Investing in Rural Producer Organizations for Sustainable Agriculture

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Sustainable Agricultural Systems, Knowledge and Information (SASKI) is a thematic team promoting sustainable agriculture, associated knowledge and information systems and gender-responsive development within the Rural Development Department of the Environmentally & Socially Sustainable Development of the World Bank.
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Foreword

Beginning in 1999, three different initiatives converged to meet the same objective: of strengthening rural producer organization capacity to: (a) promote sustainable and productive agricultural research and extension services; (b) promote sustainable agricultural production systems and (c) effectively respond to poor people’s priority to pull themselves out of poverty.

- SASKI thematic group identified rural producer organizations (RPOs) as leading actors in research, extension and education and made the support to RPOs one of the topics of its work program. This effort resulted in a workshop in June 1999 that brought together leaders of rural producer organizations from many countries, and representatives of NGOs, donors, the private sector and public agricultural service providers, around the team of support to RPOs.
- The Soil and Land Resource Management thematic group initiated work with the International Federation of Agricultural Producers and its member organizations on issues related to sustainable agricultural production.
- The Voice of the Poor study coordinated by Deepa Narayan, highlighted that many poor people interviewed identified the capacity to organize, as what would make the greatest difference to their lives.

This Good Practice Note reviews World Bank experiences in working with RPOs and summarizes lessons learnt from the World Bank, other donors and NGOs in strengthening the capacities of RPOs. It is intended as a reference to World Bank staff and Borrowers who engage in working with and supporting RPOs.

"SASKI Good Practice Notes" are intended to disseminate views, experiences, and ideas that may assist World Bank Task Team Leaders, national counterparts from Borrower countries, and other partners with preparation and implementation of projects to promote sustainable agricultural production and knowledge systems. The series contains lessons from innovative experiences in World Bank projects and elsewhere, and makes this information readily available for comment and use by project teams.

This Good Practice Note was prepared by Marie-Hélène Collion and Pierre Rondot, and benefited from the review of Anthony Bebbington from the University of Colorado and from the comments of a review committee including Cornelis van der Meer, Eugene Terry and Robin Mearns of the World Bank. It also benefited from the input of Cornelis de Haan, David Groenfieldt, Derek Byerlee and Gary Alex from the World Bank and support from Pierre Marie Bosc and Marie Rose Mercoiret from CIRAD.

SASKI is the Thematic Group for Sustainable Agricultural Systems, Knowledge and Information, composed of World Bank staff working in promoting sustainable agriculture and associated knowledge and information systems. The overall team objective is to enhance the effectiveness of Bank support to agricultural
development, and thus contribute to the Bank's objectives of reducing poverty, ensuring food security, and improving sustainable management of natural resources. The SASKI group emphasizes sharing of experiences and exchange of information among agricultural practitioners in the World Bank and its partners.

Marie-Hélène Collion
Chair, SASKI Thematic Group
Executive Summary

Rural producer organizations (RPOs) assume many forms that have varying purposes and functions at different levels (local, regional, and national). Helping rural producers organize themselves, and supporting the development of their organizational capabilities is an investment in social capital that addresses two of the key dimensions of poverty reduction—empowerment and capacity building. However, this raises important questions for an organization, such as the World Bank. Which organizations to support, what capacity to strengthen, how to provide the support, and what is its comparative advantage in this domain?

In the past, the Bank worked with cooperatives (often government-sponsored) and recently on their reforms (in particular in Eastern European and former Soviet Union countries). The Bank is now working with and providing support to a number of RPOs, especially herder associations, water user and forestry associations, and dairy cooperatives. More recently, RPOs have been research and extension partners in agricultural services projects, actors in decision-making processes with Word Bank support, or partners with the private sector for input supply and marketing under Word Bank initiatives.

There is no blueprint to support RPOs: any support should be tailor-made according to country circumstances and the characteristics of the RPOs in that country. One principle prevails however: support should be to empower RPOs, not to make them the instruments of donor or government agenda, and not to use them as substitute for deficient public services. With this in mind, support to RPOs should:

- Guarantee equal access to any RPO that meets the criteria for funding;
- Guarantee independence from government or donor agencies;
- Ensure that supported RPOs are membership organizations, legally registered with transparent governing rules, procedures, accounting and reporting systems, and agreed upon their overarching objectives (including poverty reduction);
- Design capacity building as a "learning-by-doing" process. RPOs have to be responsible (and not just consulted) for selecting and implementing activities, on the basis of procedures and criteria agreed upon with governments and donors. Systematic a posteriori control should be included in the process;
- Accept limitations of RPOs, working with them at their pace.

