

# **Innovative types of formal member-based organizations (MBOs): Towards an analysis of trends and a guide to MBO potential**

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## Synthesis

This report provides the results of an exploratory phase of study into innovative types of formal Member-Based Organizations (MBOs). Based on a desk study and consultations with experienced practitioners and academics, a template for gathering comparative information across cases has been developed for the joint purpose of producing a reference guide for practitioners and policy makers, and of organizing the data required to assess trends in innovation in more detail. In addition, a rationale is provided for conducting in-depth cases studies of promising innovative types of MBOs, MBO-like organizations, and hybrid models of MBO-private sector and MBO-public sector partnerships. These results will be the basis of a proposal for a second phase of research.

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# Innovative types of formal member-based organizations (MBOs): Towards an analysis of trends and a guide to MBO potential

Final Technical Report to the International Development Research Centre<sup>1</sup>

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March 28, 2011

*We are living at a time of profound transformation. The information and communication revolution, widespread concerns about private sector greed, public sector finances and impending climate chaos present a wide range of possibilities for cooperative expansion... But the sector is not yet ready to take up these opportunities. It needs to be **more innovative, more integrated, more internationalist**, to get better infrastructure and to find 'the idea' that can mobilise support for co-operation.*

**Robin Murray: Cooperatives in the Age of Google**

## ***I Introduction***

Social innovation tends to occur during periods of crisis or new opportunity. In countries where the roles of state, market, and civil society institutions are shifting, several authors have observed that social innovation is occurring in an expanded space for cooperative and collective action (Murray et al., 2010; Bouchard et al., 2006; Billis, 2010; Bhandari, 2010). For example, new types of formal Member-Based Organizations (MBOs) are emerging, performing a wide range of social and economic functions and giving expression to people's capacity to recapture some control over their livelihoods. To help development practitioners and policy makers appreciate the full range of this diversity of innovation and gauge the direction of the winds of institutional change in their own countries and regions, the Coady Institute intends to produce practical resource materials for evaluating these trends and promoting innovations that have potential. As a preliminary step, we have conducted a scan of a broad range of innovative types of formal MBOs and held consultations with practitioners, policy makers and academics.

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Combining these research activities, we have shaped a second phase of research: a more systematic and comprehensive survey in the form of a compendium accompanied by a set of case studies.

This paper summarizes the results of this exploratory phase. It begins with a background to the Coady institute's interest in this topic, and then outlines the activities of the exploratory study. Preliminary observations from an initial scan of innovative types of formal MBOs are set against a broad historical overview of institutional trends. Then, using current literature on typologies of MBOs, an organizing framework is developed for gathering more examples of innovative types of MBOs and hybrid models that can be included in a compendium. Finally a rationale for an accompanying set of in-depth analytical case studies is provided.

Appendices to this report include a list of participants at the consultative workshop in Delhi (Appendix 1), short summaries of the innovative types of MBOs selected (Appendix 2), and longer "mini cases" of a selection of these (Appendix 3). Power point presentations from the workshop are also available on request.

## ***II Background***

Over the last decade, The Coady International Institute has been collaborating with partners in several countries to reinvigorate community development practice by adopting the principles of an asset-based approach. This approach focuses attention on identifying strengths and assets that have historically sustained people's livelihoods and given people a strong sense of identity. Building on these assets and channeling them strategically, people in communities can organize themselves to meet new opportunities, and position themselves as credible partners with institutions in the private and public sectors.

As an expression of collective responsibility, cooperation, mutual assistance and self help, *informal* associations or MBOs are particularly important assets in all communities: they have provided banking, funeral and insurance services, and have mobilized labour and other resources for food production, local manufacture, and trade. In our experience with communities, it is these informal associations that produce the leadership and momentum behind new initiatives.

However, informal associations can only go so far. In order to tap into resources and services of private and public sector institutions, MBOs need to be formally registered as legal entities. In several countries, unfortunately, the options for formalization are limited and sometimes impose such a straitjacket that they stifle the initiative that inspired the activity in the first place. Elsewhere, by contrast, we are discovering innovation emerging in the vanguard of a distinct shift in the institutional landscape. Not only are there examples of **innovative types** of

MBOs, but there are also examples of MBOs **integrating** with other institutions to provide a relatively seamless channel of access to markets and services, and making **international** linkages. Examples include producer companies that combine elements of cooperatives and private companies, new cooperatives taking over or “co-producing” government services, informal self help groups empowered to link with formal banking services, organizations for common property natural resource management, innovative ways for producer associations to link to markets, and transnational social movements able to negotiate at the highest international levels.

They are the result of a three-way push and pull. From those struggling to find economic opportunity, there has been a demand for institutions that allow people access to the resources and information they need to participate in the mainstream economy and influence decisions at national and international levels. At the same time, a public sector retreating from service provision is pulling civil society organizations such as MBOs into their orbit and renegotiating responsibilities for service delivery. Finally, private sector companies and local member-based producer groups are trying to build more efficient linkages so that supply can be managed nimbly in response to the dynamism of the market while ensuring that producer returns can be maximized in increasingly complex value chains. Also, large corporate enterprises are looking for ways to engage in local development through grant-making as well as through its core activities.

In the pushing and pulling, increasingly hybridized forms of MBOs have emerged with varying degrees of alignment with civil society, state, or market institutions. As such, with both social and economic objectives, innovative types of MBOs and their relationships with other institutions are important experiments in a reconfiguration of institutional roles and responsibilities and a broader definition of “mutualism” and mutual responsibility. As Bouchard (2006) argues, not only are MBOs providing the means by which collectives can participate in the mainstream economy, but they can also be the means to transform it.

### ***III Purpose of the study: Exploratory phase***

Innovative types of formal MBOs have been introduced in very different political and economic contexts and are functioning with varying degrees of success. One objective of this study has been to understand this better by drawing out the reasons why they have emerged, their actual and potential benefits, and the shifting roles of development institutions that these innovations represent. A second objective has been to develop a typology so that these innovations can be organized meaningfully for both development practitioners and policy makers. A third objective has been to identify questions for broader and deeper research into innovative types

of MBOs, and to design practical resources for the development field. To meet these objectives, the exploratory phase of this study completed the following:

1. Secondary research on 25 innovations. Mini-cases are provided in Appendix 1, and summaries of the mini-cases are provided in Appendix 2. The examples selected were primarily innovative types of MBOs, but overarching policy-legal environments were also explored, such as Brazil's solidarity economy and the opportunities for collective action through common property resource regimes;
2. A literature review of existing typologies for MBOs;
3. A consultative workshop in Delhi to discuss the following questions:
  - 3.1. How should MBOs in general, and innovative types of MBOs in particular, be categorized and organized for development practitioner and policy maker audiences?
  - 3.2. What information on innovative types of MBOs is required for (a) a comparative study, global in scope, that would result in a "compendium" of innovations for quick and easy reference, and (b) case studies on promising innovations that explore the reasons for their emergence; their value as a mechanism for more equitable access to markets, services, information and resources; and the factors that contribute to their success.

#### ***IV Selecting cases for the exploratory study***

##### **Member-based organizations: defining the territory**

While a study of innovative MBO types is an opportunity to revisit the definition of an MBO, our starting point is the consensus that formal MBOs have unique characteristics relating to their mission, ownership and control (see Table 1 for attributes identified by the workshop participants). As expressions of collective action and democratic organization, they are member-controlled legal entities, subject to local laws and regulations. They typically include the relatively disadvantaged in their membership, and promote the well-being of all members, which means that even those MBOs that have an economic function are social (and sometimes political) in their orientation (Boyd, 2005).

Table 1: What characteristic do you most associate with a Member-Based Organization? Responses from the participants at the Delhi workshop (February 2011)

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• Leadership	• Institutional capacity building	• Competitiveness
• Participation	• Social cohesion	• Value added
• Civil	• Ownership	• Business management
• Mutual Benefit	• Shared vision	• Integrated value chain services
• Self governance	• Citizenship – rights and responsibility	• Mutuality
• Small holder decision making		

Our preliminary selection includes some innovative types that stretch the boundaries of this definition and might in other literatures be described as social enterprises, NGOs, traditional clan-based organizations, or social movements. The justification for including these is that if we are witnessing a transformation of organizational forms, we should expect old categories to stretch over a continuum of “more” or “less” MBO-like in their character.

### **Innovative types of MBOs selected for the exploratory phase**

For most people, an academic discussion of what is and what is not an MBO may be less important than identifying the kind of entity that best facilitates collective effort to bring social and economic benefit. For this reason, the initial selection of 25 innovative types included a wide range of MBO and MBO-like organizations, as well as innovative relationships between MBOs and other institutions. As innovators, they are by definition relatively recent arrivals in the institutional landscape, although in some cases they are new in a particular context but well established elsewhere. They are listed in the Table below, loosely organized in functional categories of economic, social, entitlement and political focus. They are drawn from 13 different countries, illustrating the different enabling environments for these innovations.

Table 2: Innovative types included in the exploratory study.

<b>Innovative type (or innovative enabling environment*)</b>	<b>Innovation</b>
<b>Economic focus</b>	
1. Producer Companies (India)	Hybrid of cooperative and private company
2. Savana Farmers Marketing Co. (Ghana)	Hybrid model: Combination of institutional mechanisms of cooperatives, private companies and NGOs
3. East Africa Dairy Hub Model (Transnational)	Hybrid model: Hub services for dairy farmers associations, with chilling plant owned by individual shares or group shares
4. Nijera Cottage and Village Industries (Bangladesh)	Private-limited company acting as umbrella for workers’ cooperatives. Based on an established model (Mondragon), but innovative in the Bangladesh context, especially its relative autonomy from either the State or the NGO sector.
5. Cross-Border Traders Association (Zambia/transnational)	Transnational MBO of informal traders trying to benefit from trade liberalization policies.
6. Workers Cooperatives for People with Disabilities (Philippines)	Federation of PWD workers demonstrates capacity of PWD to be independent economic actors negotiating business contracts
7. Hapinoy social enterprise (Philippines)	Micro-franchise/Social enterprise: Individual sari-sari store owners (mostly women) enjoy benefits of branding and economies of scale of the



	microfranchisor for purchasing wholesale goods and micro-credit
8. Integrated Agricultural and Finance Cooperation (IFAPI) (Uganda)	Integrated cooperative model; a departure from previous dependency on state
9. Rudi Multi Trading Company, Self Employed Women's Association (SEWA)	Private liability company linking with SEWA producer groups: Shares owned by SEWA members but larger equity shares owned by individual SEWA supporters.
<b>Social focus</b>	
10. Community Based Institutions (Ethiopia)	Member-based self-help organization with "public" orientation. Benefits are community-wide and not limited to members. Adapting to opportunities for community-led initiative with state de-centralization
11. Community Foundations (East and South Africa)	Public grant-making institution, but based on local traditions of "horizontal philanthropy" and mutual self-help. Some require community wide contributions as leverage for external fundraising
12. Hometown Associations (Global North/transnational))	Federations of HTAs influence immigration policy in host country and leverage resources from international development agencies; they also link with governments and private companies in countries of origin for match funding.
13. Community Interest Companies (UK)	Hybrid between charity and business (non-profit and for-profit).
14. Various MBO innovations resulting from state supported Solidarity Economy *(Brazil)	Creation of a legal framework to encourage partnerships between Private Sector, Civil Society and the State, following principles of economic and social justice
<b>Service focus</b>	
15. SHG/SAG-bank linkage (India)	Micro-financial service system linking informal MBOs, formal MBO federations, and formal financial institutions (banks)
16 Lembaga per kreditan (Member-owned MFI) (Indonesia)	Non-bank financial institutions owned by customary village authorities
17. Youth agriculture services cooperative (Vietnam)	Liberalization of the economy resulted in demise of former state run collectives. This is an example of market driven, demand-led cooperatives emerging
18. Water Users Associations (Egypt)	Transfer of responsibility for irrigation management from government to water user associations
19. Cagayan de Oro Water Consumer Cooperative (Philippines)	Citizen-led process of cooperativization of municipal services. An alternative to state or private ownership
20. Mutual Benefit Association (Philippines)	Government in-house insurance provision changed to member-owned legal entity

21. Vimo SEWA – Integrated Insurance Scheme (India)	Private-public partnership, acts as intermediary between members and public/private insurance companies
<b>Entitlement focus</b>	
22. Communal Land Management* (General)	Communal management of resources as alternative to state/individual land tenure arrangements.
23. Forest User Groups and the Federation of Community Forest Users (Nepal)	Legally recognized autonomous and corporate institutions; a way of transferring user rights from state to local forest users
24. Indigenous Land Ownership (Philippines)	Collective ownership and management based on indigenous identity, clan and community membership
<b>Political focus</b>	
25. La Vía Campesina (Transnational)	Transnational movement for an alternative social economy. Members are MBOs. Resists influence by either governments or private sector, but has made effective transnational linkages of “food sovereignty” producers with fair trade/coop consumers in the Global North.

