service for members that charges interest rates in line with its own credit operations and also redeems members’ assets according to fair market value. This has helped especially poorer member avoid liquidating assets during family crises, thereby avoiding being plunged into more serious poverty and losing livelihoods.

One of the most innovative moves by the SANASA movement, initiated in 1998, was to establish a consultancy service, the SANASA Engineering and Development Company (SEDCO). This is capitalized by the movement and hires professionals with technical and financial expertise to give advice to members and other rural residents who normally have no access to such knowledge. Members who want to start or expand small businesses in rural areas, creating employment and income for themselves and others, can avail themselves of SEDCO services. For payment, SEDCO accepts equity shares in the enterprise, giving itself incentive to make the business succeed. Income from the portfolio of enterprises it assists helps to pay staff salaries and to expand services. The possibility that members can use savings to build up or expand profitable economic activities is an incentive to build up deposits more rapidly.

SANASA has from the start invested some of the funds that it generated from saving and loan operations to support an ambitious educational program for members. It has converted its original training center, which conducted courses and sessions for several hundred thousand members annually, into an ‘education campus’ to invest in human resource development on a broader scale for the rural sector. One of SANASA’s crises in the late 1990s was when a World Bank-funded poverty alleviation project sought to disperse microcredit to low-income groups through SANASA, because of its effective operation and high repayment rate, but refused to pay a commission to cover a share of the costs of SANASA’s educational program that undergirded its success. To get around the national federation’s insistence on this, the project tried to channel
funds through SANASA district organizations, creating tensions within the federation. Eventually this was solved through a compromise. It was unexpected that grassroots efforts to improve human capital would be circumvented by World Bank staff rather than reinforced.

SANASA is one of the few examples we could find of a comprehensive effort by a rural-based institution, national in scope but with strong base organizations at the local level, to promote sustainable livelihoods by focusing on the information that people need to initiate or expand productive activity and on the augmentation of human and financial capital that is needed for successful enterprise.

15.4 BOX 4. Migrant Associations In Rural Communities In Mexico

International migration provides an increasingly important source of income for many households and communities in Mexico, where subsistence agriculture is declining. Remittances from migration, mainly to the U.S., constitute now a major part of the income strategies of most families in rural communities of Oaxaca that were studied by FAO as part of a multinational inquiry into relationships between rural livelihoods and local institutions (Marsh, 2003).

While migration enhances the economic security of households by providing a relatively significant and stable income, typically it does not induce much sustainable development within the sending communities. To overcome this limitation, migrants' associations (MAs) have been created in some communities of origin to promote better management of remittances for the public good. The FAO study generated insights into the main effects of such RLIs by examining three migrant associations based in Los Angeles from two Oaxacan rural communities. We summarize here the findings on these associations and their potential contributions to livelihood support at community level.

In both communities, more than half of the population now lives outside, mainly in Los Angeles. The departure of a large part of the labor force increases the importance of remittances for the households: three-quarters of the immigrants regularly send to their Mexican households an average of US$100 per month. But out-migration poses significant challenges. This helps to explain the formation of RLIs that regulate migration activity and foster beneficial links between the sending community and the migrants. Most migrants are linked to their households by a ‘contract’ that regulates the relationships among family, community and migrant. What started as informal migratory social networks of Mexicans coming from many communities became structured into associations made up of migrants belonging to the same community.

MAs may be created and administered by the immigrants themselves, or the sending community may stimulate the formation of an association in order to maintain the immigrants' connection to the village and/or to capture a part of the remittances. The associations represent a relatively simple form of organization, with a governing committee composed of a president, executive secretary, treasurer and one or more vocales, responsible for the carrying out specific activities such as dances or sport events. No registration or financial contribution is required for
membership. Any migrant belonging to the sending community is eligible. The characteristics of
the membership reflect the immigrant community itself, generally young and primarily male.

Three levels of participation can be distinguished. First, there are the governing committee
members, relatively long-standing immigrants, better integrated into the US, and likely to belong
to influential groups in the community of origin. A second level includes the most active
members who help to organize the fundraising events. These core members participate regularly
in general meetings and are likely to be former leaders of their households. The third level is
comprised of the majority of the sending community migrants, often designated as ‘friends rather
than as ‘members’ based on their less vigorous participation in the association's life. Women are
usually excluded from positions of major responsibility, although they can vote, and are likely to
be involved in the organization of entertainment events.

The objectives of MAs vary. Some mainly raise funds for annual cultural festivals at home, with
the aim of maintaining migrants' attachment to their community. Social services such as sharing
information on migrants' rights are also organized, and remittances may be collected and sent for
things with strong symbolic connotation, for charity, for social work, or for hurricane relief, for
example. MAs provide insurance to the sending community that during a crisis it can depend on
the solidarity and capacity of the immigrant community to collect and send funds quickly.

Other associations go beyond these functions to deliberately promote development initiatives in
the sending community. One MA studied organized entertainment events, for example, to raiset
funds to purchase a van to convert to an ambulance to serve the migrants’ home area. The rapid
success of this initiative gave MA leadership confidence to pursue even more complex projects.

The relationship between the sending communities and their MAs, as well as the sending-area
context, influences the orientation of the MA toward development initiatives. Key differentiating
factors included the existence or not of significant income-generating projects in the sending
community, the emergence of strong leadership for mobilizing MA resources for community
economic development, and measures taken (or not) to formalize the status of an MA and its role
in local development. A correspondingly important factor influencing an MA’s role in
development is the sending community’s willingness to incorporate the leaders of different RLIs
into project initiatives, which helps legitimize the MA within the sending community. Official
documentation that recognizes the MA and its role in local development is also important.