Demand-driven services and investment funds or capacity-building funds are proving to be an effective tool, that can ensure that the above principles are met. However, the decision to allocate resources from the Fund should be in the hands of the RPOs themselves, on the basis of agreed upon procedures and criteria. Examples on how to set up such funds are described in this paper.

Working with RPOs has inherent risks, that have to do with exclusion, potential elite capture, political and social resistances, and possible co-optation and misuse of funds. Although misuse of funds may be small when RPOs are fully responsible, these risks have to be carefully assessed. Mechanisms to monitor and check pos-
sible slippage have to be built into project design.

In addition to providing resources, the World Bank has a comparative advantage in supporting rural producer organizations by promoting an enabling environment either through projects or through policy dialogue with governments. In particular, the Bank can:

- Ensure that RPOs are seen as full-fledged partners of governments, donors, and public as well as private services and seek to end the mistrust between them and public services;
- Promote a conducive legal and political environment;
- Promote effective decentralization to allow grass root organizations to access public funding and influence local policy planning;
- Promote institutional reforms in the delivery of public services to ensure client-responsive services and accountability to users;
- Strengthen the capacities of RPOs' service providers: RPOs need quality services to be competitive;
- Promote dialogue among donor agencies to harmonize approaches to supporting RPOs.
Some Concepts

WHY INVEST IN PRODUCER ORGANIZATIONS?

1. Today a large share of the world's poor live in rural areas with agriculture or agriculture-related activities as the mainstay of their livelihood. The diversity among rural people making a living in agriculture is impressive covering crop and livestock production, forestry and fisheries, processing of agricultural products, and all other aspects of natural resource management.1

2. The World Development Report 2000-2001 presents a conception of poverty as having four equally important dimensions: economic opportunity, capability, empowerment, and security. Poverty is not just a lack of economic opportunity and access to resources. The poor cannot make their voices heard and cannot access or influence services. Indeed, they often lack information and education to know what services are available or would be useful to them. They do not know what services to ask for, have limited capacity to negotiate access to means of production, and have limited weight, if any, in bargaining processes (World Bank, 2000; Narayan, 2000).

3. One strategy for rural producers to draw themselves out of poverty is to pool their resources and ideas. They can organize themselves to: (i) more effectively manage their natural resources and own assets (water user associations are a prime example, as are herders associations for range land management or forest user associations); (ii) expand or maintain their access to natural resources (access to land, forest, pastures and water resources); (iii) gain access to services, credit, and market outlets through representation and advocacy activities or by leveraging financial resources; and (iv) influence decision-making processes affecting resource allocation and policies related to production, market's, transformation, and export of their products. In numbers, they gain bargaining power, and can have a more
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**Why Strengthen RPO Capacity?**

4. **Contribution to rural poverty alleviation.** Helping producers get organized and strengthening capacity of the rural producer organizations (RPOs) is one way to combat rural poverty. Supporting RPOs contributes to rural capacity building with the broad objective of building producer capacity to: (i) negotiate with actors and institutions that regulate rural policies; (ii) access productive assets, services and input/output markets; and (iii) utilize these assets more efficiently and effectively.

5. **Investing in social capital.** Strengthening the capacity of RPOs is also an investment in social capital, which complements investments in human, physical, financial and other forms of capital. RPOs provide a framework for sharing information, coordinating activities, making collective decisions, and representing the voices of thousands of otherwise voiceless individual families. Building “social infrastructure” is an indispensable complement to investments in other forms of capital (Dasgupta and Serageldin, 2000).

6. **Strong producer organizations for a more efficient allocation of public goods.** The provision of public goods results from political bargaining between interest groups. If some groups are powerless and underrepresented the decisions reached will be less efficient and less growth-enhancing than when participation involves equally powerful interest groups. Building the capacity of producer organizations should improve their bargaining power, and thus contribute to a more growth-enhancing allocation of public goods, at all levels—local, regional and national (Binswanger and Deininger, 1997).

7. **Complementarities between strengthening RPOs and Community Action Programs.** Within local communities, strong RPOs provide the backbone for development of the agricultural sector. Even when agriculture is no longer the primary source of income for rural families, it remains central to the organization of rural life. RPOs facilitate development of agriculture and agriculture-related activities, thereby increasing the local resource base needed to finance local public services or investments. They provide producer input into local and regional development plans and into decisionmaking processes regarding rural infrastructure and natural resources management.

**What Are Rural Producer Organizations?**

8. **RPOs are membership organizations** created by producers to provide services to members. In that sense, they differ from service NGOs (nongovernmental organizations), which also provide services to producers, but which are not membership organizations. The membership characteristic is essential, although some RPO’s may have overlapping functions with service NGOs. Even with this difference in mind, it is often difficult to sort through the numerous and diverse rural organizations, which are at different stages of development and serve different purposes at different levels (local, regional and national).