### ***V MBOs in the context of institutional change: A historical overview***

Organizational forms are in flux...In the Indian context, the prime mover of change is no longer the state and new strategic alliances are being forged between the state, civil society and the private sector in interesting ways.

Vivek Bhandari

Hybrid organizations are ubiquitous. They are international, multi-sector phenomena and their unclear sector accountability often engenders unease and distrust.

David Billis

In its simplest terms, the idea of the “prime [institutional] movers of change” being in a state of flux is evident in a shift from more centralized state-run economies (or economies with a large public sector and welfare state service delivery system) to a neo-liberal world order where the market has expanded and the state has retreated. In this scenario, civil society has often stepped in to provide social services once provided by the state, or has attempted to act as an intermediary between the state and the market. This sector has sometimes gained in legitimacy and credibility as it has assumed greater responsibility for the poor and vulnerable, but in many contexts it has also become severely overburdened. Privatization has come to have multiple

meanings: private investment and expansion of for-profit enterprises; and a shift in responsibility for social services from government to the for-profit service sector or to the unpaid voluntary sector, including the private sphere of the household or extended family.

Included in the civil society sector are institutions that are neither market nor state institutions yet “straddle and interact with them” (Chen et al., 2007). Typically the distinction is made between Non-Government Organizations (or publicly-oriented non-profits), MBOs (mutual assistance organizations ranging from self-help groups and unions through to market-based co-operatives, and informal associations), *ad hoc* citizen advocacy groups or social movements, and individual/extended family groupings. Yet, in practice, even these distinctions are quite fuzzy, with many organizations having overlapping characteristics.

MBOs are increasingly being viewed as a core element of what is now commonly referred to as “the social economy” in a framework that upsets the old divisions of State, Market, and Civil Society. Combining a social and an economic purpose, the basic idea of the “social economy” is that economic goals should not trump wider human concerns (Hettne, 2009), a principle in keeping with the ethos and principles of the cooperative movement. However, while in some contexts “the social economy” has been actively promoted (in Quebec, for example, and in Brazil which has transformed the principles of the solidarity economy -- as an alternative to the capitalist model -- into a nationwide public policy), in other places it has grown by default or in reaction to growing inequalities caused by neo-liberalism. For all these reasons, organizations based on principles of mutual assistance, such as MBOs, are being viewed as having particular significance on the contemporary scene. Murray et al. (2009), for example, describe them as “the cells of an alternative model of social production to that of 20<sup>th</sup> century public welfare.”

A positive view of MBOs in the social economy is that they are a way in which people can regain control, assert their collective ability to do things for themselves, engage directly with the market, and engage more effectively with decentralized levels of government. For example, small-scale producers constrained by limited capital, by inefficiencies in their scale of operation, by lack of access to services, and by a weak bargaining position have good reason “to cooperate and combine their resources to face the market together” and MBOs provide a formal mechanism for them to do so (Penrose-Buckley, 2007). MBOs can also act as effective partners with government for the “co-production” of services as well as informing, demanding and contributing to decisions for more equitable resource redistribution (NEF, 2010). The recent food security legislation in Chhattisgarh State in India, for example, requires local production, local procurement and local distribution through self help groups and cooperatives (The Economic Times, September 2, 2010). Another example is the growth of transnational Hometown Associations that, when federated, are wielding significant influence in their countries of origin and leveraging government resources in match funding arrangements.

MBOs are also viewed as a means by which people can challenge capitalism, resist participation in the mainstream globalised economy, or mitigate its effects. La Via Campesina, for example, is a transnational movement of peasant farmers promoting food sovereignty and resisting the food regimes promoted through global capitalism. In addition to a focus on local production for local markets, producer members are linked through fair trade markets to consumers of fair trade products in the Global North, often through retail cooperatives. Another example is Brazil's "solidarity economy", in which new MBOs are encouraged as a policy strategy for poverty reduction and social inclusion. For example, residents' associations in urban neighborhoods in Cereia State are promoting "prosumers" (mutually supportive producers and consumers) by deliberately using a social currency to stimulate local neighborhood economies (Neumann et al, 2009). SEWA and MYRADA's work in India is similarly aimed at nurturing and humanizing local economies. Gandhian principles of a moral economy, where capitalism is redeemed only through trusteeship -- "the right to private property... as long as it is responsible to the needs of the community" (Lutz, 1985),--and a commitment to *gram swaraj*, (self-governance) have been expressed through MBOs or people's institutions linking to the private sector on their own terms, and ensuring a healthy economy where local producers and consumers both benefit from economic production and distribution.

There is concern, however, that many MBOs are being created to perform functions that have simply been offloaded by the state. With a mix of public and private funding and ownership, a confusing array of hybrid MBOs confronts those who need services. Accountability in such organizations is particularly problematic (Billis, 2010), and questions have been raised about where responsibilities of government should lie to protect those who are excluded or whose interests are not met. As Billis makes clear, closer scrutiny is required to clarify responsibility and accountability, starting by determining the hybrid MBO's primary affiliation to a particular sector (private or public for example). Such scrutiny will be important if trends towards greater privatization, greater state intervention, or greater mutualism are to be detected, or to assess the extent to which the best "DNA" of each organizational type has been retained in the hybridized response to new opportunity or need.

### ***VI Summary insights and observations***

This exploratory study did not expect to draw definitive conclusions from such a small but diverse number of innovations, but attempted to generate insights that could be researched further. The consultative workshop was an opportunity for participants to comment on the significance of the innovations identified so far in the mini-cases and case summaries (Appendices 2 and 3), based on their unique experience of innovative types of MBO in India, Vietnam, the Philippines, Egypt, Ethiopia, East Africa, and West Africa, and Canada. These insights and comments are summarized in the following paragraphs.

**Innovative types of formal MBOs are encouraged in specific policy contexts:** With this study's emphasis on formal MBOs, it goes without saying that the innovative types of MBO entities explored here occur in very specific political and economic policy environments. Consider, for example, the differences illustrated by Vietnam, South Africa, Brazil, and India. All have growing economies, and have embraced open market economic policies to varying degrees, but have taken very different approaches in terms of public sector reform, reflecting differences in their respective political histories and the degree to which they have attempted to counteract the social and economic inequalities associated with liberalization. Vietnam is gradually opening up to market forces under *Doi Moi*, but state control remains strong: the distinction here between state-driven innovation in cooperatives and innovations that have emerged from community-level demands is therefore very significant, with the case of the Youth Agriculture Services Cooperative a particularly useful example of a demand-driven innovation.

In India, liberalization since the 1990s has accelerated economic growth but has left small producers squeezed out of market opportunities. Producer Company legislation was introduced because state-subsidized cooperatives catering to such small producers were not able to adapt to the dynamism of the marketplace. However, the producer company, a cooperative-private company hybrid, designed to smoothen supply chains for growing markets of agricultural products has had mixed success. Without the state subsidy, the opportunity to form a new producer company is restricted to those wealthier producers who can raise the capital required to pay for the professional services needed. Intervention by NGOs or state level governments is again required to protect the smaller producer.

In South Africa, post-apartheid governments have struggled to provide the benefits and services to citizens that were promised as rights of citizenship, while at the same time preventing the kind of dependency on welfare payments that act as a drag on the mutual support and entrepreneurship needed for sustained economic growth. In this context, a revival of cooperativism is being encouraged, but so is corporate grant-making, now mandated under Corporate Social Responsibility (CSR) legislation as vehicle for wealth redistribution. The challenge of how to disburse corporate giving without destroying the base of self-organizing and mutual support at the community level has been taken up by Community Foundations. Legally classified as non-profits, they perform MBO-like functions, combining mechanisms for mutual support with corporate philanthropy.

Brazil provides an example of a state-supported "solidarity economy." Left-leaning policies put in place in the last decade, including the recent establishment of the National Council on Economic Solidarity in 2006, have been designed to spread the benefits of economic growth in

a country that in the 1990s had one of the highest rates of inequality in the world. In a conscious strategy based on shared values of citizenship, collectivism, and placing human and ecological needs before profit, less restrictive legal requirements have permitted diverse cooperative entities (such as new cooperatives, new collective enterprises) and cooperative practices (such as participatory budgeting) with evidence of its impact on income inequality already clear.

Several examples of innovative types of MBOs are the result of the vulnerability of state institutions in a neoliberal economic policy environment. Cut backs in public expenditure have in many cases required the privatization of government services. For example, the Egyptian government has handed over responsibility for irrigation to Water Users Associations (MBOs), but has left the door open to future involvement of private companies in the delivery of essential irrigation services. The opportunities provided to small scale dairy farmers through the commercial solutions offered in the East Africa Dairy hub model is in part a response to the demise of government agricultural subsidies and extension services during and after the period of structural adjustment in East African economies.

**In response to economic opportunity, both innovative types of MBOs and innovative hybrid models have emerged.** Given the imperative for small-scale producers and traders to be able to respond to new opportunity in more liberalized economies, there are several examples of innovative types of MBOs and innovative relationships between MBOs and the private sector. We see this in the integrated systems for farmers to access credit and other inputs and to market their produce (IFAPI, Uganda; Savana, Ghana; producer companies in India; the East Africa Dairy Hub model, and newly formed cooperatives in Vietnam), and in the innovative strategies for retailing and trading (the Hapinoy sar-sari social enterprise in the Philippines, and the Cross Border Traders Association in Zambia).

The Self Employed Women's Association, a union of self-employed producers, artisans, and laborers, is a particularly interesting example of such integration. It has promoted 3 private limited companies, including Rudi multi-trading company. SEWA itself is registered as a charitable organization and so cannot purchase shares, but SEWA members and Board members can as private individuals, although when the time comes for it to become a publicly traded company it will have to put in place the checks and balances to ensure that members interests are not outweighed by those of other shareholders (Business Standard, Sept 2008). Modeled on the example of Mondragon, Nijera Cottage and Village industries in Bangladesh is a similar example of a worker cooperative marketing directly through an umbrella private liability company. In fact, among the examples we studied are innovative relationships representing two distinct strategies: one where base tier member organizations are aggregated into

federated structures (such as the Savana case in Ghana), and other innovations that make a direct link to private companies from base tier organizations, such as in the case of SEWA in India, Nijera in Bangladesh, and the East Africa Dairy Hub model. The evidence seems to suggest that the former is a riskier strategy than the latter, hence a more decisive shift towards direct linkage from base tier organizations to private sector firms.

Another important aspect of innovative forms of integration has been in the linkage of informal and formal organizations. The SHG-Bank Linkage model in India, for example, illustrates a deliberate strategy to keep informally organized SHGs free from bureaucratic interference while establishing linkage between them and the commercial banking sector. As groups, they can access financial services through this linkage model. Also in India, individual producers from different informal SHGs can form mutual benefit trusts which in turn are aggregated into producer companies.

The importance of risk management in the more entrepreneurial culture expected in a liberalized economy has spurred other innovations. In addition to the linkage of SHGs with the formal banking sector in India already mentioned, are innovative member-owned insurance schemes such as VIMO-SEWA in India and the Member Based Association model adopted by the Center for Agriculture and Rural Development (CARD) in the Philippines.

**Innovative types of formal MBOs emerge to counteract social and economic inequality or resist participation in the mainstream economy:** State supported socialization of the economy in Brazil is one way to counteract the negative effects of growth. Elsewhere, it is the civil society sector that has had to find the space to take action to prevent further slippage of the poor and help them seize opportunities for partnership with government and the private sector. In Ethiopia, for example, the Community Based Institution is an innovative type of MBO (though technically now an “NGO”). Established to cultivate and nurture the spirit of mutual assistance and self-help. With a more inclusive, public-orientation than might be typical of MBOs, it has been able to secure funding and technical assistance from a range of external agencies.