Defining domains of collaboration between the diverse local institutions and an MA can be
facilitated by creating an association of ex-migrants that represents the MA within the
community. In a collaboration, the MA may provide the financial, technical and logistic support
while the community provides the labor force and manages the implementation of a project.
Activities have included building a school classroom, a drainage system, an irrigation dam, and a
tourist corridor to promote local handicraft activities.

Some MAs want to play an expanded economic role and propose alternative uses of remittances
oriented toward local development. Their actions can complement and multiply the effect of
individual/household remittances by creating better conditions for local investment. Their
projects can stimulate local initiative by fostering in the sending communities a more positive
attitude toward investment in change. Nevertheless, the capacities of MAs and the community to implement some important projects, such as a dam, are limited without any external support, e.g., from state or local governments. The success of MA initiatives, in the long run, will depend on their capacity to generate more significant participation of their members, to manage well their relations with the sending communities, and to win support of other development actors.

15.5 BOX 5: The Union Majomut Coffee Cooperative In Mexico

Unión Majomut, legally incorporated in 1983, is one of the oldest and best known coffee cooperatives in Mexico, collecting, processing and selling the coffee produced by its members. Its history is indicative of the kinds of challenges RLIs often need to surmount. An instructive history of this experience has been written up by Pérezgrovas Garza and Cervantes Trejo, 2002).

In the first years of operation, members delivered their coffee on a consignment basis, not receiving payment immediately on delivery. In 1989, Unión Majomut went through a profound institutional crisis. With the dramatic fall in international coffee prices, some buyers who had purchased coffee from the cooperative went bankrupt and were not able to pay for the coffee already purchased. All of the communities in all of the municipalities withdrew from the cooperative and demanded that its president be incarcerated, thinking that he had caused the crisis through fraud and corruption.

Between 1989 and 1991 the co-op, for all practical purposes, had to completely start over. At this time Unión Majomut began to associate with two other well-established cooperatives, Unión de Ejidos de la Selva and UCIRI (Union of Indigenous Communities of the Isthmus). Both of these organizations were working in the Fair Trade market through Max Havelaar-Holland and had begun to participate in the organic market as well. This enabled Majomut to enter the specialty coffee market. Formal registration with Max Havelaar was achieved in August 1993, the first harvest within the Fair Trade system occurred in 1993-1994, and the co-op began to sell organic coffee in 1995-1996. This transition to certified organic production was not without cost. Producers had to learn new methods and invest more labor and capital initially. Some modest funding from the Rockefeller Foundation’s Mexico City office helped with the transition.

The cooperative has experienced remarkable growth, reflecting the economic benefits that it makes accessible. Having started with members from 18 communities in four municipalities located in the Chiapas Highlands, its membership now includes 1,700 families. Between 1997 and 2002, membership grew by over 50% and apparently there is still room for growth. Much of this growth came in 1998 when there were political problems in the municipality of Chenalhó, where the coop was based, and a number of other organizations there decided to join co-op, which is now expanding to include more communities in other municipalities. This growth is seen as an opportunity to demonstrate that through cooperative action there are effective means to help to resolve community problems.

Admission requirements for new members have been adapted so as to assure that potential members have a commitment to community development and are not simply seeking a way to get better prices for their coffee. The cooperative does not want to be seen as simply another coffee
buyer, but as a mechanism to organize and search for positive alternatives for its members. Candidates for new membership have to meet the following requirements:

- Be organized in a community group; individual members are not accepted, but only groups or entire communities.
- Pay 300 pesos (equal to $32) per new member, to be used for administrative costs.
- Participate for one year in the transition to organic production and pass the first organic inspection. This is to verify that the new members are truly interested in improving their production practices. New members can only join with the approval of the delegates' assembly, but they can not deliver their coffee until the next harvest.

When Fair Trade sales were initiated, only a very small portion of the harvest was sold within this system, so it was decided to distribute the premium proportionally among all of the members based on the quantity that each had delivered to the cooperative. As Fair Trade sales increased, the premium was reserved for use in development projects and infrastructure improvements in the cooperative (such as an electronic coffee grader and an organic coffee storehouse) as well as to provide training to members, improving their productivity and livelihood options.

Unión Majomut also supported a number of non-coffee related projects, including housing projects; the establishment of community stores; the installation of corn mills and tortilla-making machines to ease the work of the women; and loans for the purchase of pack animals. In recent years, projects have focused on food security through women’s groups in the cooperative and negotiating more favorable public policies with respect to coffee production.

Through development of collaborations with local peasant organizations, co-operative efforts have focused increasingly on social development and on gaining recognition of the importance of peasants’ participation in the design and execution of development policy in the rural areas of Mexico. While the co-op has made significant improvements in local livelihoods through more remunerative coffee production and sales, its members are pursuing a more broad-ranging agenda of activities to make rural livelihoods more diversified and secure. (The authors wish to thank our colleague at Cornell, Julie M. Grossman, for her assistance in preparing this box.)

15.6 BOX 6: Natural Resource Management By Traditional Associations In Ethiopia

The Borana people of Southern Ethiopia have, until recently, produced livestock with a remarkable social organization that often has been cited as a model of pastoralism in sub-Sahara Africa. This is not a formal rural institution like most considered in this paper, but it represents a good example of indigenous institutions that should be considered under the rubric of rural local institutions. We report here the analysis of Kamara et al. (2004) of this remarkable institution.

Traditionally, the Borana rangelands have been administered by long-established councils of elders and clan representatives who define rules and implement resource-use regulations. The Borana divide their rangeland into grazing-based administrative units configured around permanent water points. Each main unit is divided into sub-units consisting of a few encampments which have jurisdiction over surrounding grazing areas, cultivated land, and water
resources. At each level, the selected councils of elders manage the affairs of their communities to ensure the implementation of resource-use rules and regulations. Operational roles are filled and evaluated according to widely-shared procedures and criteria. The overall system has maintained its authority and capacity to function effectively largely from social norms, values and beliefs, supported by traditional mechanisms for sanctioning that are used to devise rules and ensure compliance. Rules and regulations were continually adapted to adjust human and livestock populations to the fluctuating capacity of the natural resource base.