9. **Traditional versus formal organizations.** In all rural societies, traditional forms of organizations exist to facilitate collective action, re-
duce risk from the many uncertainties of agricultural production, and to regulate relations within the groups. Although these traditional custom-based groupings have an essentially inward-oriented or "bonding" function, formal producer organizations—our target in this paper—have been created to organize relationships between the group and the outside world. They have a linkage or "bridging" function (though they may also cover some of the traditional intragroup functions). Formal producer organizations, except organizations concerned with export or high value cash-crop production, are often hybrids (such as cooperatives and unions), being rooted in local customs but motivated by economic and nontraditional principles to organize (such as cooperatives and unions). Local traditions still underpin the interactions between members—determining, for example, who has authority and can become a leader, who has access to resources, and what the relationship between sexes and between elders and juniors should be. On the one hand, traditional groups are generally inclusive—everyone in the society is inherently a member. Formal producer organizations, on the other hand, tend to be more exclusive, with the attendant risk of the poorest being excluded (see the section on risks below).

10. RPO functions. Producer organizations perform advocacy and/or economic functions and, in addition, sometimes undertake more general local development functions involving:

- Syndicates or unions emphasize advocacy or policy functions;
- Cooperatives or other sorts of groups (for example, Groupement d'intérêt économique, producers associations) emphasize economic and technical functions; and
- Community associations emphasize community development functions.

Whatever their primary function, RPOs are frequently requested by members to also address other community development concerns affecting the quality of life and good of the community (for example, health, schools, local infrastructure). This happens especially when decentralization has not taken place and effective local governments do not exist. Although RPOs may be organized for a specific function, they often end up addressing all three of the above-mentioned functions to varying degrees.

11. RPOs diversity of scale. RPOs can be only local entities (at village and inter-village levels) or they can be represented at regional (unions) and national levels (federations) where policy decisions are taken. Function and level of organization are often related. Local problems requiring local collective actions tend to be resolved better by a single or a limited number of grassroots producer organizations. Hence technical and economic organizations tend to be stronger and more effective at the local and regional level (for example to access services, rural credit and primary markets, manage their own natural assets, or resolve natural resource access issues). Conversely, national level organizations are more effective in resolving policy issues. Advocacy groups form at the level at which they can most effectively have input into decisionmaking on such issues as land reform, commodity policies, import-export policies, and fiscal policies. They often have great difficulties, however, in building a sustained relationship with local-level organizations, because of problems of transparency and accountability.²

12. RPOs evolve. RPOs are not static, but are always in a process of evolution. They often
start from a traditional, custom-based, all-purpose grouping, and move toward being organizations driven by economic principles and nontraditional rules for organizing. In the process they specialize by function, either economic (cooperatives) or advocacy (unions), and by subsector of intervention (for example, a vegetable grower cooperative or a small livestock producer association). They may also expand their functions vertically within a subsector, for example, starting with input procurement or marketing for members, and then expanding into technical services or product processing. They also aggregate for higher-level representation or association at district, regional and even national levels. Thus, in any one country, one can find RPOs coexisting at different stages of evolution.

Notes

1. Examples include: groups of women raising silkworms in China; herders managing communal grazing lands in the Sahel; pensioners growing potatoes in dacha farms in Russia; large American or European wheat or corn growers fighting for access to world markets; apple growers bargaining for better prices in Turkey; campesinos maintaining their own high-yielding varieties of maize in Mexico.

2. Some advocacy groups exist only at regional or national levels without any local base. They still consider themselves as representatives of local organizations that may not be organized at the regional or national level, however.
Lessons from Past Experiences

13. Some Bank-financed projects have involved producer organizations as primary actors in project implementation, but in most cases, relatively little attention has been given to developing capacities and empowering these organizations. Lessons learned from past projects have been documented, but past experience, in most cases, has not been fully analyzed and internalized in Bank operations and strategies.

14. A 1993 review of the World Bank's role in development of cooperatives and rural organizations concluded that inappropriate policy frameworks and political interference were major reasons for their failure to develop as viable and efficient organizations. This is in spite of significant past investments of financial resources and technical support from donors. Past projects were negotiated exclusively between the Bank and governments, failed to analyze institutional issues, were overly complex, and provided no capacity building, or only capacity building within the government (Hussi et al., 1993). The review concluded that cooperatives must be treated as private sector enterprises, and that the government's primary role should be to establish a conducive policy environment for their growth, not to control or regulate. Cooperatives function best when focused on commercial activities, and appear to be most sustainable when they have a high business turnover and multipurpose commercial activity.

15. Following the 1993 review, cooperative reforms have been introduced in Bank agricultural development projects in Eastern European countries, North Africa, and the Middle East. These reforms have aimed at restructuring and democratizing the cooperative sector, moving away from control by
the State, and adjusting them to a new economic environment, market conditions, and member demands.