Often it is government inefficiency that has been the trigger for the revitalization of cooperativism such as the innovative links between cooperatives and private companies in Bangladesh and India, and innovative hybrid insurance schemes in India and the Philippines. Mismanagement in the public sector has also given rise to valiant efforts by local citizens. In Cagayan de Oro in the Philippines, for example, local citizens have attempted to secure the legislation to cooperativize water services and wrest control from a dysfunctional municipality.

**Common property resource management as an indigenous right and environmental imperative have resulted in unique innovative types of MBOs:**

In countries where indigenous rights have had some traction or where local-user collective resource management holds most promise for conservation, experiments in communal land ownership and management have resulted in a range of new MBO forms. In some cases they represent the resistance to pressures to individualize land tenure, or the international obligation to accommodate customary indigenous land ownership arrangements bound up in the desire to preserve cultural identity, such as the example from the Philippines. In other cases, collective or community based natural resource management is being tested as a workable strategy for conserving forest for the public good while providing a sustainable livelihood for users. Experience has been mixed, but Forest User Groups in Nepal have operated relatively successfully for at least fifteen years, and now have a viable and influential federation participating in national policy debate. As concerns about global climate change gain momentum, the discourse on common property resource management is relevant not just at the local community level but also at international and global levels where new institutions will be needed to co-manage global and international environmental resources.

**Innovation occurs at different levels of operation:** In addition to innovative types of base-tier MBOs are innovations in the form of second-tier federated structures that achieve greater leverage, influence, and impact, such as SHGs in India or the Forest User Groups in Nepal. Insights into how such federated structures internationalize through international fair trade and social movements warrants further study; La Via Campesina is illustrative of the potential of connecting producers and consumers who share a common vision for food sovereignty and security through federated structures.

**Innovation occurs in areas that are out of reach of most formal institutions:** At the other end of the extreme are innovative types of MBOs in remote rural areas out of reach of public, private or NGO sector services, where informal associations have prevailed. Stretching the definition of a formal MBO is the example of LPD in Indonesia where traditional village authorities act as micro-finance service providers to their community members. It is illustrative of collective responsibility formalized in traditional governance systems with membership defined by clan or ethnicity.

**Innovation cannot be tested or sustained unless it is implemented effectively:** Lessons learned from the experiences of innovative types and models in this study make it clear that for MBOs to succeed, and to succeed in their social as well as economic mandates, intensive and long term capacity building is often required. Appropriate mechanisms for inclusive practices, prevention of elite capture, participatory governance, and leadership development all have to



be taken into consideration, knowing that adoption of legislation alone may not be sufficient. Policies only “enable” if there is investment in these support mechanisms.

## **Summary**

Considering these dynamic and sometimes opposing political and economic forces, questions remain as to whether innovative types of MBOs are at the vanguard of a new economic system driven by cooperative principles, or if they simply represent a transitional phase in an increasingly privatized market economy. To answer this and other more immediate questions about how to maximize the potential of current innovation, further study is needed to examine where and why such collective endeavour is demonstrating its power and resilience, and how to evaluate the results of this at local, national, and global levels. The next section discusses how to approach this second phase of research with specific research products and audiences in mind.

## ***VII Deciding on the research product for a second phase: Compendium or Case Studies?***

A compendium is a quick reference guide, providing essential facts on each entry, accompanied by a brief summary narrative. This was the original idea for the final product of a second phase of this research. It could be done largely through secondary research sources, involving in-country experts as researchers, readers and contributors. A relatively large number of cases could be researched and documented to allow for meaningful comparative analysis and a broad enough coverage to be of value to a wide audience. However, at the consultation workshop in Delhi, the prevailing view of participants – mostly practitioners -- was that case studies should be carried out to provide insight into how these innovative types came about and what is involved in ensuring their successful operation. Practitioners are not only looking for technical detail and depth but they are also for the colour and texture that is often left out of “fact sheets:” stories of the people involved, their leadership, the specific obstacles and how they were overcome, and the political, historical and cultural specifics that gave these innovations their character at inception and implementation.

There is an argument for doing both. A compendium of approximately 100 entries can map out the terrain of institutional innovation and analysis trends. 10 cases could then be selected for more in depth study. What follows is a discussion and rationale for a compendium entry template and research questions for accompanying case studies.

## **Towards a typology of innovative types of MBOs**

A compendium of innovative types of MBOs requires a logical system for organizing compendium entries. For this reason, a review of various typologies was conducted, the results

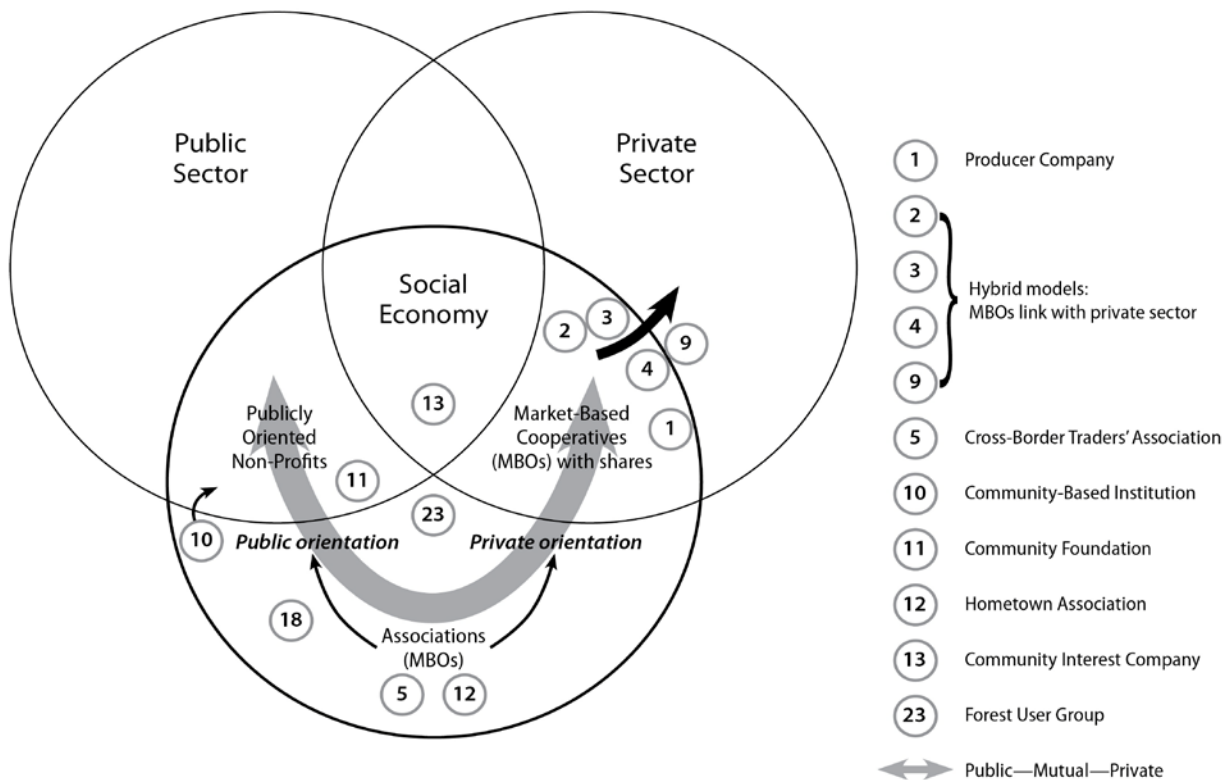
of which are presented here. We had to recognize that different typologies serve different purposes and that policy makers and practitioners do not necessarily have the same priorities. Policy-makers may have a primary interest in learning how different countries have created an enabling environment for MBOs to assume responsibilities in line with government policies of the day. In this case, a useful categorization system would organize innovations in terms of broad national and international policy obligations and the legislative and regulatory space for such innovations to take root. For practitioners, however, the priority may be to identify innovations that are relevant to the particular sectors in which they operate. In this case, a categorization system that organizes innovative types of MBOs by their primary function might be most useful. Across the board are overlapping interests of policy makers, practitioners and advocates of policy change in identifying: the trigger and the source of the push for change; the opportunities for innovation despite restrictive policy environments; and the implications of innovative types and innovative relationships for the integrity of core attributes of MBOs such as governance, ownership, and mutual responsibility. Recommending a particular typology of innovative MBO types and relationships must therefore take these different interests into account.

Existing typologies for MBOs prioritize one of three broad organizing frameworks: 1) those that locate MBOs within an institutional framework, as in “the social economy” or in the overlapping spheres of public, private, and civil society institutions; 2) those that organize MBOs by their primary function and purpose; 3) those that prioritize these innovative types of MBOs according to the overarching policy regimes (which can be international as well as national in scope) where they have emerged. Each typology has a different set of criteria and indicators, sometimes locating MBOs along a continuum for each characteristic or dimension. Regardless of the primary categorization logic, taken together these various criteria and indicators are a comprehensive list of types of information that would permit detailed comparative analysis across different MBOs on a wide range of measures.

#### 1. Categorizing MBOs within an institutional framework

A first stage categorization of MBOs is often made according type of legal entity since formal registration requires specific criteria to be applied. Penrose-Buckley (2007), for example, organizes MBOs into informal organizations, associations, cooperatives, hybrid structures and private companies. In recent years, however, there has been significant interest in locating MBOs as core institutions within a social economy framework, overlaying more conventional categorizations of state, market and civil society institutions. Quarter et al., for example, take the following criteria into consideration when categorizing organizations within the social economy: their social objectives, their degree of democratic decision-making, their dependence on government, and their reliance on the market. In this way, categorizing MBOs along a

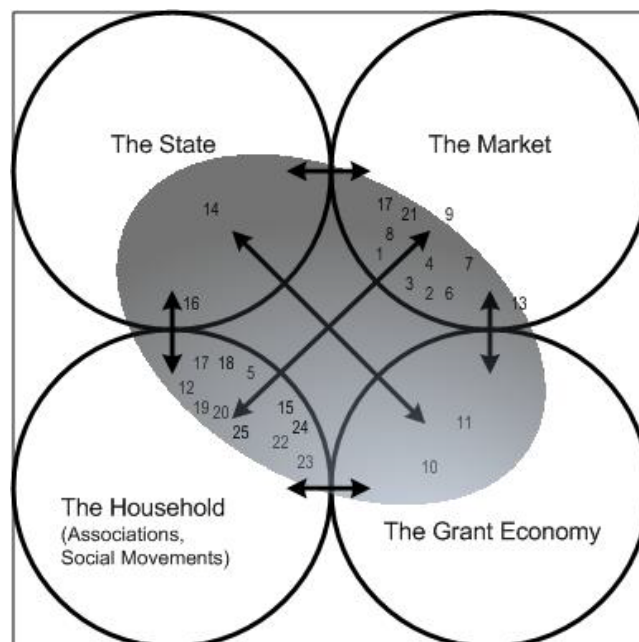
continuum of public orientation, mutual (member-only, without shares) orientation, and market (with shares) shows to what extent innovative types of MBOs are forging new relationships and aligning themselves more closely with either state or private sector institutions. As Figure 1 shows, this preliminary study has identified several organizations that are situated at these areas of close alignment. Community Foundations (11 in the diagram), for example, have a legal identity as non-profits but have many of the core values of a mutual association. Community Based Institutions in Ethiopia (10 in the diagram) started as mutual associations (MBOs) with a public orientation but were required by regulatory authorities to redefine themselves as NGOs. Producer companies (1) are hovering between a cooperative with shares and a private company, and there are a whole cluster of MBOs that have linkages with the private sector while retaining their MBO status in diverse hybrid models.



**Figure 1.** Location of Innovative types of MBOs using Quarter et al.'s (2001) framework. Numbers refer to the list of innovative types of MBOs in Table 2.