Like pastoralists elsewhere, the Borana have been affected by various policies and development interventions over the past decades, in addition to socio-economic, market and demographic drivers of change. These disrupted the social system and challenged the values of mobile pastoralism. In Ethiopia, national land policies relating to local-level institutions were thought to compensate for the weakening authority of traditional elders in determining access to land, water and pasture. Specifically, establishment by the government of Peasant Associations at the local level during the ‘revolutionary’ period of 1974-1987 has led to the eruption of persistent conflict. Peasant Associations formally endorsed private rights to croplands, with associated exclusion of grazing from cultivated areas. The jurisdiction of PAs did not take traditional boundaries into consideration, however. Pastoralists’ mobility was constrained, and nomadic people lost access to valuable grazing areas, experiencing forced sedentarization while crop production was often unreliable. Large segments of the population have become even more vulnerable than before.

The variable, unpredictable, and drought-prone nature of the rangeland requires flexible rules and mechanisms for long-term sustainability. The Borana accordingly manage their natural resources together as a community, so as to guarantee mobility at all times. Their institutions have evolved with transient rules and regulations that are adjusted to the seasonal availability of forage and water. Flexible property boundaries guarantee risk-pooling across patches of rangelands of various types. Human birthrates are limited through rules that regulate marital and child-bearing age and the number of wives per adult male. The effect of these various informal institutions is to guarantee sufficient equity in access to resources that community capacity to manage stock levels in accordance with the land’s carrying capacity is maintained.

The withering away of traditional values, which guarantee access to resources and protection from risk and vulnerability, is attributed directly to the shift of de facto authority away from elders and to the heads of formal PAs. Kamara et al. (2004) recommend that development interventions pay careful attention to the impacts they are likely to have on the traditional institutions that regulate both human and livestock populations. This would apply for institutions in any locality where people’s livelihoods depend on natural resources. The starting point is to have both knowledge and respect for what community members are able to do for themselves. To displace these capacities is to disinvest in social and institutional capital.

15.7 BOX 7: The Context Of Developing Participatory Irrigation Management In Sri Lanka

There is a widespread belief that some environments are more hospitable than others to the introduction of new technologies, programs or policies, so that the speed and effectiveness of
development efforts can be increased, or the costs thereof lowered, by choosing more favorable contexts in which to introduce changes. While this proposition may be correct, several efforts to use a variety of measures to characterize the environments of development initiatives and then to evaluate the results of these efforts using quantitative methods have shown few if any significant correlations between different parameters of the development context and the quantified outcomes of development initiative (Esman and Uphoff, 1984; Krishna and Uphoff, 1999). Practical experience with development initiatives has similarly found little causal connection between environmental factors and results, redirecting attention to what is done within a given environment, and also how changes are promoted.

Our grassroots experience in introducing water user associations that could improve the efficiency and equity of irrigation management in the largest system in Sri Lanka, the Gal Oya scheme in southeastern dry zone of the country, showed that a context widely considered to be the most inhospitable for an innovation that required cooperation among water users turned out to be very amenable to such changes (Uphoff, 1996; Wijayaratna and Uphoff, 1997).

The Left Bank of the Gal Oya system, with a command area of about 25,000 ha (there were no exact data on its extent), had been in operation for over 20 years when USAID agreed with the Government of Sri Lanka to support physical rehabilitation of the scheme, supplemented by formation of water user associations. The Agrarian Research and Training Institute (ARTI) in Colombo was designated as the agency to undertake the latter, with technical assistance from Cornell University’s Rural Development Committee starting in 1980.

Neither ARTI nor Cornell knew how adverse was the context that they were entering, giving further evidence of the validity of Albert Hirschman’s ‘theory of the hiding hand’ (1994).

- Hydrologically, water scarcity was widespread, contributing to hardship and conflict. The main reservoir had filled only twice in the previous 30 years. The lower third of the Left Bank never got water deliveries during the dry season when irrigation was most needed; deliveries in the middle reaches were unreliable; and even in the head-end there were often shortages.
- Operationally, because of broken or missing structures, water was reliably controlled at only 7 points in the 25,000 ha command area. No regular distribution schedule was or could be followed. Water issues per hectare were twice the national norm because of inefficient distribution.
- Sociologically, there was little sense of solidarity and no operative traditions of cooperation because this was a settlement scheme where people had been brought in from villages all over the country. Normal head-end vs. tail-end problems were exacerbated by the fact that Sinhalese households had been settled mostly in the head and middle, with Tamils at the tail.

The Irrigation Department’s senior deputy director for water management informed ARTI at the outset that if progress could be made in Gal Oya, it would be possible “anywhere in Sri Lanka.” The head of the district administration told the young ‘organizers’ whom ARTI had recruited and trained when they were beginning their field work in March 1981 that if they could get even 10 or 15 farmers in Gal Oya to work together, “that will be a big achievement.” In fact, they were expected to organize 10 to 15 thousand farmers.
This seemed an impossible task, especially since the first dry season, the reservoir was only 25% full at the start of irrigation; and the next year, it was only 20% full. Usually one expects to have even greater conflict with such scarcity. But in fact, an opposite response was evoked by the organizers’ efforts and by the emergence of effective farmer leadership, discussed in Uphoff (1996). By the end-of-project in December 1985, there were 12,500 farmers organized from the field-channel level up to scheme level (plus almost 10,000 more in Tamil tail-end areas which the organizers had to withdraw from after a good start because of death threats made by LTTE separatists).