16. Beaudoux et al. (1994) compiled a set of case studies for the Africa region of good practices of RPO participation in Bank projects (natural resources management, agricultural research and extension, agricultural processing and marketing, food security, rural infrastructure, and rural finance). This review concluded that emphasis should be on RPOs as a means of farmer empowerment—the development of peoples’ capacity to initiate action on their own or to influence decisions.

17. World Bank projects are now evolving from an exclusive focus on strengthening the supply side of rural services to improving demand for services through user capacity-building, financing for demand-driven investments and services, and encouraging the emergence of multiple service providers. Twenty such projects involving RPOs as partners in project implementation provide success stories and examples of emerging good practice, which are the basis for this Note (Delion, 1999).

PRODUCER ORGANIZATIONS IN BANK PROJECTS

18. Herder associations. The central role of these groups in range management and pastoral development has long been recognized in Bank projects (West Africa, Central African Republic, Kenya, Morocco, and Mongolia). Herder organizational requirements vary with function—natural resources management, service provision, livestock marketing, advocacy and political representation, or multipurpose. Bank projects should be

Box 1. Dairy Cooperatives—Operation Flood in India

Beginning with three projects in Karnataka, Rajasthan, and Madhya Pradesh in 1974, and following with two national dairy projects in the late 1980s, the World Bank lent over US$500 million to develop the milk industry through cooperatives comprising district unions combined into state federations. Projects focused on capacity building to strengthen cooperative structures, training, and activities and infrastructure related to production and marketing. The objective was to promote viable cooperative businesses owned and managed by producers for collecting and marketing milk products as a means of expanding rural incomes and improving dairy productivity.

The national federation comprises 70,000 village milk cooperatives with some nine million members, 60 percent of whom are landless, small, or marginal farmers. The federation and its members produce some 13 million liters of milk daily, creating an annual additional income for each family of US$90. Per capita milk consumption has almost doubled and the milk-cooperative business has created about 250,000 off-farm jobs, most in rural areas.

Investment has been heavy, and some observers are concerned about cooperatives being over-protected and monopolistic, and occasionally making inappropriate use of their political power. These problems seem to be outweighed by impressive performance due to: (a) committed membership and farmer control at the local level, (b) sound management, (c) influential and charismatic leadership, (d) strong accounting systems, and (e) effective and profitable services provided to members.

proactive in assessing group organizational capacities and needs, to guide further development of pastoral group (Pratt et al., 1997).

19. **Dairy cooperatives.** Dairy cooperatives fulfill an important function in providing necessary infrastructure and technical services for the collection, handling, quality control, and transport of milk produced by thousands of individual smallholders. These cooperatives often provide credit for their members, and promote improved husbandry techniques. The Bank has worked with many dairy cooperatives around the world, though the outstanding case is that of India, where the Bank has supported dairy cooperatives since 1974. Investment in India’s dairy cooperatives has benefited poor and landless rural households, created 250,000 off-farm jobs, and improved nutrition and incomes for poor farmers (Box 1). Dairy cooperative movements, based on the Indian model, have been established elsewhere, notably in Kenya and Indonesia.

20. **User associations for water or forest resources.** Farmers whose livelihoods depend on use of collective goods (common pool goods) should be well motivated to manage these resources in a sustainable way. Formal organizations can help farmers to manage these resources quite successfully (Subramanian et al., 1997). One example of such sound management is Albania, where new government policies transferred management of irrigation schemes to farmer groups (Box 2).

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**Box 2. Rural Producers and Water Management: The Water User Associations (WUAs) in Albania**

Following the breakup of state farms and cooperatives and subsequent privatization of the agricultural sector, there was no organization to take over the operation of irrigation systems and the distribution of water. In 1994, the World Bank financed the Irrigation Rehabilitation Project (IRP) that stimulated the creation of Water User Associations (WUAs) to maintain and operate tertiary canals and farm channels downstream of the tertiary off-takes. The first WUAs were based on village units, but because several villages often share a single source of water, the WUAs were later reorganized on the basis of hydrological units to avoid disputes.

State-run Water Enterprises (WEs), which operated the primary and secondary levels of the irrigation systems, had become overstaffed and inefficient, and farmers had lost confidence in them and were reluctant to pay water charges. The concept of handing over management of all irrigation systems directly to the WUAs evolved gradually, and WUAs became responsible for all costs of operating systems. WUAs paid reduced charges to WEs, according to their level of responsibility.

By the start of the 1997 irrigation season, 78 WUAs were in the process of assuming management of their overall irrigation systems, and 66 percent of the area in the IRP districts had been transferred to WUAs. The remaining rehabilitated systems were handed over before the start of the 1998 season.