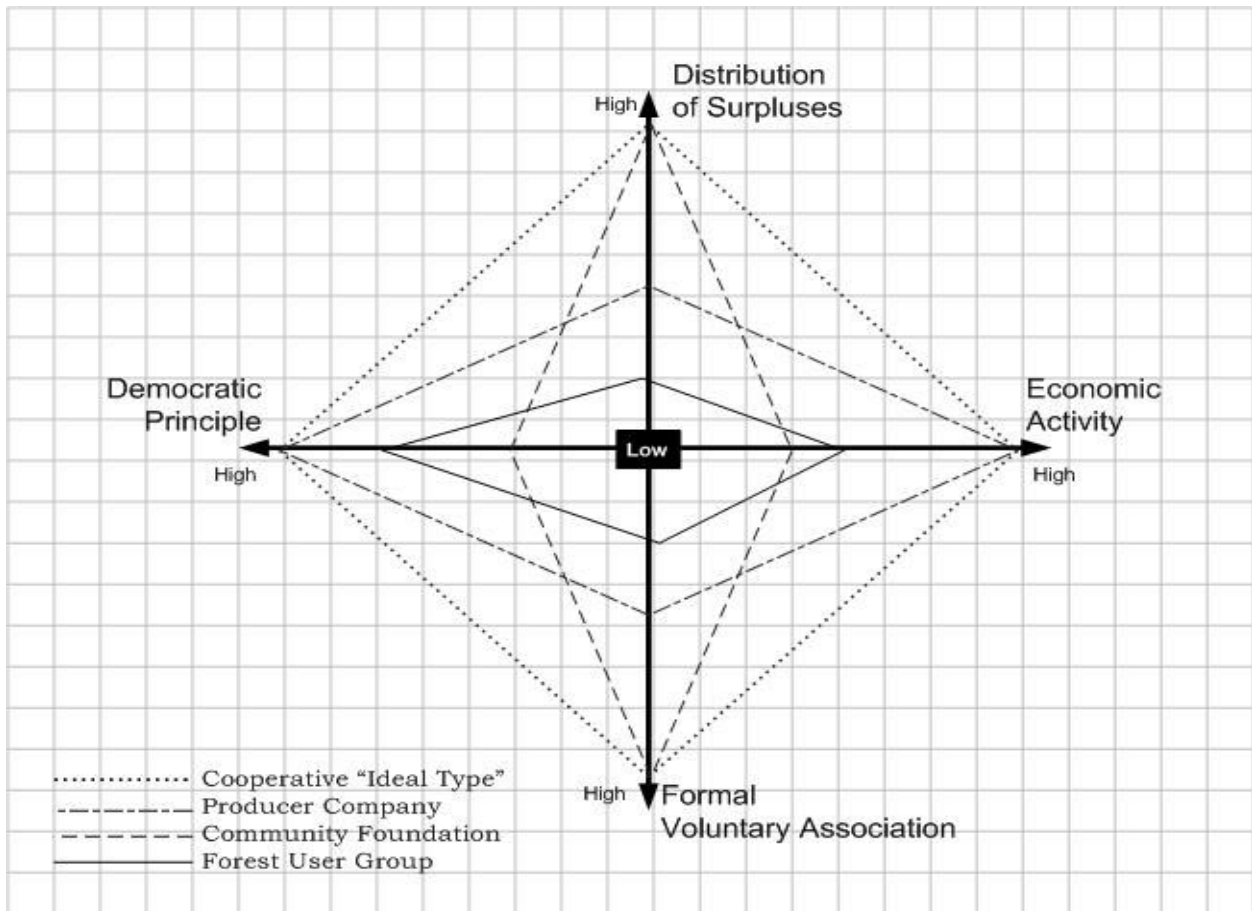
Departing from Quarter's representation of the social economy, Murray et al.'s framework for organizing innovation is based on the location of support for social innovation, and helps us take some of the principles of mutuality fundamental to the MBO into a fuller understanding of the social economy as a whole. These authors argue that the social economy is itself a hybrid, cutting across four sub-economies: the market, the state, the grant economy, and the

household, as illustrated below. The civil society sector of more conventional frameworks is separated into the grant economy, characterized by its dependence on grants (although government contracts and income from trade may also play a part) and the household economy, rooted in informal and mutual associational life but also in more formalized relationships, such as self-help, volunteer associations. They explain that while each of these sectors “has its own logics and rhythms, its own means of obtaining resources, its own structures of control and allocation, and its own rules and customs for the distribution of its outputs,... the parts of these economies which we term the social economy are united by their focus on social goals, by the importance given to ethics, and by their multiple threads of reciprocity” (Murray et al, 2010, p 142). It is at the point of interface of these economies that social innovation occurs, including the emergence of innovative types of MBOs. In Figure 2, we locate our 24 examples according to this schema. The placement of innovative types of MBOs occurs principally in “household” and “market” economies, which is partly an artifact of the selection of innovative types of MBOs. However, as Murray et al. point out, the private sector is incentivized to innovate and has the mechanisms to do so. Meanwhile, the household economy often has innovative ideas but lacks capital to implement them, and state and grant economies tend to lack the incentives to innovate. Linkages between private and household economies to promote innovation are therefore likely to be the most dynamic. Further study is needed to see if this is as true for MBOs as it is for other social innovations.



**Figure 2:** The Social Economy as a source of innovation (adapted from The Young Foundation (Murray et al., 2010): Innovative types of MBOs located in the sub-economies that make up the social economy. Arrows show flows between sub economies of: finance, legal conditions, mentoring, trade, employment and volunteering. Numbers refer to the list of innovative types of MBOs in Table 2.

Finally, Bouchard et al.'s work on the social economy in the Canadian context offers a classification of MBOs according to their location on 4 continua, measuring the extent to which an organization 1) carries out an economic activity (production of goods or provision of services); 2) has social rules prohibiting or limiting the distribution of surpluses among members; 3) is a formal voluntary association, incorporated as institutionally independent of the state; and 4) grants decision-making powers on a one-member, one vote principle. Plotting innovative types of MBOs in this way makes it possible to assess the degree to which these innovations are a departure from the "ideal type" of social economy organization (the cooperative, in Bouchard's model). IN this way, we see the trade-offs that MBOs are making as they become hybridized with other organizational types. Figure 3 below takes 3 of our cases (the Community Foundation, the Forest Users Group and the Producer Company) and compares this to an "ideal type" cooperative to illustrate this.



**Figure 3.** Examples of various perimeters of innovative MBO types, according to the degree to which qualification criteria established by Bouchard et al. (2006) have been institutionalized.

## 2. Categorizing MBOs according to their primary function

For practitioners, a compendium organized according to the primary function of the MBO is likely to be the most useful. Organizing into **broad socio-economic functional categories** is the most obvious, as suggested in Table 1 and modified by workshop participants into the following categories: Economic, social, socio-economic, and advocacy organizations.

Given that our focus is on innovation, however, a more useful system might be one that categorizes MBOs according to the purpose or function of the innovation itself. In an upcoming publication on best practices in rural development institutions, specifically how these institutions can be vehicles for empowerment of the rural poor, Herbel et al (2010) suggest organizing these institutions according to the intended purpose of the innovative best practice, as follows: Enhancing access to natural resources and local governance; facilitating access to productive assets and markets; providing access to information and knowledge; and increasing political capital. A similar organizing principle for innovative types of MBOs might also be useful.

A third categorization system by function uses level of operation as its primary organizing principle. Thus, as compiled by Delhi workshop participants, true MBOs can be organized as follows in Table 3:

**Table 3: Organizing innovative types of MBOs by function and level of operation**

<b>Membership Institutions: First or base tier level</b>	
<b>Primary Objective</b>	<b>Examples</b>
Natural resource management	Water User Associations, Forest User Groups, Community Land Trusts
Aggregation of commodities or finance (no value added)	Cooperatives whose members are managers: Milk societies, producer companies
Empowerment	Self help Affinity Groups
<b>Representative Institutions with elected membership (or by consensus). Usually second tier/level institutions</b>	
<b>Primary Objective</b>	<b>Examples</b>
Adds value to commodities	Milk unions, hubs, private liability companies, federations, hybrid companies with professional management
Provides lobbying, support, linkages	Community Managed Resource Centres (CMRCs),
<b>Sociopolitical Movements (Subsuming above categories): Goes through "evolutionary stages"</b>	

To illustrate this categorization system, farmer organizations (FO) operate at different levels and scales ranging from aggregation of small surpluses (as farmer groups) to influencing policy (as farmers associations). Categorizing an FO according to its primary objective allows us to evaluate whether the structure of an institution is appropriate to the objective to be achieved or the resources to be managed. For instance first tier member institutions like producer cooperatives or producer companies with the primary objective of aggregating commodities/finance perform very different functions to the secondary level representative institutions such as milk unions, federations, hybrid companies etc.

## Summary

These typologies do not by themselves offer an evaluation of these innovative types of MBOs, or the trade-offs made as a result of alignment with other institutions. However, each tells a slightly different story, whether about ownership, influence and control; about where MBOs fit and relate in different “economies”; about the sources of and purpose for innovation, and about the orientation of these innovative types towards “the public good”, mutual benefit, or private interest.

Integrating these different typologies into one is a challenge. Yet, as the following section discusses, it is possible to include the criteria and indicators of these into a compendium template that can capture summary information about each innovative type for quick and easy reference and for comparative analysis.

## ***V A Compendium: A means of organizing information about MBOs for comparative analysis***

Based on the discussion on typologies above, a compendium template is proposed here that organizes compendium entries first by the type of policy environment in which they occur, then by their location in the social economy framework put forward by Murray et al. , and then by the function or purpose of the innovative type of MBO. Expressed as 3 levels of a hierarchy, they would be organized as follows:

- Hierarchy Level 1:** Legal, regulatory, and policy environment
1. Promoting economic liberalization (e.g. India, Vietnam)
  2. Reconfiguring roles and responsibilities in a solidarity or social economy (e.g. Brazil, Quebec, South Africa)
  3. Fulfilling international obligations: Indigenous rights/cultural identity
  4. Promoting common property regimes for natural resource management: (as in Nepal, Philippines, etc.)

**Note:** Innovative types of MBOs in the same country could fall into different categories. For example, the Philippines case of cooperativisation would occur in (1), but the example of indigenous

communal land management would occur in (4). Examples from South Africa could fall in all categories

**Hierarchy Level 2:** Location in social economy framework (Murray et al)

**Hierarchy Level 3:** Function or purpose of the innovative type of MBO or innovative and relationship

For each entry, information could be gathered for the purpose of comparative analysis, as indicated in Table 4:

**Table 4: Compendium entry template**

<b>MBO innovative type NAME</b>		
<b>Legal/regulatory/policy environment</b>	Location in “social economy”	Function or purpose
<b>Type of legal entity</b>	Orientation “public”- “mutual”-“private” Level of dependence on/accountability to public/private sector	Tier of operation: Base, second tier or international
	Rules of governance	
	Rules of surplus distribution	
<b>Changes in law required? Emerged/introduced when?</b>	Identity: MBO or hybrid	Type of innovation: New MBO, new level of operation, new relationship with others?
<b>Trigger/rationale for innovation?</b>	Intended/actual members (by gender)	Purpose or function of innovation
<b>Stance: Resistance/mitigation/ mainstream participation</b>		Stage of evolution and expected trajectory
Narrative:		
<ul style="list-style-type: none"> <li>▪ Description of innovation and reason for its emergence</li> <li>▪ Intended and actual beneficiaries of the innovation</li> </ul>		



- **Challenges of introducing and sustaining the innovation**
- **Role of the facilitating organization**
- **How this new MBO reflects changing roles and responsibilities of different development actors in the public, private and civil society sectors? Is more space being opened up for cooperative and collective action? Is this innovative type of MBO in the public interest?**
- **Assessment of how closely aligned this innovation is to an ideal type MBO**
- **Assessment of its value**

## ***VI In-depth case studies***

From a practitioner point of view, as discussed at the consultation workshop, a detailed understanding of the process of introducing and establishing an innovative type of MBO is of critical importance. For this reason, a strong argument was made for a series of detailed case studies as a companion volume to the compendium, or even an alternative to it. Knowing the gap between enabling legislation and successful implementation, practitioners want to know what is in their control and what is beyond it, what facilitation is required to build capacity, how leadership plays a role at every stage, how challenges are overcome and what the role of other institutional actors might be. They are interested in a “story”, both inspirational and practical, with a clear road map for maximizing success. Workshop participants had a number of suggestions for such cases

First, case studies should permit the study of both innovative types of MBOs and innovative relationships between MBOs and other institutions. Both are indicative of hybridization and raise interesting questions about the integrity of the character and principles of MBOs as these relationships become formalized. In the case of famous organizations, for example, these relationships include those with facilitating organizations as well as the establishment of forward and backwards linkages with other public and private entities in the value chain and how these relationships and procedures are structured and streamlined. There are several examples of innovative models in our initial selection that warrant deeper study, such as the East Africa Dairy Hub, Savana Farmers Marketing Co., IFAPI, Nijera Village Industries, and the SEWA model of linkage with the private sector. The SHG-Bank linkage model, the development of Self Help Affinity Groups (SHaGs) as people’s institutions, and the formation of community-managed resource centres operated by federations of Self help Affinity Groups, together represent a long term development strategy by MYRADA for innovating and transforming institutions over decades, combining capacity building with successful legal and regulatory reform.