As a result of more careful allocation and application of water by farmer organizations, the efficiency of water used was at least doubled (area served for a given amount of water, and an evaluation commissioned by the International Water Management Institute (IWMI) calculated that water productivity compared with pre-project levels had been increased about 4-fold (Wijayaratna and Uphoff, 1997). Farmer-representatives had been incorporated into the formal management structure for the system at all levels.

The organizations have proved to be quite sustainable. In 1997, 12 years after project completion, farmer organizations were able to get an average to better-than-average rice yield throughout the whole Left Bank with only one-third as much water as usually provided, so effective was farmer management of a seasonal supply so reduced that the Irrigation Department had recommended there be no cultivation that season. As impressive, the farmer organizations shared water throughout the whole Left Bank despite a Department recommendation to concentrate its use in the head-end areas, for efficiency’s sake. For the sake of equity, the majority of Sinhalese farmers in the head and middle ensured that water also reached the Tamil minority at the tail (Uphoff and Wijayaratna, 2000).

Because was such great need on the part of farmers to have reliable water deliveries for their and their families’ livelihoods, unprecedented cooperation and problem-solving ability was elicited. The implication is that adverse environmental conditions can even become positive factors in the development and operation of rural local institutions, if they can successfully meet people’s needs. Environmental factors should be understood and taken into account in program design.

Adverse conditions can raise the cost or slow the progress of development initiatives, though they can also give impetus for improvements, as in the Gal Oya case, the turnaround in farmers’ water management behavior occurred within 6 weeks’ time, under the threat of crop failure. Putting some lasting institutional capacities in place requires appropriate approaches to rural local institutional development, including particularly rural people’s taking ownership for the new organizations, as occurred in the Gal Oya case.

15.8 BOX 8: Livelihood Contributions Of The Kenya National Farmers Union/Kenya National Federation Of Agricultural Producers

There are a number of national farmers’ organizations in African countries. For many years, the most successful was the Zimbabwe Farmers Union (Arnaiz et al., 1995; World Bank, 1999c), but it has become embroiled and crippled by the turbulent political conflicts in its country.
The Kenya National Farmers Union founded in 1947 – and since 2002, the Kenya National Federation of Agricultural Producers (KNFAP) -- is perhaps the most ambitious effort on the continent. It is described as “a nationwide, noncommercial union of farmers with the task of voicing legitimate interests of farmers to enhance their welfare, status and capacity” (World Bank, 1999d).

Its webpage (http://knfu.peasantsworldwide.net/) shows the range of current and recent activities:

- Conference on AIDS
- Workshop on Information and Communication Technology (ICT)
- Political and Business Event for Local Governments
- Participation in the Nairobi International Trade Fair
- Rural Women’s Day
- Participation in UN Talks on Climate
- Biennial Scientific Conference of the Kenya Agricultural Research Institute (KARI)
- Seminar on Strengthening Grassroots Representation and Support
- Course on Empowering Farmers to Enhance Marketability
- Seminar on Agrotourism
- Gender Programme
- Processing and Marketing of Tropical Fruits
- Building a Stronger Apex Organization

Much of this activity is made possible by financial and technical support from Agriterra, a Dutch NGO that is itself a federation of rural associations in the Netherlands.

The national organization grows out of 140 local and district branch organizations. Local branches have usually about 30 members, who have annual meetings to discuss local issues such as farm supplies, marketing, and agricultural production techniques and to elect officers. Delegates elected from the local ranch attend district meetings, where district representatives are elected, who participate in the national meeting, which elects national officials. These leaders deal with government officials, donor agencies, and other organizations on behalf of the membership.

KNFU services to farmers include:

- Facilitating cooperation between farmers and other stakeholders in the agricultural sector;
- Discussing with and advising farmers on issues affecting them such as wages, prices, taxes and restructuring conditions that may influence production;
- Assisting farmers to secure adequate transport of farm produce and related materials at reasonable rates;
- Lobbying politicians and private sector to influence policy on agriculture and trade; and educating farmers in appropriate methods of production and marketing (World Bank, 1999d).

Given that women are the predominant participants in agricultural production, being responsible for planting, weeding, cultivation and food processing, women play a distinct role in KNFU. It includes over 300 women’s groups in over 40 districts. These engage in a variety of livelihood activities: poultry, livestock (including zero-grazing to reduce adverse environmental impacts), bee-keeping, tree nurseries, horticulture, milling, water harvesting/irrigation, and handicrafts. In
addition, KNFU supports a number of off-farm activities such as food processing, soap-making, and trade and retail activities. “By and large, these activities have been quite successful and cost-effective” (World Bank, 1999d).

The collaborative approach to SL promotion discussed in this paper (7.10-7.11) is exemplified by the thinking animating KNFU strategy:

Actions of individual organizations, though important, are unlikely to succeed on their own in the fight against rural poverty. Collaborative effort is needed by all stakeholders – NGOs, government, civil society, and donors. In Kenya there are a number of organizations with programs geared toward rural poverty alleviation. [The Kenya Farmers Association and Kenya Cooperative Creameries are other important farmer federations.] ...

KNFU collaborates with other organizations to address rural poverty, including Kenya Freedom from Hunger Council, FAO, ACTIONAID (Kenya), GTZ, House of Manji Foundation, Safe Use, and the International Institute of Rural Reconstruction...

Institutions involved in poverty alleviation need to coordinate their efforts to avoid duplication and enhance complementarity. There has been an impressive display of goodwill amongst institutions in Kenya with a commitment to cooperate in rural poverty alleviation. KNFU has a stated objective to subscribe, assist, subsidize or cooperate with any association or institution, national or international, whose objectives are similar to those of the Union. (World Bank, 1999d).