The policy of irrigation management transfer is now being extended to include full system transfer by forming federations of WUAs to cover secondary blocks in areas that were performing best in 1997. The ultimate aim is to hand over entire basins. The program has had considerable success and there are now 187 WUAs covering the entire project area (98,000 irrigated hectares). This is an impressive accomplishment for WUA members, who are full-time farmers growing wheat, vegetables, alfalfa, and maize.

*Source:* David Groenfeldt (personal communication).
In 1978, the Government of Nepal passed legislation handing over substantial amounts of public forest land and hilly areas to local communities. The transfer was unsuccessful until 1993 when the Government helped communities to organize themselves in formal user groups to manage their forest resources (Box 3).

21. **Strengthening the RPO capacity to demand services.** For many years, the Bank funded public agricultural research and extension services. Many of these public sector programs proved inefficient and unsustainable under government budgeting and management systems, even where they had produced positive economic returns. Beginning in 1995, the Bank began piloting a new approach in the Africa region (with support from the French Government), involving RPOs in agricultural service provision for program implementation (Box 4).

22. **Rural producer organizations and policy and institutional reforms.** Some Bank projects have systematically involved RPOs in public sector program and institutional reforms (for example, Cote d'Ivoire, Togo, and Senegal research and extension agencies). In Cote d'Ivoire and Togo, RPOs are now majority shareholders of research and extension agencies, having bought in equity using proceeds from commodity levies and taxes on the agricultural sector. Other projects have

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**Box 3. Forest User Associations: Hill Community Forest Management in Nepal**

In 1978 the Government of Nepal passed legislation handing over a substantial amount of public forest land and hilly areas to local communities. Both public and locally owned forest was to be managed by village authorities (panchayats) under agreed forest management plans. The village government structure proved to be unsuited to local forest management. Forest management committees were formed, but seldom functioned as representative discussion and decision making bodies. The system was revised to incorporate features of indigenous management systems traditionally practiced by communities. These systems were based on user groups rather than whole communities. Groups established management rules that were enforced by forest watchers and social sanctions.

The role of user groups was formalized under Nepal's 1993 Forest Act, with authority and responsibility progressively devolving to these groups. Ownership of land remains with the state but trees legally belong to user groups. Management control rests solely with the users of the resources, who develop their own operational plans, set the prices at which produce is sold, and determine how surplus income is spent. By June 1997, there were 6000 user groups managing 450,000 ha, with another 6000 waiting for formal registration.

Issues still arise, both within user groups, between them, and with the forest department. These include securing access to and authority over forest areas from government officials; group domination by local elites; politicization; and pressures from the forest department. Nevertheless, the Nepal experience has been encouraging, and recent studies have demonstrated that forest management has improved under the active user groups.

*Source: A revised forest strategy for the World Bank Group, draft, May 2001.*
Box 4. RPOs and Agricultural Services in Burkina Faso

The mechanism. A community-driven-development approach is applied to RPO capacity building in nine pilot provinces (out of 45). In each province, an NGO provides support to RPOs to form a provincial RPO Forum to: (a) share experiences and discuss common issues or problems, (b) set priorities for funding productive investment or services, and (c) select capacity building subprojects proposed by RPOs to be financed on a cost-sharing basis. RPO Forum members are RPO leaders selected by their peers. Subprojects approved by provincial RPO forums are implemented by RPOs with funds transferred directly to the RPO concerned. RPOs contract service providers of their choice from a list of approved service providers.

Implementation. Key implementation responsibilities are shared by various implementing organizations.
- Local RPOs prepare capacity-building subproject proposals on the theme of their choice, requesting funding for: training, advisory services, communication, visits, participation in national or international RPO meetings, small productive investments, and on-farm R&D. The RPOs submit proposals to the RPO provincial forums and, if the proposal is approved, implement subproject activities through a contract between the Project Management Unit and the RPO, reporting implementation progress to the RPO Forum.
- Provincial RPO Forums establish procurement and disbursement procedures, taking into account World Bank guidelines, review RPO priorities, exchange experiences between RPOs, and select and monitor implementation of subprojects.
- Facilitating NGOs help RPOs to form provincial forums. The NGO disseminates information on the project, its objectives, and procedures, helps

Box Figure 1. Approved Subprojects by Theme

![Bar chart showing approved subprojects by theme]

Source: Quarterly reports from CECI- Burkina and personal communication with CECI manager.
Box 4. RPOs and Agricultural Services in Burkina Faso (continued)

RPOs select representatives at the local and provincial level, helps elaborate governing rules for the provincial forums and for procurement and disbursement, maintains a data base of eligible service providers, trains RPO leaders and members, and monitors program progress.