Secondly, whether an innovative type of MBO or an innovative relationship or model, it is important to understand the facilitating organization's role in introducing the innovation and building up capacity of members to ensure its success. Since formal MBOs retain some of the characteristics of informal relationships of mutual support and reciprocity, yet by definition are standardized and bound by formal rules, there is much to be learned about how values of MBOs are developed and institutionalized in different cultural contexts. As we learned from MYRADA, building the capacity of Self Help affinity groups so that they are in a position to link independently with the commercial banking sector is a process that can take a dedicated facilitating organization years to achieve. In another example from India, producer company legislation has permitted the formation of producer companies, but without the external support of NGO, public or private actors, only those larger farmers who can operate at a scale that permits the employment of professional management services can succeed. In Ethiopia, the success of the Community Based Institutions model cannot be separated from Agri-Service Ethiopia's capacity building role and the steps it takes to exit gradually and establish viable relationships with local government and external donors. And in the case of the cooperativisation of water services in a municipality in the Philippines, and in recent events in Egypt, much can be learned by the process of citizen action and mobilization through determined volunteer effort, or creative use of social networking internet sites. For these and other examples, case studies can be extremely helpful in identifying what exactly happened and how similar initiatives could be facilitated elsewhere.

Success itself is open to evaluative critique in a case study. A third suggestion is to explore success not only in terms of meeting stated goals and sustaining this over time, but also in terms of the principles of equity, mutuality, member control, inclusiveness and social justice that are at the heart of the distinction between an MBO and other types of institutions. Given women's status and their disadvantage in terms of access and control of livelihood resources, a gendered analysis of each case is particularly important to explain the kinds of structures and processes that are most likely to guarantee women's full participation and benefit, as Oxfam GB is currently exploring in its study of women's collectives in rural agricultural production. More generally, we need to understand how the innovation generates the power that members aspire to in order to reclaim or capture control over their livelihood, and how that power is expressed in a collective will and sense of mutual responsibility.

Success is often transitory. Case studies can help to explain the periods of vulnerability in the introduction of an innovative type or model, and in the various stages of maturation and scale-up, and how these have been addressed. While some of the explanations for resilience may be structural, others may have to do with the fundamental motivation behind cooperative activity, such as identity formation and maintenance. The success of Quebec's social economy is

attributed to this, and those examples here that have evolved from social movements are cases in point.

Related to this is how success for MBOs with an economic focus is measured. Is it in terms of the MBO sustaining itself over time by new membership cycling through, transitioning into fuller and independent integration into the private sector, or in terms of longer term intergenerational membership, marking a deeper shift towards cooperativism. Mapping the trajectory of new types of MBOs against those that were historically “innovative types” and have succeeded across generations could provide some insight into this.

## ***VII Conclusion***

In this report, we have outlined reasons for exploring innovative types of MBOs, and have summarized the results of a preliminary phase of this study, including short written case studies (and summaries of these) in the appendices. We have raised issues of theoretical and practical interest that warrant further study. From a theoretical point of view, understanding the significance of the trends that these innovative types and models represent is of on-going interest to an audience concerned about reducing social and economic equality and the different development pathways for achieving this. From a practitioner and policy maker point of view, it is the detail of these innovations that is of interest, both in the cross-case comparisons of different models and their respective legal and regulatory regimes, as well as in the more detailed accounts of how success has been achieved in particular cases. To that end, insights from this study have been translated into (i) a template for gathering information in a broader survey; and (ii) a rationale for more in depth treatment of particular cases. Both are designed for practical purposes – to remove some of the risks of innovating by providing insights from the experience of others to those who are shaping innovative institutions and programs in their own countries. Our discussions so far suggest that to the extent that space is opening up for cooperativism and mutual responsibility, there is a matching hunger for inspiration and guidance about how to fill it.

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## **Appendix 1:**

### Participants at the Delhi workshop, February 14-16, 2011

1. Aloysius Fernandez, MYRADA and NABARD, India
2. Lou Hammond Kettilson, Institute for the Study of Cooperatives, University of Saskatchewan. Canada
3. Uma Swaminathan, RUDI Multi Trading company and Self Employed Women's Association, (SEWA), India.
4. Moses Nyabila, East Africa Dairy Project, Nairobi, Kenya
5. Vinh Nguyen Duc, National institute of Agricultural Planning and Projection, Vietnam
6. Anselmo Mercado, SEARSOLIN, Philippines
7. Shareef Ghoneim, Egyptian NGO Support Centre, Egypt
8. Ammanuel Assefa, Agri Service Ethiopia, Ethiopia.
9. Denis Herbel, Food and Agriculture Organization, Rome, Italy
10. Derek Cameron, Canadian Cooperators Association (CCA), Canada
11. D. Narendranath, PRADAN, India
12. Nikhil Mathur, consultant, India
13. Yogesh Ghore, Coady International Institute, Canada
14. Alison Mathie, Coady International Institute, Canada
15. Rupert Downing, University of Victoria, Canada (unable to attend in person)

## Appendix 2

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# Case summaries

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## 1. Producer Companies (India)

**Innovation:** Hybrid of cooperative and private company

Often described as a hybrid organization blending features of the cooperative with those of a private company, producer companies came into being by an amendment of the Companies Act in 2002. As a new legal entity, the producer company is a response to the structural constraints cooperatives have faced and their excessive dominance by the state, which combined to make it difficult for small rural producers to flourish in an increasingly liberalized market. The producer company is member-based with the one person-one vote principle, but they differ from cooperatives in their governance structure, in their focus on professionalizing operations and in their more liberal framework with respect to government oversight and control. They are designed to facilitate entry of rural producers into formal markets, but as yet do not espouse any obligation to generate social value or to promote the interests of the more marginal farmers. As such, larger producers are at an advantage, as they can afford the more professionalized management and the expertise that links them to markets and corporate partners. This could be offset by government support to the more marginalized farmer producer companies, but willingness to pursue such a policy varies from State to State.

### *Fabindia Community Owned Companies*

Community owned Companies (COC) is a new model promoted in 2007 in India by Fabindia ([www. http://www.fabindia.com/](http://www.fabindia.com/)), a 112 Indian store, \$75 million retailer with a product line that includes designer clothes, jewelry, home furnishings, body care products and organic foods. Under this model Fabindia works with over 40,000 craft based rural producers, through 17 community owned companies, linking them to high value urban and international markets. The COCs, many of which had at their core non-profits and cooperatives that had been Fabindia suppliers for many years, act as value adding intermediaries, between rural producers and Fabindia. They are owned by producers; a minimum 26% shareholding of these companies is that of craft persons.

An essential component of the business model was the creation of Artisans Microfinance (AMFL), an investment company, which identified and helped fund 17 COCs. The COCs are different from traditional cooperatives in two distinctive ways. First, under cooperatives members have equal voting rights regardless of their investment or productivity, whereas COCs reward the artisans who hold larger stakes. Second, cooperatives also prohibit outside investors, whereas the shareholder system of Fabindia's COCs allows entrepreneurial investment by promising higher returns to the early movers.

## 2. Savana Farmers Marketing Co. (SFMC) (Ghana)

**Innovation:** Combination of institutional mechanisms of cooperatives, private companies and NGOs

The SFMC is a private limited liability company set up by the Association of Church Development Projects (an NGO network). The company acts as a buyer for over 9000 farmers, and also provides services such as certified seed on credit. Currently, shares are held by ACDEP in trust, but will be transferred to Farmers Based Organisations. These FBOs are about 10-20 farmer members strong, and are federated at the district and regional level under Ghanaian cooperative law. ACDEP's financial services act as a financial intermediary – assessing credit applications and passing recommendations to rural banks. The innovation here is the combination of different institutional mechanisms: Cooperatives, private companies (SFMC and the commercial banks) and NGOs.

## 3. East Africa Dairy Hub Model (Transnational: Kenya, Rwanda, Uganda)

The EAD hub model is a way of facilitating market access through the development of hubs of business development services and a chilling plant, linking small-scale producers to formal markets and traditional markets. Farmer groups form a Dairy Farmers Business Association at the district level in order to access hub services. Farmers are encouraged to buy shares in the chilling plant –i.e. to own cooler and equipment. Group purchase of shares is an option being encouraged.

## 4. Nijera Cottage and Village Industries (Bangladesh)

**Innovation:** Private-limited company acting as umbrella for workers' cooperatives. Based on an old established model (Mondragon), but innovative in the context of Bangladesh, especially its relative autonomy from either the State or the NGO sector.

Nijera Cottage and Village Industries (NCVI) is a private limited company that serves as an umbrella organization representing a number of village-based social enterprises in Bangladesh. These enterprises are autonomous workers' cooperatives inspired by the business model of Mondragón Co-operative Corporation in the Basque region of Spain. The organization brings together workers in the craft industry who specialize in kantha (quilt) making, indigo cultivation, natural dyes, tailoring, honey-making and marketing. Through collective action, participants in the Nijeder Janyia Nijera initiative have strengthened their bargaining position vis-à-vis local landowners, established collaborative relationships with local governments, and developed a sense of mutual solidarity. As a development model, it is unorthodox in the Bangladesh context, in that outside involvement seems to be minimal – while CARE Bangladesh provided assistance in the preliminary phase, it now appears to be taking a 'back seat' as NCVI evolves into a self-sustaining, member-controlled organization.



## 5. Cross-Border Traders Association (Zambia/transnational)

**Innovation:** Transnational MBO, collaborates with governments in support of trade liberalization

This trans-national member-based organization emerged in the aftermath of structural adjustment programmes that resulted in high unemployment and an influx of workers into the informal economy. As a landlocked country with 8 bordering neighbours, Zambia offered opportunity for cross-border trading, but harassment and tariff and non-tariff barriers led to the creation of the Cross Border Traders Association (CBTA) in 1997. Members pay an annual fee, must have travel papers, and must abide by the laws of the countries in which they work. 75% of the members are women. CBTA has pushed for trade liberalization, which eases cross border trading, and has therefore collaborated with the Zambian Ministry of Commerce with which it has some influence.

## 6. Workers Cooperatives for People with Disabilities (Philippines)

**Innovation:** Federation of PWD workers demonstrates capacity of PWD to be independent economic actors in their own right and helps negotiate business contracts

The National Federation of Co-operatives for Persons with Disability (NFCPWD) was founded 1998 promote co-ops as an alternative vehicle for PWD socio-economic progress. The organization is entirely owned and staffed by physically disabled persons. The Federation provides training to co-operatives on governance, managerial and technical skills, and health and safety practices. They advocate on behalf of PWDs and for the past 12 years they have bid on procurement contracts from the Department of Education to produce school desks. The contract represents as much as 80% of some co-ops' revenues and represent 100,000+ units annually. Through co-operatives, PWDs have moved from charitable recipients to business owners. Whereas the initial contracts were extended as a hand up, the Federation is bidding in competitive process that requires them to independently manage a complex production contract at a fixed per piece price, and deliver on time; clearly a business relationship.