This case illustrates that one of the best ways that RLIs can be strengthened is, in fact, to strengthen the connections among RLIs. There are also a number of capacity building efforts that can be undertaken by RLI leadership and by the national and international agencies supporting RLI development, in the KNFU case, Agriterra. In this century, RLIs can be, must be and probably will be quite different from those of the previous century to deal with the new environments in which they and their members, constituents, voters, taxpayers, clients, contributors, employees, managers, investors and customers must operate.
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17 Endnotes

1 Such as those undertaken in the programs of CARE, reviewed in Frankenberger et al. (2000),
2 (World Bank, 1999a)
3 Hall and Soskice (2001)
4 Kydd (2002)
5 The latter is referred to as the ‘inter-village level’ in World Bank, 1999a)
6 (see also Satterthwaite and Tacoli, 2003).
7 as discussed in Uphoff (1993).
8 RPOs have been assessed thoroughly by a joint workshop of the International Federation of
Agricultural Producers (IFAP) and World Bank in 1999 (reported in Rondot and Collion, 2001).
This assessment involved the writing and review of many case studies from Africa, Asia and
Latin America.
9 “Sometimes RPOs have emerged autonomously in reaction to external shocks (natural resource
degradation, severe price fluctuation, lack of public goods), out of local or traditional or
community structures. Others have been created by State interventions (according to the political,
ideological and economic choices of governments), or NGO and donor-funded programmes
(according to the development pathways promoted by donors at a point in time). State, NGO and
donor-funded programs have created cooperatives, extension groups (e.g., T&V), NRM groups
(e.g., Gestion de Terroirs committees), input-supply groups, micro-credit groups and institutions,
village associations. RPOs may emerge from these structures and may be linked to existing
social structures. Some may become sustainable and autonomous. Others remain dependent and
instrumental, their survival relying exclusively on external support” (CIRAD, 2001, p. 9).
10 In rural Kenya women’s groups were introduced to agroforestry methods for improving local
natural resource management (Feldstein et al., 1989; Buck, 1992). Women historically had
organized into ‘self-help’ groups to pool financial and labor resources for meeting critical
livelihood needs and social obligations. CARE International and its partners mobilized the social
capital embedded in these groups to introduce ideas about agroforestry and techniques for
developing small-scale tree nurseries as microenterprises. Within five years, agroforestry
initiatives begun with some 60 women’s groups captured the imagination and energy of over 600
agroforestry groups. They became ambassadors for this integrated approach to land-use
throughout the region and 15 years later were attributed with helping transform local economies
and landscapes (Ayling, 1999).
11 According to the analysis of Schumpeter (1934).
12 Doward et al. (2003) point to the positive impacts that RLIs can have on SLs to the extent that they incorporate
market dynamics into livelihood enhancement initiatives.
13 Rahman and Westley (2001) have argued for making investments in rural local institutions that
increase the capabilities of the poor to help themselves by giving them greater control over their
environment.
14 Gilling et al. (2001), while accepting that market forces and entities are fundamental to
reducing poverty, stress the essential role for the state in “providing a facilitating environment
for private investment and collective organization, and in the financing of services and
infrastructure.”
15 Throughout Africa, financial and monetary policies and regulations create barriers to the flow
of remittances and their effective investment (Mutume, 2006).
For example, about 40 Malian migrant associations in France have helped build some 60% of the infrastructure in the Kayes region of Mali, through some 150 projects over a decade (Mutume, 2006).

As reported by Tumilowicz (2006),

As Kydd (2002) has argued,

(Runsten and Key, 1996; Eaton and Shepherd, 2001; MANAGE, 2003)

(World Bank, 1999b)

(Mercoiret et al., 2001)

now being highlighted in the literature (Reardon et al., 2003; Weatherspoon and Reardon, 2003; Reardon et al., 2006).

According to Sakabe and Eloundou-Enyegue (2006)

The example given was the Indian state of Gujarat, which has long traditions of local initiative with democratic controls (Baumgartner and Hogger, 2004; also Nicholson, 1975). It is no accident that probably the most remarkable and effective cooperative movement in developing countries, the AMUL dairy coops, originated in Gujarat and set good precedents for the rest of the country and, indeed, the world. Started on a small scale 40 years ago, AMUL took two decades to develop a good ‘fit’ between technology and organization, exemplifying the ‘learning process’ approach (Korten, 1980). Then from 1970 on, with World Bank and other funding, it scaled up to contribute positively to the livelihoods of now 8.5 million Indian households (Doornbos and Nair, 1990; Kurien, 1997). That the AMUL model has not been as successful elsewhere in India supports the proposition that cultural and historical roots affect performance. But that this complex organization/institution has produced benefits outside of Gujarat also shows that sound organizational principles, incentives and examples can have a broad if not necessarily even impact.

by Baumgartner and Hogger (2004)

Bebbington (1997) reports that in parts of the Andean region of Ecuador and Bolivia, indigenous local organizations of ethnic minorities that linked up with external civic organizations were able to play crucial roles in pressing for land reforms. This then created preconditions for catalyzing technical and market processes for intensive production of horticultural crops and coordinated water management. The resulting increases in income and slowing of out-migration have led to investment in housing and education while also reducing poverty and environmental degradation. External actors played crucial roles throughout the process in helping localities negotiate their relationships with market, state and other civil society sectors.

This is seen in the case of the Self-Employed Women’s Association (SEWA), which has improved the livelihoods of hundreds of thousands of women coming from the poorest strata of Indian society through collective action that combines cooperative and MO organizational principles (Rose, 1992).