- A financial management unit maintains records on subproject proposals, approvals by the RPO Provincial Forums and RPO bank accounts. The financial unit prepares contracts with RPOs and transfers funds to their bank accounts based on documentation received from RPO Forums. The financial unit organizes systematic technical and financial audit of the subprojects on a random basis.

Results after two years of implementation: Start-up takes time. It took eight months for RPOs to form Provincial Forums in nine pilot provinces. From the 4009 local RPOs eligible, 1480 submitted subproject proposals, of which RPO Provincial Forums approved only 908. By mid 2001, the Financial Management Unit had signed 201 contracts and transferred approximately US$351,000 to 201 RPOs (an average of US$1700/project/RPO). RPOs contributed up to 20 percent of the total cost of subprojects. Approved subprojects by theme are shown in Box Figure 1.

involved rural peoples’ organizations in the policy dialogue. The Ecuador Indigenous and Afro-Ecuadorian Peoples Development Project supports rural peoples’ federations, whose initial concerns were ethnic identity, access to land, and collective rights. The federations are now increasingly involved with macroeconomic and political issues of the development agenda and rural peoples’ voice in decision-making processes. Rural peoples’ federations are now at the forefront of a larger civil society movement advocating political and socioeconomic changes.
Guiding Principles for Bank Work with RPOs

Which Organizations to Support?

23. Given the complexity of existing organizations as described above, any membership organization could be eligible for support as long as:

- The organization is recognized as useful (principle of utility)\(^1\) by its members;
- The organization has an identity,\(^2\) a history, and/or a territory shared by its members; and
- The organization is legally recognized and its governing bodies function effectively.

What Capacities to Strengthen?

24. Factors contributing to an effective rural producer organization. RPOs that are efficient and effective in providing the services for which they were created are generally those that (Rondot and Collion, 2001):

- Operate in an enabling legal and political environment;
- Deal with an economically viable and buoyant subsector;
- Possess "strategic capacities"—that is the capacity to access information and acquire expertise in strategic areas, as well as the capacity to carry out a diagnosis of itself and its environment (see below);
- Possess "organizational viability" characterized by:
  - legitimate leadership;
  - functioning governing bodies;
  - cohesion among members;
  - existence of an efficient system of information;
  - existence of an appropriate system of financing; and
  - existence of a transparent and efficient financial management and accounting system.

25. In providing support to empower RPOs, the objective is to help them become more
effective in providing services for their members. Capacities to be strengthened can be either technical or strategic (Mercoiret, 1994; Diagne and Pesche, 1995; Rondot and Collion, 2001).

- **Technical capacities** are necessary for RPOs to implement their activities. They include: (i) functional literacy and numeracy; (ii) accounting and financial management; (iii) ability to run an efficient information system; (iv) capacity to analyze constraints, synthesize members' needs, set and articulate priorities; (v) undertake specific activities; and (vi) design, implement, and evaluate an activity.

- **Strategic capacities** enable an RPO to define its strategy to achieve objectives. This presupposes RPO capacity to analyze its own constraints and capacity and its environment (strengths, weaknesses, opportunities, and threats). Strategic capacities also include the ability to access information and acquire expertise in strategic areas (for example, market intelligence, donors operating mechanisms).

### HOW TO PROVIDE SUPPORT TO RPOs?

26. **No universal approach to supporting RPOs.** Support to RPOs should be tailored to the specific needs and circumstances of RPOs in that country. In some countries, the political environment does not allow civil society institutions to organize. In such extreme cases, there is not much the World Bank can do except encourage an overall democratization of the political regime. When the political context is favorable, or at least not obstructive, providing support to RPOs becomes feasible. A support program should embody, as a guiding principle, support for empowering members and the organization.

27. **Beware of donor- or government-driven agenda.** Given the weaknesses of public institutions and state withdrawal from many services, there is a tendency to consider RPOs as an alternative to improve the cost-efficiency and sustainability of delivery of such services. Support to RPOs contingent upon them undertaking a specific donor- or government-driven agenda is not conducive to building sustainable RPO capacity. Support to RPOs should be provided with the ultimate objective of empowering them, not of making them instruments of public or private service delivery.

28. **Empowering RPOs: some guidelines for support programs.** Support to RPOs should:

- Guarantee equal access to resources for all RPOs complying with the criteria for funding;
- Support RPOs with their limitations (see section "Which RPOs to support") and diversity, and work with them at their own pace;
- Take time to identify the RPO's agenda and provide them with information on other stakeholders' agenda (donors and government);
- Provide capacity building for the activities that RPOs themselves have chosen, based on their objectives and current capacity, with the level and type of support determined through negotiations between RPOs, donors, and government;
- Follow a "learning-by-doing" mode;
- Guarantee RPO independence from government or donor agencies;
- Involve RPOs in decisions as to what to support and what capacity to strengthen, following procedures and criteria for consultation agreed upon with governments and donors;
- Ensure that RPOs being supported are legally registered and have transparent
governing rules, procedures, and accounting and reporting systems.