## 7. Hapinoy Sari-sari store social enterprise (Philippines)

**Innovation:** Social enterprise with individual sari-sari store owners (mostly women) as member-franchisees enjoying benefits of branding and economies of scale for purchasing wholesale goods and micro-credit

Sari-sari stores are the small trade stores found in every village and urban neighbourhood in the Philippines. Hapinoy is the first and only sari-sari store chain in the country launched in 2007 by social business enterprise, Microventures, Inc. (MVI). The Hapinoy Sari-Sari Store Program partners with microfinance borrowers to co-create a full-service micro-entrepreneur enhancement program: a network of enterprises where Hapinoy Community Stores serve as the distribution hubs for goods and services offered through the Program to the base of the pyramid market.

### 8. Integrated Agricultural and Finance Cooperation (IFAPI) (Uganda)

**Innovation:** Integrated cooperative model. A departure from previous cooperative models that were highly dependent on state support

As in other Sub-Saharan African countries, structural adjustment policies in the 1980s required a liberalization of Uganda's economy, including agricultural marketing. Government monopolies were scrapped along with their relationship to producer cooperatives. Produce marketing boards were phased out. The Uganda Cooperative Association had to redesign a new cooperative marketing system "anchored in the philosophy of self-help, cost-effectiveness and efficiency" (Muehereza and Kuyomuhendo, unpubl.). IFAPI is an innovative model that promotes producer, marketing and financial cooperatives for small-scale agricultural producers in an integrated system, with the objective of transforming agriculture from subsistence production to commercial agriculture and the management of farming as a business. IFAPI operates on the 3 tier principle where rural producer organizations feed into Area Cooperative Enterprises that help to buy and sell produce. Access to credit is achieved through membership of SACCOs.

### 9. SEWA Linkages with private sector through private liability companies: RUDI Multi trading company (India)

RUDI Multi-trading Company Limited is an initiative of the Self Employed Women's Association (SEWA), which is a member-based organization of poor self-employed women workers in India. In 2006 SEWA launched a for-profit company RUDI which acts as a rural distribution network for SEWA products, connecting farmers directly with end customers. RUDI provides integrated marketing services to the rural producers and while doing so it a) creates multiple employment opportunities for women members; b) provides direct market access for small rural agricultural producers; and c) provides access to high quality daily consumer products at affordable prices to rural consumers. Shareholders of the company include SEWA members and external investors. RUDI is also considering going public. There is a complex mix of different institutions involved in the model with SEWA as an MBO, district level associations, private sector partners, Government funded programs etc. However RUDI is unique because it created a space for the for-profit entity to function within the MBO. The innovative model aims to strengthen the village economy in which rural producers receive better price and consumers receive better quality products at affordable prices, an example of Gandhi's *Gram Swaraj* concept.

#### Social/service focus

### 10. Community Based Institutions (Ethiopia)

**Innovation:** Self-help but benefits are community-wide and not limited to members

Community Based Institutions have been pioneered in Ethiopia by Agri-Service Ethiopia (ASE). They are described as "a rural, people-centred, non partisan, not-for-profit, voluntary, free and

multi-purpose, self-help community development association/institution.” They emerged as a deliberate effort by ASE to establish sustainable partners to continue community development work after it phased out. Members are both individuals and traditional associations such as burial societies and savings groups. “Open to all individuals or organizations interested in being of service to the community”, membership does not necessarily result in any material benefit but ensures a say in CBI activities that are of community-wide benefit. Examples of their activities include road construction. CBIs are in a position to access resources from members, NGOs, members of the diaspora and local government. Their emergence coincides with a degree of decentralization in Ethiopia, which has historically had a highly centralized and rigid government system. With the CBIs, ASE has tried to demonstrate the potential for local institutions to initiate development and partner with local government, reversing the heavy-handed top-down service delivery model. At the present time ASE is weighing whether to register CBIs as associations, in which case only members can benefit, or to register as Ethiopian Residence NGOs which entitles them to mobilize external (foreign funds), and provide community-wide services.

#### **11. Community Foundations (East and South Africa)**

**Innovation:** Public grant-making institution, communities assume role of fundraising for local development

Supported by major foundations such as Ford, Mott, the Synergos Institute and the World Bank, Community Foundations have been introduced in countries of the Global South (notably South Africa) to encourage a culture of local philanthropy among the wealthy and the corporate sector, and to build on local expressions of solidarity and “horizontal philanthropy” or mutual aid at the community level. In their early stages of development, Community Foundations try to build capital endowment, but have also demonstrated creativity in attracting both financial and in-kind resources from the local community. They are premised on the ideas that (i) communities can effectively mobilize resources themselves, and that (ii) funding from the private sector is attracted to local level independent grant-making mechanisms in the areas where they are operating. A community foundation is a public grantmaking institution, governed by local multi-sectoral boards reflecting the community. They respond to grant proposals submitted by eligible community-based organizations. They are considered an innovative concept in low and middle-income countries where government-private-sector-civil society relations are being renegotiated and new ways of wealth redistribution are being explored.

#### **12. Hometown Associations (Global North)**

**Innovation:** Federations that can influence public policy and leverage resources from international development agencies; also linkages with governments and private companies for match funding for individual HTAs in countries of origin.

Hometown Associations are “Migrant membership organizations formed by people from the same community of origin”. They are not new – there have been mutual aid societies based around a common hometown since 1880s when it was common among Jewish immigrants . But what is new is that federated forms have developed a political presence in destination countries and have mounted successful advocacy campaigns in response to controversial immigration legislation. Moreover, as federations, if they have non-profit status, they can have leverage with USAID, CIDA, or DFID in order to perform their community activities with more resources. Typically, they mature over time from informal, volunteer-driven into formal organizations, sometimes with elaborate hierarchies and linkages or mergers with other HTAs. They provide welfare and legal services to new immigrants, such as burial and bereavement services, and generally help new immigrants integrate and become active citizens in their destination country. They also assist with sending collective or individual remittance payments for hometown development. These remittances have been matched by some governments such as the 3 for 1 Match grant programs implemented by the Mexican government and the El Salvador governments, and private corporations such as the First Data Corporation that is operated by Western Union. This corporation launched a 4 for one programme in 2005 to top up the 3 for 1 program in Mexico.

As a result international development agencies have taken a active interest in partnering with HTAs to fund projects, mostly rural infrastructure.

### **13. Community Interest Companies (UK)**

**Innovation:** Hybrid between charity and business/non-profit and for-profit

Established in the UK under the Community Interest Act of 2004 and the Regulations of 2005, a Community Interest Company is a social enterprise with a social or environmental mission that takes precedence over financial returns. It allows investors to earn a return on their investment but these returns are limited, and each CIC has to file a report in which impact on the “community of benefit” is shown. In other words, “it allows the top line to remain in control over the bottom line” An example of a CIC is Liberation Nuts, a UK CIC. It is owned by nut producers (42%), fair-trade companies (35%) and ethical investors (23%). The nut producer share is owned by the International Nut Producer Cooperative (INPC), an international cooperative with members from 11 nut producer cooperatives located in the Amazon region, Central America, southern Africa and Kerala, India (Murray, pp69-70)

### **14. Solidarity Economy (Brazil)**

**Innovation:** Creation of a legal framework to encourage partnerships between Third Sector and State

In Latin America, the solidarity economy is comprised of informal organizations, associations and cooperatives that are nurtured through a broader transnational movement and supported by the left-leaning governments of Venezuela, Brazil, Argentina, Chile, Peru and Bolivia

(Tremblay 2009). In Brazil in particular, the solidarity economy has given rise to a multitude of social enterprises that are creating livelihood opportunities for the country's most marginalized citizens and fostering new forms of democratic participation. Worker-managed businesses are one example of this, as are community banks and social currencies, such as the pioneering Banco Palmas on the outskirts of Fortaleza. At the national level, the solidarity economy has been encouraged through the creation in 2003 of the National Secretariat on Solidarity Economy (SENAES) which has helped establish a legal framework to encourage innovative partnerships between the Third sector and the State. An example is The *Organização da Sociedade Civil de Interesse Público* (Civil Society Organization on Public Interest), recognized in Law as a new type of nonprofit legal entity. Community Banks such as Banco Palmas, many of which operate as a function of Residents Associations, are an example. This non-profit has to use any assets derived from its activities to fund the organization's social activities and purposes.

Service focus:

**15. SHG/SAG-bank linkage (India)**

**Innovation:** Lending system incorporating informal and formal financial institutions

Self-Help Groups in India, starting in 1985, were an innovation at the time, and the SHG-Bank Linkage model is a more recent innovation that accommodates informal and formal financial institutions within one integrated system. In 1985, many of the large cooperatives in India had collapsed, leaving poor people without access to credit on reasonable terms. When groups of former cooperative members asked the NGO MYRADA to revive the credit system and offered to repay the loans they had taken from the cooperative, MYRADA suggested that instead they should repay these loans to the group, thereby providing the start up for small savings and credit services. These groups tended to be made up of people who knew and trusted each other, usually women, hence the name "affinity group". Successful as they were, as informal associations they were unable to borrow money from banks to on-lend to their members. The SHG-Bank Linkage model introduced in 1992 has been an innovative approach to remove this obstacle. Accommodating the strengths of the informal SHGs, RBI policy allows banks to lend to SHGs **even though they are not registered**. This responds to SAG claims that registration would make them vulnerable to unscrupulous or overly bureaucratic tactics of petty government officials.

Also, unlike other group-based MFI models that require bank approval of individual loans, it allows banks to lend to SHGs **without requiring information on how the SHG intends to on-lend to members**. SHGs are instead assessed for their credit worthiness as institutions before the bank agrees to lend. There are now over a million bank-linked SHGs and SHG federations are emerging to provide value added services and influence at the policy level. As they federate, they have access to an even wider array of potential partners. Large corporate interests have already shown interest in doing business with the relatively new federated structures.

**16. Lembaga Perkreditan Desa (LPD). Member-owned MFI (Indonesia)**

**Innovation:** Non-bank financial institutions owned and operated by customary village association.

This member-based financial institution exists in nearly every community in Bali, Indonesia. Using the sanctioning power of traditional law to ensure repayment of loans, LPDs are considered a successful model for providing financial services in remote areas. Initiated by provincial government in 1985, these LPDs are regulated through a provincial decree that recognizes LPDs as “non-bank financial institutions” that are, by definition, owned by the customary village (*desa pakraman*). Indigenous residents are the technical owners because they form the village assembly that elects the village head and council. Users can include both indigenous and non indigenous residents. Although subject to internal and external supervision, in practice they operate as autonomous organizations. While this has left them vulnerable to elite domination, the LPDs are considered to have transformed the role of the customary village in Indonesia’s political and social life. Through the LPD development fund the *desa pakraman* can now invest in temples and religious events, and the social fund enables it to act as a provider of social welfare. As the center for village finance, and with its newfound capacity to direct resources toward community projects, the *desa pakraman* has replaced the *desa dinas* (the secular, local jurisdiction) as the main actor responsible for development at the village level.

**17. Youth Agriculture Services Cooperative (Vietnam)**

**Innovation:** Shift from state run cooperatives to market responsive cooperatives.

Prior to 1975 when Vietnam followed Soviet-style socialism, each commune had only one cooperative, an agricultural collective cooperative dedicated to providing food for the army during the America war. Following the war, the cooperatives lost some of their momentum. With the economic liberalization reforms from the 1980s onwards, farmers were allowed to use 5% of their allocated land for private production which was a contributing factor in the demise of the collective cooperative. By 1988 the collectives were dissolved and land use rights transferred to farmers. New cooperative law passed in 2003 allowed cooperatives to carry out activities other than agriculture, and respond to market demand. The Youth Agricultural Services Cooperative in Kien Giang is an example of the kind of cooperative that could form after the 2003 legislation, and is an example of a cooperative that responds to market demand (i.e. demand for agricultural services) rather than government directive. Youth members are also members of the Youth Union (one of 5 mass organizations of the government system) so there is still government influence

**18. Water Users Associations (Egypt)**

**Innovation:** Transfer of responsibility for irrigation management from government to farmer water user associations

In a country with scarce water resources, Water Users Associations (WUAs) have been established as the best option for developing efficient irrigation systems. Created by the Ministry of Water Resources and Irrigation, though preceded by customary forms of irrigation management, they are “legal private organizations at the tertiary canal level in the improved irrigation systems, owned and operated by their members”. While WUAs were introduced for the improved irrigations systems, Water User Unions were introduced for newly irrigated lands and Water Boards (associations at the secondary canal level) were also created. The new decentralized approach to irrigation systems management entails a transfer of responsibility – both financial and administrative – from government to water users. Through delegation of the country’s irrigation systems, the government minimizes its role in water management and delegates responsibilities for management, raising revenue and resolving conflict to the water users. It also makes room for the involvement of private contracting companies in the future. The new law fits with current policy objectives that encourage privatization and economic liberalization. While farmers’ interests may also be served through WUAs, the organizations are faced with a series of challenges related to financing, capacity building and community representation.