A compelling case from Ethiopia is presented in Box 5. The Asian Disaster Preparedness Center has mapped out the critical roles that local institutions play in reducing vulnerability to recurrent natural disasters and in developing sustainable livelihoods in high-risk areas with instructive case studies (e.g., APDC, 2003a, 2003b). Additional case studies for Mozambique and Iran have amplified how RLIs can adapt their roles when mitigating environmental disasters to support longer-term natural resource protection as crises abate (Matsimbe, 2003; CENESTA, 2004).
as seen with the Local Development Associations in Yemen (Young et al., 1981).

Our literature review did not focus extensively on gender issues because this literature is relatively well-developed (e.g., Agrawal, 2000; Cleaver, 1998; Molyneux, 2002; Tinker, 2000), and its conclusions are rather widely known.

That Hirschman (1970) analyzed so powerfully.

(Uphoff, 1995).

Although there was a thoughtful discussion based on CARE’s experience and thinking presented to the FAO-DfID forum in 2000 (Frankenberger et al., 2000). It addressed the SL implications of a relief-to-development continuum, from livelihood protection (mitigation) to livelihood provisioning (emergency response) to livelihood recovery (rehabilitation) and livelihood development (promotion), proposing early warning systems and monitoring to be prepared for other than the latter mode of operation. Chronically vulnerable areas (CVAs) can be identified, subject to endemic conflict as well as non-manmade disasters. The RLI implications were not, however, discussed in any depth.

In Box 5 we describe a good example of a rural cooperative in Mexico that has adapted to changing opportunities in their global environment and that has utilized outside assistance very well.

(Uphoff, 1986b). A subsequent working group of the Cornell Rural Development Committee, also supported by USAID, addressing the requirements for participatory irrigation management made this finding.

The four functional capacities listed here can be understood as concrete forms of social-structural social capital (Uphoff, 1999).

This was our experience when introducing participatory irrigation management in Sri Lanka under a USAID project. The success and sustainability of the Gal Oya farmer organizations was attributable in large part to their not being seen as belonging to the Irrigation Department or USAID. It was up to farmer-members to decide what tasks their organizations would undertake. While they demonstrated remarkable ability to improve water management, e.g., raising water productivity four-fold, the organizations also worked on tasks like conflict resolution, temperance, crop protection, group marketing, debt relief, savings schemes, and employment creation (Uphoff, 1996; Wijayaratna and Uphoff, 1997; Uphoff and Wijayaratna, 2000).

The study of rural producer organizations by CIRAD (2001) cites the case of SYCOV in Mali where farmer organizations started to collect, weigh and grade cotton progressively expanded to take on other functions and activities that serve the interests of their members or the wider community, such as health centres, process, transport and access to land.

Work done by the Cornell Rural Development Committee during 1972-1974 under USAID auspices on rural local organization in Asia.

The importance of considering institutional performance and connection at various levels has been commented on by IFAD (2003) with reference to the banking system in Ghana, working with a continuum of rural financial institutions from national to local. Countries that had established diverse but integrated systems of organization, covering all three sectors (private, public and civic) and multiple levels had greater success in agricultural and rural development according to multiple criteria (Uphoff and Esman, 1974).

Bingen (2000) refers to these as “interinstitutional alliances mediated by different types of institutions.”
This was the case in the situation which the first author is most familiar with, Gal Oya, Sri Lanka (Uphoff, 1996). There is was possible, indeed necessary, to introduce an entirely new form of organization, most novel in its not being dominated by officials or influential farmers. The water user organizations there have shown an admirable longevity as well as effectiveness (Uphoff and Wijayaratna, 2000), functioning as intended some 20 years after the end-of-project. It is worth noting that of the 30 cases evaluated in Reasons for Success: Learning from Instructive Experiences in Rural Development (Uphoff et al., 1998), 60% were based on essentially new organizations, such as the lane committees in the Orangi Pilot Project in Pakistan, the AMUL dairy cooperatives in India, the farmer groups in Plan Puebla in Mexico, and the borrower groups with Grameen Bank in Bangladesh.

For example, the SANASA savings and loan cooperatives in Sri Lanka (Box 3). The village savings societies started up in that country in the first part of the 20th century had become mostly moribund by the late 1970s. They were given a new mission from the bottom-up through the leadership of P.A. Kiriwandeniya and associates, and their organizational form was spread throughout the country, now encompassing about 20% of the households. The Baglung bridge program in Nepal, with a little government and donor agency support, coopted existing local government units very effectively to construct low-cost bridge networks through an entire hill-region district (although we note that they worked through ad hoc committees under village panchayat auspices, rather than through the existing LG units because of the reputations of the latter for corruption and limited technical skill). Local communities had all the skill needed for successful infrastructure work if the technology chosen was appropriate and within their grasp (Pradhan, 1980). In a number of the African cases (CAMPFIRE in Zimbabwe, Iringa in Tanzania, the self-help water supply program in Malawi, and the Six-S movement in West Africa), success depended in part on the close links that the project forged and maintained with local chiefs and elders, fitting deftly into local customs and social relationships.

This conclusion was well supported by a study sponsored by our Rural Development Committee on experience with women’s organizations and women’s participation in rural development (March and Taqqu, 1986).

This advice is strongly supported by CIRAD’s assessment (2001) of rural producer organizations, as well as by our review of successful experiences with rural development based on local organizations (Uphoff et al., 1998: 20-34), with the corollary recommendation that implementation proceed according to ‘assisted self-reliance’ (ibid., 34-43; Uphoff, 1988).

In 1977, Uphoff and Nepali colleagues introduced ‘user groups’, what at the time seemed like a new concept.