29. A tool to effectively empower RPOs: the demand-driven fund. Demand-driven funding mechanisms allow RPOs to determine which activities to finance. They may be restricted to choosing from a menu of services and then selecting service providers and determining the timing and pace of implementation. RPOs manage the funds and implement activities themselves, being allowed to make mistakes and learn from them, and thus strengthen their own capacities. Demand-driven funding requires that donors, RPOs, and the government agree on procedures and criteria for RPOs to access funds. Some legal and political contexts do not allow RPOs to manage the funds themselves, but at a minimum, they should be able to make decisions on allocation of funding. When RPOs cannot manage funds directly, the agency managing the funds on their behalf should be required to strictly implement the RPOs' decisions. The criteria and procedures for RPO funding allocations should be public to ensure transparency in fund management. Demand-driven funds should be extensively advertised, through all possible communication channels, to ensure wide awareness of the existence of the funds and governing rules, especially for poor and disadvantaged rural groups that often do not have easy access to information.

30. When RPOs identify their service providers under demand-driven funding programs, it is often helpful to provide them with a registry of prequalified service providers approved by the financing entity. Such registries should be as inclusive as possible, be regularly updated, and completely transparent, and yet maintain appropriate quality and professional standards for service providers. Ex-post independent evaluation and quality control of the service providers should be part of any demand-driven funding program.

THE RISKS INVOLVED

31. Although traditional groups are generally inclusive, some formal RPOs may not be. Membership fees are required, the organization may be commodity-based (thus excluding those not dealing with the commodity), and there may be invisible, intentional or unintentional, entry barriers to participation by the poor and other groups (for example, based on gender or ethnicity). The poor often lack the minimum assets, including human capacities, necessary to take advantage of what an RPO can offer. Bank-financed projects may help RPOs to improve social inclusion through targeted funding that facilitates participation and benefit sharing by the poorest. Such initiatives, however, may introduce conflicts between equity and efficiency objectives in supporting RPOs.

32. Although organized producers are not necessarily the wealthiest, a strategy that supports only existing RPOs may bypass the unorganized poor. Social assessments can identify the poor and disadvantaged that should be recognized as a target group for specific support. A qualified private organization (such as an NGO or educational institution) can operate as an intermediary to help disadvantaged groups organize in order to access the financial and technical resources they need to pull themselves out of poverty. Such activities could be funded under World Bank projects.

33. RPOs may suffer from a lack of legitimacy of leadership, if leaders are out of touch with
the membership base or lack accountability to members. Programs to strengthen RPOs are intended to resolve these problems, but if strongly entrenched leaders control the RPO, they may block members' access to funds and services and capture resources for their own use. This can help them become even further entrenched and can act to the detriment of members. Strengthening RPOs may therefore result in giving more power to already powerful local groups or individuals. A well-designed monitoring and information system is necessary to support programs. This should provide members with transparent information on RPO resources and their use, and should give funding agencies information on progress with reforms and participation and coverage of all groups of members. Such information will not eliminate, but will mitigate, risks of capture by local elites.

34. A learning-by-doing process may result in misuse of funds. Appropriate ex-post controls and audits are required. In case of misuse of funds, there should be immediate exclusion and, where appropriate, prosecution of groups or individuals involved.

35. The process of empowerment may lead to a shift in the existing power relationship, thereby creating counterforces in the community or society. There is a crucial need for stakeholders (for example, local institutions, government, donors) to keep a close check on the process to ensure that all actors and groups are equally informed and participate actively. Otherwise existing elite groups may prevent the development of counterforces.

36. Strengthening RPOs is likely to result in a redistribution of power. Governments and civil servants are likely to resist the change, afraid of losing control, their prerogatives, or even their jobs, and because they are unsure of what they will gain in the process. Political parties and individuals will try to co-opt the process and use RPOs as a vehicle to promote their own agenda. The empowerment process may then be hijacked by hidden political objectives, which may have counterproductive results with regard to empowerment. Support to RPO programs should include stakeholder analysis to identify potential opponents and resistance to RPO capacity strengthening. This should then facilitate design of specific activities to overcome opposition, creating, whenever possible, win-win situations.

37. Building capacity in RPOs is a slow and uneven process, regulated by existing social behavior and cultural norms, as well as by economic principles. Donors frequently get impatient and attempt to force the process artificially, resulting in unsustainable advances.