#### **19. Cagayan de Oro Water Consumer Cooperative (Philippines)**

**Innovation:** Citizen-led process of cooperativization. Cooperatives as a more effective alternative to state or private ownership

In many local contexts utility cooperatives have proven to be more efficient and transparent than private or public utility companies. In Cagayan de Oro in the Philippines, citizens have mobilized to transform a publicly owned water company which plunged into financial crisis in 2007– the Cagayan de Oro Water District (COWD ) – into a consumer cooperative. In the new WATERCCOOP, all water consumers in the area are members, whether individuals or businesses or other institutions. Profits will be either re-invested or dispersed to consumer-members in the form of dividends, refunds or lower prices. For this to be officially recognized, however, amendments need to be made in the current law which requires that all water districts be government owned and controlled. The leaders of the WATERCCOOP are in the process of lobbying local, regional and national governments to authorize the cooperativization of COWD. If successful, the cooperativization of COWD will entail the partial denationalization of water services in the Philippines, a change that has complex implications for communities and the natural resources upon which they rely.

#### **20. Mutual Benefit Association (Philippines)**

In 1999, the Center for Agriculture and Rural Development transformed its in-house insurance program into a legal, member-owned entity. A technical service provider, called RIMANSI, was formed by 8 FI’s in 2005 to replicate the CARD model. Since then RIMANSI has facilitated the formation of 9 new MBAs in the Philippines, three in Cambodia, two in Vietnam, and one in

Indonesia. This has insured an additional 358,557 low income households, covering 1.4-1.8 million people.

MBAAs provide life, credit life and health coverage and are owned and governed by the policy holders. Through RIMANSI, MBAAs have access to specialized technical services, training, and advocacy.

It has introduced what could be considered a 'third approach' to pro-poor risk protection in favour of the poor where collectively they are providing insurance to one another. At the same time it has altered the relationship between microfinance providers and their clients although it is too early to determine the impact of this change; the organizations are young and reliant on external technical inputs.

## **21. Vimo SEWA – Integrated Insurance Scheme (India)**

**Innovation:** Private-public partnership, acts as intermediary between members and public/private insurance companies

In 1989, the Self Employed Women's Association obtained a simple life insurance plan for its members through an agreement made between the Indian government's Life Insurance Corporation (LIC) and the United Indian Insurance Company (UIIC). Under this agreement, the government (with a legal monopoly on insurance at the time) would subsidize organizations seeking to provide insurance at reduced premiums to poor communities. In 1992 SEWA adopted an integrated insurance scheme (IIS) that included life, health and assets insurance. The scheme was administered by the newly created Vimo SEWA, which did not provide the insurance directly but rather served as an intermediary between its members and the LIC. In this way, Vimo SEWA served as a unique model of a "private-public partnership" (PPP) working with public insurance companies to tailor an insurance scheme for the poor, via the distribution mechanisms of a SEWA's membership. Since privatization of insurance in India in 1999, Vimo SEWA no longer deals exclusively with public partners. Because of the size of its membership, it has significant bargaining power to negotiate insurance schemes with various competing companies. Moreover, the Insurance Regulatory and Development Authority (IRDA) is promoting partnerships between NGOs and private actors through a policy that requires private insurance companies to conduct a certain percentage of their business in "rural and social sectors." Within the new legal framework, Vimo SEWA is now able to register as a micro-insurance cooperative. However, the capital requirement is unaffordable for the relatively small-scale Vimo SEWA, so it is currently lobbying for a further change in the law to reduce the capital requirement for micro-insurance companies.

### Entitlement focus

## **22. Communal Land Management (General)**



**Innovation:** Communal management of resources as alternative to state/individual land tenure arrangements.

Communal land management, and various types of co-management arrangements, have emerged for several reasons. First is the realization that natural resource depletion can be averted or reversed when resources can be managed communally, rather than held by the state or under individualized tenure arrangements. Forest User Groups in Nepal are an example. The second reason is the consequence of the UN Declaration of the Rights of Indigenous People's in 2007 which has encouraged legislation permitting land and other resources to be owned and managed collectively. Third is an effort by financially constrained governments to fulfil their agreements to conserve land by inviting citizens to purchase for community or public interest in the form of Community Land Trusts.

### **23. Forest User Groups and the Federation of Community Forest Users (Nepal)**

**Innovation:** Legally recognized autonomous and corporate institutions, way of transferring user rights from state to local forest users

Forest User Groups in Nepal were introduced formally under the Forest Act of 1993. The legislation was designed to counteract the severe forest resource depletion that had taken place after forests were nationalized in 1957. User rights have been transferred from government to legally independent user groups charged with collective responsibility for forest management. They have legal status as autonomous and corporate institutions with perpetual succession. User rights are conditional on the sustainable management of the forest. Users can engage directly in market activities as long as they do not compromise this condition. The change here is that forest management has been reverted to local forest user control, but not in its traditional form. It has required a reassessment of who can be a legitimate member/user (including women, for example). Usufruct rights are balanced by state responsibilities to provide support, mediate conflict and ensure the provisions of the Forest Act (sustain and protect forest and water sources) are fulfilled.

Federated in the Federation of Community Forest Users, Nepal (FECOFUN) since 1995, 10, 244 FUGs throughout Nepal now constitute a movement with policy-making influence and capacity strengthening activities for its members.

### **24. Indigenous Land Ownership (Philippines)**

**Innovation:** Collective ownership and management based on indigenous identity, clan and community membership

Collective land ownership and management has resulted from successful advocacy campaigns by and for indigenous people's movements. Pre-capitalist in their cultural and economic relationship to the land, they want to protect a collective identity intricately bound up in those relationships. In the Philippines, people's rights to ancestral domains were formally recognized

by law in 1997. Upholding the character of collective ownership means recognizing clan and community membership as the principles for access to and use of land. However, as private interests begin to insert themselves and attract indigenous people away from collective management practices, new institutional forms may need to be put in place that protect indigenous collective decision-making and the environment, whose sustainability relies on assumptions of indigenous collective identity and responsibility.

Political focus:

**25. La Vía Campesina (Transnational)**

**Innovation:** Transnational movement whose members are MBOs, able to influence at scale and remain autonomous

La Vía Campesina (The Peasant Way) is a transnational peasant movement whose stated purpose is to challenge neoliberal globalization and promote an alternative model of development based on “food sovereignty.” It was formed in 1993 based on an organizational model developed by Latin American peasants in response to economic restructuring in their respective countries. Its membership currently includes 148 organizations in 69 countries in the global North and South. These organizations include unions, associations, movements, confederations and councils representing the interests of peasants, family farmers, indigenous peoples, rural women, agricultural workers, landless people, youth and the poor. Organizations must be grassroots and peasant-based in order to officially join the movement. Each participating organization is accountable to its members and participates in discussions to determine the movement’s positions on issues such as trade, climate change, biodiversity and human rights. A policy of gender parity ensures the equal participation of women and men in La Vía Campesina’s decision-making process. It is an autonomous movement that has resisted “hybridization”, i.e. collaboration with governments, private interests and NGOs.

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## Appendix 3

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### Mini case-studies completed to date

[Type the author name]

**Note: These mini cases were carried out as desk research for the exploratory phase. In the secondary phase additional information will be gathered**

**3/31/2011**

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These mini-cases were produced as a basis for analysis, as presented in the technical report and at the Delhi workshop. They will be further developed in Phase 2.

## **Producer Companies in India**

Producer Companies have emerged in India in response to the difficulties faced by the traditional cooperative model to cater to the needs of small-scale agricultural producers in the context of India's liberalized and growing market.

### *What prompted their emergence?*

Agriculture is vital to more than half of India's workforce. Since India's independence in 1947, the Government has given a priority to the sector including establishing several public organizations to promote co-operatives (Acharya 2004). The results have been mixed. On one hand we have the example of Amul Dairy Cooperative—India's largest food products organization with an annual turnover of over US \$1 billion and membership of over 2.7 million families, spread across 13,000 villages in rural parts of Gujarat State (Amul, 2009). The model has since been replicated to more than 100,000 dairy co-operatives across the country. Outside the dairy sector, however, the success of co-operatives has been limited (Minten B, 2009). Even in the dairy sector, co-operatives are facing tough competition from the private sector. The co-operative legislation, although designed to serve the poor, has over time experienced structural limitations and excessive dependence and control by the State. The co-operatives do not have the independence to take decisions; instead the Registrar of the co-operatives (Government officer) has the power to have a final say on every major decision affecting the co-operative.

Constrained by the limitations of the existing framework, the co-operatives (and rural producers) were further challenged by the process of liberalization in India. Starting early 1990s, the liberalization saw the entry and increased participation of the private sector in agriculture, specifically in agri-processing, value addition, organized retailing, etc. This meant additional challenges for rural producers and competition for co-operatives which did not provide an enabling framework for emergence of professionally managed business enterprises that could compete in the liberalized environment and yet ensure inclusivity.

In order to closely examine the problems and challenges faced by rural producers and co-operatives in the context of liberalization, the Government of India appointed a high level committee headed by Dr. Y.K Alagh in 1999. The committee highlighted the challenges co-operative institutions suffer from and the need for efficient professionally managed "producer-owned enterprises" to serve rural producers. The Committee thus recommended creation of specially devised Companies called "Producer Companies" within the ambit of the Companies Act 1956 (Pradan 2007). Accepting the recommendations of the committee, the Indian Parliament amended the Companies Act, calling it the companies (Amendment) Act, 2002, which allowed incorporation of Producer Companies, a hybrid organization that accommodates the unique features of co-operatives within the liberal and enabling framework of Companies Act.

<b>Cooperative and Producer Company - Key Differentiators</b>		
<b>Features</b>	<b>Producer Cooperative</b>	<b>Producer Company</b>
<b>Registration</b>	Cooperative Societies Act	Companies Act
<b>Membership</b>	Open to individuals and co-operatives	Only those who participate in the activity i.e. producers
<b>Relationship with other corporates/ business houses /NGOs</b>	Transaction based	Producers and corporate entity can together float a company
<b>Shares</b>	Not tradable	Not tradable but transferable to other members
<b>Voting Rights</b>	One person, one vote, but Government and Registrar of the Companies Act holds veto powers	One person one vote. Those not having transactions with company can't vote
<b>Reserves</b>	Created if there are profits	Mandatory to create every year
<b>Role of Registering Authority</b>	Significant	Minimal
<b>Administrative Control</b>	Overbearing	None
<b>Borrowing Power</b>	Restricted	More freedom and alternatives
<b>Dispute Settlement</b>	Through Cooperative mechanism	By Arbitration

*Source: Producer Company Model - Current Status and Future Outlook: Opportunities for Bank Finance, Murray, E. V. RBI 2009*

*Producer Company: Its members*

Under the new legislation any 10 or more individuals, each of them being a “producer” or any two or more “producer institutions,” or a combination of 10 or more individuals and producer institutions, may form a Producer Company. The producers are defined as “any person engaged in any activity connected with or relatable to any primary produce” (Companies (Amendment) Act 2002). The members of the Producer Company select board of directors—a minimum of five and maximum of 15 directors. The board appoints a Chief Executive who is an ex-officio director and **must not** be a member of the Producer Company, however s/he can be entrusted with substantial powers of management as the board may determine. The Producer Company shares are not tradable and are only transferable to the members, this provision protects the company from an outside takeover.

The new legislation differentiates between the ownership and management roles of the company. While the management and operational aspects of the company are handled by professionals (such as the Chief Executive), the ownership rests with the members; the managers are paid by, and accountable to, the members. The voting rights are membership based, i.e. one member one vote. The legislation also recognizes the importance of professional and technical inputs and allows appointment of external experts, including as directors.

