

Proposal for the India Case Study

TFESSD Mobilizing Institutions for Sustainable Livelihoods and Equitable Development

1. Background and Rationale

TFESSD Rural Institutions

The proposed study is part of an initiative of Agriculture and Rural Development Department (ARD) and the Social Development Department (SDV) in FY 06-08 to assess and build on the potential of rural institutions to augment access to public and private services to the rural poor. Funded under TFESSD, this study proposes a new way of looking at existing rural institutions as a resource – a form of organizational capital- that has the potential to adopt new functions in order to facilitate access and mediate between the rural poor and public or private goods and services.

The proposed countries for case studies are India, Afghanistan, Ethiopia, Yemen and Vietnam. The countries have been purposively selected to examine a range of institutional alternatives among varying countries that have varying degrees of integration within market processes.

Country context

The last two years has seen Indian economy growing by more than 9 per cent and increasing liberalization of the economy. Although relative poverty levels have fallen substantially, the absolute number of poor is still greater than 350 million. Also, although most sectors have shown a high growth rate, agricultural growth rate is stagnating at around 2.5 %. This has raised issues about inclusive growth and how rural households who are mostly small and marginal farmers can benefit from expansion of economy. At the same time agribusiness sector is growing fast with cooperatives and private sector companies making a significant investment in rural retail and value addition. Small and marginal farmers are finding it difficult to deal with market based institutions including the private sector. The current sets of rural institutions have found it difficult to interact with market institutions.

Institutional context

There are many types of rural institutions in India. The most successful examples of rural economic institutions are the cooperatives started in Gujarat and Maharashtra. The other key developments have been the growth of the self help groups and other common interest groups in many parts of India. In many locations these groups have led to social and economic empowerment. The other key development has been the emphasis on devolving various functions and resources to local governments at various levels.

The World Bank's work in India

Bank has been working in India on community driven approaches and has supported social and economic mobilization and has supported formation and strengthening of about a million groups of poor households. Many of these groups have associated and aggregated as higher level federations and emerged as membership organizations of the rural poor. These are referred as people's sector and have stimulated new patterns of institutional arrangements involving co production of goods and services with public, private and cooperative sector. These have also emerged as foundation of development of financial sector for the rural poor. These institutions have also emerged as franchises for agribusiness companies, milk cooperative federations, processing enterprises, commercial banks, food grain public distribution systems and other public services including research and extension systems. In many cases these rural institutions have transformed themselves to become producer companies. Many commercial organizations interested in developing bottom of pyramid markets for both commodities and services have shown interest in forming partnerships with federated organizations of the poor. The World Bank currently is supporting a large portfolio of programs in many states of India and needs to learn about these new co production arrangements and their impact on livelihoods to be able to design new programs incorporating new institutional arrangements which enable rural poor and their organizations to interact better with markets and participate in the growth process and enable it to become more inclusive.

Main study questions

The proposed study would mainly look at examples of rural institutions which have aggregated and federated and will examine their ability to deal with market institutions and players. It will also examine if small and marginal farmers are benefiting from these institutions. It will also examine the impact of the aggregated institutions on rural livelihoods. Finally it will examine what changes are required in existing rural institutions to enable them to better deal with market and aggregate and work in co production arrangements with commercial sector and public sector agencies.

Objectives of the study

The overall objective of the study is to examine the impact of aggregated rural institutions of the poor on rural livelihoods and their ability to deal with the market based institutions. Under this overall objective the study aims to achieve the following objectives:

1. To review and describe the various rural institutions which have developed aggregated and associative institutions at higher level in Vietnam.
2. To examine investments required in these aggregate institutions including key processes at various stages of institutional development.
3. To develop a framework for impact analysis of these institutions on rural livelihoods.

4. To understand the impact of these institutions on behavior and risk perception of market based institutions.
5. To distill lessons for design of rural institutions to deal with market based agencies

Approach and Methodology

The study will lay down a framework for defining associative and federated tiers of rural institutions which have worked on various co production arrangements with commercial sector. These will be defined based on the context, types of rural institutions, functions of these institutions, various sectors and value chains. The study will also develop a typology of co-production arrangements.

The methodology will also look at certain geographical regions where the rural institutions have been working for some time and have attained some maturity and also examine cases where private sector companies and commercial enterprises have been consciously trying to change their business paradigm to include bottom of pyramid markets.

The study will also look at what variables other than aggregate level of institutions are required to get co production and rural livelihood outcomes.

The study will also carry out institutional, economic and enterprise level analysis to draw conclusions.

The study will build on the MIS data, studies undertaken earlier and secondary data on these institutions. However, it will carry out a number of detailed case studies but also take up certain states for detailed analysis e.g. Andhra Pradesh where these investments have been done for a longer period and with higher intensity.

These studies will also be complemented by a number of expert workshops to develop the study and examine various findings. Finally a workshop will be organized with senior decision makers and implementing agencies to disseminate the results of the study.

Time frame

This study would be undertaken over a period of one year.