Notes

1. The principle of utility: Whatever its origin or its size, an organization can be qualified as an RPO if it is of use to its members, and the members are actively committed to making it work and enabling it to achieve the objectives they have set for it.
2. The principle of identity: An RPO necessarily has an identity, a history and/or a geographic space shared by its members. It has operating rules that, even if they are not formally laid down, regulate the relations between its members and between the members and the outside world. The identity of an RPO implies a vision of its future and of what it wants to achieve (Rondot and Collion, 2001). An RPO without identity is just a formless group used by others to accomplish their own objectives.
4

World Bank Comparative Advantage in Supporting RPOs

38. The World Bank can actively contribute to RPO empowerment through its projects or through its policy dialogue with governments by improving the enabling environment of RPOs, and by ensuring that RPOs can access resources to strengthen their capacity. RPO empowerment is relevant for various Bank thematic areas, including: water resource management, sustainable land and crop management, natural resource management, agricultural knowledge and information systems, rural finance, and private sector and agribusiness. Any project that addresses these themes can have a component that provides resources for RPOs to strengthen their capacity.

39. Promoting an enabling environment can be done either through projects or through the Bank policy dialogue with government, such as:

- **Obtaining recognition of RPO legitimacy by governments**: The World Bank can have a strong influence to help RPOs obtain recognition from governments. RPOs frequently, and for various reasons, are subject to mistrust and antagonism from public service agencies and from their governments. Government policies and attitudes favorable to RPO development and readiness to share responsibilities and decisionmaking processes with them, are essential for RPOs to become active partners in the development process. The government and public agencies need to be reassured that they will benefit from partnerships with strong and effective RPOs.

- **Include RPOs in project planning and management processes**: The World Bank can help ensure that RPOs are recognized as full-fledged, indispensable partners of government, donors, and the private sector by giving them substantive roles in Bank project design and oversight. This might involve participation of RPOs at local and national levels in preparation and negotiations of rural development policy or strat-
egy (for example, CAS, PRSPs), and at all phases of rural development projects/programs preparation, implementation, monitoring, and evaluation. For RPOs to effectively participate in these forums, they must be given enough time, resources, and access to information to prepare their contribution with their members.

- **Promote a conducive legal environment.** The legal environment is often outdated or not adapted to RPO functions. The World Bank can assist borrowers with preparation of draft laws and encourage their adoption. Similarly, a well-regulated and controlled economic environment is required to regulate the relations between RPOs and the private sector.

- **Promote effective decentralization.** Decentralization mechanisms empower local communities. In an effective decentralized environment, RPOs can concentrate on their economic, technical, and advocacy function and leave local development functions to rural communities. Decentralized systems allow for devolution of responsibilities away from centralized institutions, and provide a favorable environment for RPOs to develop local answers to local problems.

- **Promote institutional reforms to ensure client-responsive services and accountability to users.** Bank strategy emphasizing public sector institutional reforms in governance, accountability, decentralization, and personnel management creates a favorable institutional environment for RPO-led agricultural development. Individual performance evaluation and reward systems, user RESPONSIVENESS, and a "listening attitude" should be introduced, even when staff still belong to the civil service. Mechanisms should be introduced to ensure accountability to users, which might include such mechanisms as local contracting arrangements between RPOs and service providers.

- **Strengthen capabilities of service providers.** Services, whether provided by public or private agencies or NGOs, are of variable quality. Because of increasing international competition, RPOs must be able to access quality professional services for themselves and for their members. World Bank projects should contribute to improving the competence and professionalism of service providers and trainers.

- **Promote a dialogue among donor agencies.** Within the same country, numerous donor agencies often provide support to RPOs, each of them with different approaches and procedures. This makes it difficult and confusing for RPOs. The World Bank, together with governments, can establish a dialogue among donor agencies to harmonize approaches and procedures and improve efficiency of support to RPOs.
5

... But the Bank Needs to Adjust

40. To contribute to the empowerment of RPOs, the World Bank needs to adjust, in at least three ways:

- Implement simplified disbursement, procurement, and accounting procedures for RPO support, such as the ones currently used with social funds and demand-driven investments funds (see website: http://www.worldbank.org/html/fpd/water/topics/commcontracting.html) under Procurement and Disbursement Manual for Projects with Community Participation.

- Introduce social assessment and stakeholder analysis in rural development projects that includes support to RPOs, and design a program to deal with resistance and opponents.

- Adopt a long-term, institutional development perspective and avoid focusing only on immediate results. Rural capacity building is a long-term process that cannot be restricted to the short-term schedule of projects.

- Recognize the limited expertise in the Bank for work with RPOs, and seek partnerships with other institutions that have such expertise. The Bank is already collaborating with local, national, and international producers organizations, bilateral donor agencies, and national and international NGOs supporting RPOs. These collaborative arrangements need to be strengthened.
References