In rural Kenya women’s groups were introduced to agroforestry methods for improving local natural resource management (Feldstein et al., 1989; Buck, 1992). Women historically had organized into ‘self-help’ groups to pool financial and labor resources for meeting critical livelihood needs and social obligations. CARE International and its partners mobilized the social capital embedded in these groups to introduce ideas about agroforestry and techniques for developing small-scale tree nurseries as microenterprises. Within five years, agroforestry initiatives begun with some 60 women’s groups captured the imagination and energy of over 600 agroforestry groups. They became ambassadors for this integrated approach to land-use
throughout the region and 15 years later were attributed with helping transform local economies and landscapes (Ayling, 1999).

In a previous assessment of the performance of rural organizations (Esman and Uphoff, 1984), we addressed this issue in much detail, using quantitative methods with a larger sample of worldwide experience than undertaken before or since. Eighteen environmental variables suggested in the literature as having some possible bearing on the operation and success of local organizations (listed in footnote 6 below) were scored on scales of 1-5 by independent coders and were analyzed using correlation, regression and factor analysis methods. Only 3 of the 18 environmental factors had a statistically significant correlation with the organizations’ overall performance score (N=150). Since the significant coefficients did not exceed .20, none would explain more than 4% of the observed variance in performance. The highest $R^2$ obtainable in multiple regression analysis with the strongest set of environmental variables was .15. The environmental factors evaluated were Physical-economic: Topography (-.15), Resource endowment (-.03), Infrastructure (-.03), Economic diversification (.03), Income level (p/c GNP) (.11), Income distribution (unequal) (.03); Social-societal: Settlement patterns (.01), Social heterogeneity (.18)*, Social stratification (.20)*, Sex discrimination (.06), Social discrimination (0.14), Literacy (.08); Political-administrative: Partisanship (-.03), Group patterns (-.01), Community norms (.20)*, Societal norms (.12), Political support (-.02), Administrative support (.14). Numbers in parentheses are correlations with Overall performance scores; asterisks indicate significance at .05 level of confidence. See Esman and Uphoff (1984: 99-136) for methods and scoring and for discussion of relationships. Our assessment of the relationships seen in the data set, including looking at outliers, suggested something like the dynamic that was proposed by Oxford historian Arnold Toynbee in his 12-volume A Study of History published between 1934 and 1961, that of challenge and response.

These findings from a large cross-sectional study are consistent with more in-depth field research, carried out in Rajasthan state of India. A large number of villagers (N=2,397) were interviewed in 64 villages under a World Bank-supported research project to assess social capital as it relates to local collective action for watershed management and to local development activities more generally. We found no significant effect of ‘divisions and factions’ at community level, or of caste heterogeneity or caste domination (Krishna and Uphoff, 1999). Indeed, as noted below, political competition had an unexpectedly positive correlation with development performance. It was noted above (4.25, 4.27) how a confluence of social and cultural factors has apparently influenced the ease and effectiveness with which rural institutions in that Indian state can go from a single function to multiple functions. This was noted by Nicholson (1975) when considering how Green-Revolution technologies were being taken up in India; already at the start of the 20th century, cooperatives were ‘taking root’ in Gujarat more successfully than in other states.

This was our experience in Sri Lanka when introducing water user associations under a USAID project to improve irrigation management. The Gal Oya irrigation scheme was, by many measures, about the least promising place to introduce participatory management, yet within a matter of months, patterns of conflict and water waste were reversed (Uphoff, 1996), and the farmer organizations introduced have proved sustainable, even gaining in effectiveness (Uphoff and Wijayaratna, 2000). Although the Gal Oya situation was rife with ethnic division and other adverse factors, one might contend that Sri Lanka as a country is a more favorable place for...
undertaking institutional development given its level of literacy, democratic traditions, etc. However, we found that comparable farmer and government collaboration could be evoked in the Sirsia-Dudhaura irrigation scheme in Nepal when similar institutional development methods were used under a USAID project there. This scheme lies along Nepal’s border with the Indian state of Bihar -- and shares similar caste, poverty, illiteracy, banditry and other social problems.  

56 Surprisingly, in our analysis of the performance of rural local organizations, we did not find ‘political support’ as best it could be assessed from a reading of case studies to have a decisive role one way or the other (footnote 5).

57 Bingen (2000) reports on the efforts of six villages in southern Mali, studied by an externally-funded participatory research program, to cope with degradation of natural resources by community management. “In the absence of effective policy/governance institutions ... the villagers created SIWAA, an inter-village [locality] group designed to control wood exploitation by outsiders and restrict access to pastures for non-local livestock herders. Drawing upon existing social relationships – social capital – the villagers were able to develop accepted norms and practices that allowed them to identify shared problems, gather information about those problems, and negotiate and reconcile their different points of view and expectations.”

58 Bingen continues, “The continued absence of policies that were supportive of their efforts also jeopardized the longer-term accomplishments that arose from the communities’ relationships. Under these conditions, and in order to realize their long-term conservation objectives, the villagers would need to set aside customary interests based on trust and reciprocity in favor of those defined on contractual or more market-like interests.” We see in this case as in many others the potential for drawing on complementary institutional resources in the multiple environments of RLIs, socio-cultural along with political-administrative. However, in the contemporary world, the latter usually are able to supersede the former.

59 Bingen (2000) reports on an NGO in Oaxaca state of Mexico that was instrumental in helping migrant associations improve the contribution of remittances to local community development, stimulating more local community initiatives and attracting new financial and technical support (see Box 4). “As Oaxacan state government regulations became more supportive of migrants’ associations efforts to finance development in their home villages, [this NGO] helped several associations to create a new program for international solidarity. In one case, the New Hope (Nueva Esperanza) migrant association emerged as a source of support for ... a kindergarten, the construction of a drainage system and an irrigation dam, and the creation of a tourist corridor to promote local handicraft activities. In approved projects, New Hope provides the financial, technical and logistical support, and in return the community provides the labor force and keeps the ventures in good order.”

60 In Uphoff (1986a), we made the differences among these terms more concrete by putting them into a matrix format (Figure 7.1), which makes clear how the latter two terms are really forms of decentralization.

61 In Table 7.2, we present four different kinds of devolution, again in a matrix format from Uphoff (1986a: 224).

62 To avoid the proliferation of terminology, we have used in Table 7.2 designations proposed by Leonard (1982) even though they are complex words. These terms come from the analysis of decentralization undertaken by an interdisciplinary group at University of California, Berkeley, which was supported by a cooperative agreement with USAID’s Office of Rural Development.

63 IFAD’s paper (2003) on rural institutions
64 Christopolis and Farrington (2004) have written a whole book to demonstrate that extension has much to offer in dealing with poverty and vulnerability in the context of globalization. Based on case studies of extension practice and reform in Bolivia, India, Nicaragua, Uganda and Vietnam, they argue that decentralization creates both opportunities and threats for pro-poor extension activity. They argue further that taking a broad view of the types of organizations that can serve extension functions is imperative (a point made more generally in Annex D, see D.4).

65 This issue has not been considered much in recent literature, but an evaluation of rural development experience across Asia is still relevant (Uphoff and Esman, 1974). That study of 16 countries ranging from Japan to Egypt over a 20-year period, found strong evidence that those countries with systems of rural local organization that reached down to and linked up with community-level and group-level organizations had superior records of performance in agricultural, economic, social and demographic terms.

66 This was argued particularly in CIRAD (2001), IFAD (2003) and Marsh (2003) for FAO.

67 Somewhat paradoxically, as seen and documented in the Gal Oya case in Sri Lanka (Uphoff, 1996), this strategy in fact strengthened farmers’ position for effective advocacy.

68 When we did an analysis of rural local organizations and correlated size with overall performance scores, we found a small positive correlation (.09) that was not statistically significant (Esman and Uphoff, 1984). In such a relationship, imputing causation would be particularly difficult, even dubious, since an organization’s success could contribute to its growth even more than its size per se might increase the probability of success. That the coefficient was not greater was something of a surprise. Upon analyzing the data further, by looking at organizations in terms of their number of levels (2.20-2.12), we found a more revealing and important relationship.

Overall, the relationship was non-linear. Local organizations that had fewer than 50 members and those with 50-100 members had the same performance score (74), while those in the 100-500 member range were slightly lower (67). Those with >500 members had markedly higher average performance scores (127). But causation is unclear, because organizational success can contribute to larger size just as much as the reverse (or maybe more). A look at the cases broken down by size and performance showed that of the rural local organizations with lowest performance (N=20), half had <50 members, and none had >500. But among the most outstanding cases (N=26), one-third were >50, one-third 50-100, and the organizations with 100-500 and >500 members were each about one-sixth of the sample (N=125, the number for which we had enough information for reliable scoring).

69 These data are shown in Table 7.1. Small organizations that had linkages beyond two tiers performed better than did larger ones similarly linked, even though smaller organizations in general had lower summary performance scores than did larger ones.

### Performance Scores of Smaller and Larger Organizations, Either Linked and Unlinked to Higher Levels of Organization

<table>
<thead>
<tr>
<th></th>
<th>Smaller (&lt;100 members)</th>
<th>Larger (&gt; 100 members)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>N</td>
<td>Performance Score</td>
</tr>
<tr>
<td>No vertical linkages</td>
<td>35</td>
<td>31</td>
</tr>
<tr>
<td>Two tiers linked</td>
<td>15</td>
<td>106</td>
</tr>
<tr>
<td>Three or more tiers</td>
<td>12</td>
<td>134</td>
</tr>
<tr>
<td>Total</td>
<td>62</td>
<td>73</td>
</tr>
</tbody>
</table>

Source: Esman and Uphoff, 1984, p. 150

(Upoff and Esman, 1974).
This report is citing many examples, but particularly the case of CNCR in Senegal, ANOPACI in Côte d’Ivoire and the Zimbabwe Farmers Union in Zimbabwe. The box nos XX at the end of this section consider the Kenya National Farmers Union (KNFU), one of the cases written for the 1999 World Bank workshop on Agricultural Producer Organizations: Their Contribution to Rural Capacity Building and Poverty Reduction. From widespread experience we know that isolated RLIs are likely to be less effective and less sustainable.

(Uphoff, 1995),

(Blockland, 1999)

In the Philippines, a civil-society network of 250,000 volunteers, initially dubbed the Network of Citizens for Honest Elections and Truthful Statistics (NO-CHEATS for short) is currently being assembled to be trained to monitor the local government elections scheduled for 2007. With clear instructions for what will constitute proper/improper voting procedures and with phone numbers to call with reports and evidence of irregularities in balloting and the counting of ballots, it seems that Philippine elections, notorious for undemocratic manipulation, can be made to operate fairly. This is a good example of how modern technology can be utilized for improving the functioning of RLIs.

However, it is addressed in Uphoff (1994) in terms of how organizations acquire institutional characteristics and capabilities.

An example of ostensible change in a rural institution with actual continuity is the KNFU, set up in 1947 and now known as KNFAP with a more diversified and expanded mission (see Box 8).

This insight was highlighted by Korten (1980) in his seminal article on ‘learning process.’

The migrant associations springing up in many countries around the world (e.g., in Mexico: Box 4) are riding as best they can the crest of globalization, drawing on a range of resources and information that were beyond the grasp of any previous rural generation. The civil-society initiative in the Philippines noted above to monitor local government elections with cell phones and digital cameras (7.32) is harnessing new technologies increasingly accessible in remote areas that can link them up with anywhere else in the country, and even in the world. The range of activities that Kenya farmers, now self-designated as agricultural producers, are engaging in with assistance from urban-based and international organizations is quite remarkable (Box 8).