*Producer Companies: Whose interests are served?*

The main intent of the new Act is to provide the primary producers an institutional platform to effectively participate in the opportunities available in a growing economy. The new Act provides enabling legal framework and still maintains the unique spirit of co-operatives. The membership provisions are based on patronage and mutual assistance, retaining the spirit of Cooperative principles. While individual producers and/or producer institutions can form a Producer Company, many farmers groups--such as producer groups, marketing groups, joint liability groups, self help groups (SHGs) or any other producer collective--may also join or can form a Producer Company. The unique element that differentiates producer companies from co-operatives is the regulatory framework of the companies which allows more freedom to do business and minimizes external influence on governance.

Currently there are fewer than 100 functional producer companies in India (Murray 2009). These companies are located across many states; in both the farm sector (food grains, fresh fruits and vegetables, dairy, poultry, etc.), and the non-farm sector (handicrafts, yarn and fabric etc). These companies have been promoted by different stakeholders in different contexts. For instance, the non-profit organization Development Support Center (DSC) has promoted a Producer Company to follow-up their six-year watershed development program in Gujarat State. DSC federated ten water user associations into one Producer Company with a total membership of 1000 producers with the main objectives of input procurement, production and

marketing of agriculture produce (Pradan 2007). In a different application, The Government of Madhya Pradesh (MP), through its World Bank funded District Poverty Initiatives Project (DPIP) used the Producer Companies format to register 17 Producer Companies (Murray 2009). Private companies like Feb India, Reliance, ITC etc. have also promoted Producer Companies to partner with rural producers.

Although still early days, the provisions of the new Act have shown some positive results on the ground. An example would be the case of *Masuta Producers' Company Limited*. Promoted by a Non-Profit Organization *Pradan*, *Masuta* is owned by more than 3000 rural women yarn producers located in more than 120 villages spread across three states of Jharkhand, Chattisgarh and Bihar. The company is on the road to achieve a turnover of over US\$ 2.2 million in 2010-11 (Masuta, 2011).

This new form of MBO essentially provides, in policy at least, an institutional platform that facilitates the entry of rural producers into formal markets. The new provisions serve the interest of the members who are actively participating in the business. However, the new format still needs to evolve to demonstrate creation of social value, particularly for small and marginal producers.

The provisions of the new Act allow the existing cooperatives to convert themselves into Producer Companies. However, it is interesting to note that not many cooperatives have opted for this. This fact needs further research to examine the reasons for this, which could be financial (as cooperatives receive financial support from the State), political, or social.

#### *Producer Companies: Practical challenges*

While the Companies Act has created a space for the new entities to emerge, its interpretation, practice and enforcement overtime will highlight practical challenges. As in the case of other forms of MBOs, mere legal and institutional provision does not solve the basic issues that the rural producers face, i. e. issues related to finance, backward and forward linkages, capacity/skill development of producer members and office bearers of the producer organization etc.

Raising capital has been a real challenge for almost all start-up Producer Companies. The very design of the new format puts a constraint on capital accumulation--which is that capital can only come from members, and members can only be producers. In the majority of cases, it is very unlikely that the small producers themselves will be able to raise the required capital given the capital intensity of the processes involved in taking the produce from farm-gate to the market. An example to highlight the finance related constraints faced by a start-up Producer Company is Rangсутra, an organization working with rural artisans. The provisions of the new



Companies Act did not support quick mobilization of resources and partnerships and the initiative had to adapt another institutional model (that of a normal private limited company) to secure capital from external sources (Pradan 2009). Also difficult for the start-up Producer Companies is to secure loans from formal financial institutions. The financial institutions find it difficult to lend to producer companies until they have a track record of successful business, transparency, governance and integrity. With increased awareness and understanding of the new hybrid model, the bank may start lending, as evident from the case of Masuta (Masuta, 2011); finance, nevertheless, still remains a challenge within the Producer Company format.

In theory it is important to differentiate between the management and governance of the company but in practice it's difficult to distinguish between the two, especially at the grassroots where some farmers/ group of farmers play multiple roles, such as producers, aggregators, agents, board members etc. The role of promoting organization becomes very crucial here to bring clarity, from the beginning, regarding the roles and accountability mechanisms while performing operational/management and/or governance roles.

The role of promoting organization is very crucial for the implementation of the Act, yet there is no specific mention of promoting organizations in the Act itself. In other words any entity/individual is free to promote a Producer Company as long as the proposed company meets the statutory requirements of the Act. A private company will have different motivation for promoting a Producer Company as compare to a non-profit or Government. Therefore the role of promoting organization becomes important specially for creating economic and social gains for the poor. Some States have been very progressive in addressing the issues of promoting organization. The State of Madhya Pradesh introduced a policy on Activity Federations which provides support for emergence of producer associations, including Producer Companies, through policy measures and budgetary assistance as a security capital of up to US\$ 62,500 and an annual subsidy for administrative and operational expenses of up to US\$ 17,500 each for the first five years (Ghosh S, 2008).

The new Act needs some operational modifications as Sankar Duta points out, often a Producer Company's byelaws are written in English, a language that is beyond the understanding of a small and marginal producer (Pradan 2007). While some challenges lie with the Act itself, real challenges also exist in building the capacity and skills of rural producers so they can enjoy the enabling provisions of the new Act. Challenges related to small landholding, forward and backward linkages, technology and infrastructure, credit etc. still need to be addressed to effectively utilize those provisions.

*Producer Companies: Does the MBO change relations between different development actors and their respective rights and responsibilities?*

The new legislation is certainly going to have some impact in changing the rights and responsibilities of development actors. One distinctive change that has been observed in the recent past has been the active participation of the private sector in this format. There have been cases where private companies (such as Reliance, ITC, Fab India, etc.), especially working in the agriculture sector, have either partnered with producer companies or have promoted new producer companies. Fab India is promoting 35 community-owned companies in different States covering about 20,000 weavers from marginalized sections of the society (Murray. 2008). This is a new trend by private sector companies and the Act has allowed this to happen. Private sector companies have shown interest in the Producer Companies because, as Companies themselves, they are familiar with the mechanisms of the new format and opportunities for partnering in a business-to-business relationship. By promoting Producer Companies they can also claim to be a responsible corporate entity.

The other set of development actors that might take interest in the new format would be social investors. Globally, individuals have committed over US\$ 100 billion dollars for public purposes between the year 2006 and 2007 alone (Pradan 2007). The Producer Company format provides an institutional platform suitable for such investments. The Companies are required to comply with all the relevant statutes under the Companies Act which gives them legitimacy to receive external capital.

#### *Producer Companies: enhancing the Scope*

Although the Act specifies the “producer” aspect, more than 80% of agricultural holdings in India are of less than two hectares and more than 60% of farmers operate on less than one hectare each (Planning Commission, 2007). Many of the farmers and landless households migrate to urban areas for work and there are roughly 100 million circular migrants in India (Deshingkar P. and Akter S. (2009). A legal framework like producer companies, if extended to include the daily wage laborer (as producers of labor/ services), it could help millions of migrant labors who come to urban area in search for employment and have no institutional back up/ support and are subjected to exploitations.

While the new Act provides a legal recognition to producers to come together and form a company, the provisions of the Act could potentially be extended to strengthen and complement existing Government programs. For instance, the Government’s flagship legislation on the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) provides a legal guarantee for 100 days of employment, every year, to every adult member of any rural household. Considering the rural outreach and membership of the Producer Companies there could be possibilities for the Acts to complement and leverage one another to create more benefits at the grassroots level.

### **Producer Companies in India: Summary**

India's new legislation on producer companies is a progressive and enabling one for creating a level playing field for the primary producers, including rural small and marginal farmers, to effectively participate in a growing economy. It provides with the **flexibility** to primary producers to come together as a company and **aggregate** their small surpluses in order to enter and participate in a market that provides **higher returns**. The provisions of the Act also ensure the cooperative spirit by keeping the one member one vote principle. Having been registered under the Companies Act the producer companies are required to comply with relevant statutory provisions which provides them more legitimacy in the liberalized environment, and enables them to acquire finances and partner with the private sector.

In order to ensure economic benefits percolate to small producers, the implementation of the Act holds the key; and the role of promoting organization becomes critical, especially while making byelaws, ensuring participation of marginal sections into the board, creating forward and backward linkages, arranging finance, building the skills and capacities of the members, etc. These things are essential to convert the enabling provisions of the act into real economic and social gains for the poor. The current provisions of the act limit the ability of the Producer Company to raise capital from external sources. This aspect needs further attention. If there is hybridization in the structure of the Producer Companies, could there also be hybrid systems for raising capital that attract investors and, at the same time, ensure benefits of smallholder members?

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*Yogesh Ghore*

## **Savana Farmers Marketing Company Ghana**

### **Introduction**

Savana Farmers Marketing Company (SFMC) is a private limited liability company promoted by Association of Church Development Projects (ACDEP) in Northern Ghana. The company acts as a buyer and provides market access to over 9000 farmers in Northern, Upper East and West regions of Ghana. The SFMC also provides input services to smallholder farmers such as certified seed on credit. It also provides credit for land preparation and extension services when necessary. The shares in the company are currently held in trust by ACDEP, but will be transferred to Farmers Based Organisations (FBOs) in the near future<sup>2</sup>.

### **What prompted its emergence?**

Formed in 1977, the Association of Church Development Projects (ACDEP) is a network of primarily church sponsored, development NGOs in Northern Ghana. Through the network of church-based institutions and other partners, ACDEP provides a collective platform for socio-economic development of Northern Ghana in general and rural households in particular.

As part of their economic development programs, ACDEP has been working with rural agriculture producers, mainly smallholder farmers, on the issues of productivity enhancement, market access and institution building. Since 2005 ACDEP has been working on a project titled "Farmers' Agricultural Production and Market Project" (FAMAR) with support from two Netherland based NGOs, ICCO and PSO. The broader objectives of the project included establishing a transparent and independent production and marketing chain. This was to be done by organizing farmers into strong FBOs to improve their bargaining power; and by providing them a secured market for their produce and access to good quality and affordable inputs, including credit.

In order to achieve these objectives ACDEP formed Savana Farmers Marketing Company- a for profit limited liability company. The company directly works with the Farmer Based Organizations (FBOs) in a three tier model. At the base of this model are the groups of primary producers (10-20 farmers per group). The farmer groups are then federated and registered at district and regional level under the Ghanaian Cooperative law. SFMC works as a link between the FBOs and buyer companies (such as Guinness Breweries Ghana Ltd). First SFMC secures orders from the companies specifying volumes and quality. SFMC then contracts FBOs for production, providing them inputs, credit and extension services. After the harvest, SFMC buys the produce and organises logistics and cleaning and grading of the produce, based on end

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<sup>2</sup> <http://www.acdep.org/Programs/MarketAccessIndex.php?leftSelect=market>

buyer specifications. Before making the payment to the FBO/farmer SFMC deducts the amount provided as seed and credit for services provided.

The innovation under this model is the aggregation of several FBOs under SFMC, which enabled access to market and credit for a large number of smallholder farmers. Learning from this model is that combination of different institutional mechanisms might be required for small farmers to move up in the value chain, there isn't a single institutional structure that could address all the needs.

### **Whose interest does it serve?**

The company currently works with over 9000 farmers in Northern, Upper East and West regions of Ghana. The company forms a link between the producers (mainly Soybean, groundnuts, cashew, and sorghum) and large buyer companies, thereby addressing market access related constraints faced by the farmers, as well as providing reliable supply of raw materials to the companies.

Through SFMC a large number of farmers get the access to credit and a reliable market whereas the companies have a constant and trusted source of raw material.

### **What are the challenges?**

In the initial phase SFMC suffered dual risk-- first the marketing of FBO produce and second the risk of credit default. Due to this SFMC was not able to repay the loan it had received from Oikocredit for on-lending to farmers on time. In order to address this, **SFMC worked on separating credit and marketing related services**<sup>3</sup>. Alternative ways for providing credit were explored and a two pronged strategy was developed which is explained in the next section.

### **How does it change relations between different development actors and their respective rights and responsibilities?**

The initiative has been extremely successful and more farmers have joined the scheme<sup>4</sup>. As a result SFMC decided to create two separate units within the company. First Unit still called SFMC focuses purely on marketing of the produce and the second unit, ACDEP Financial

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<sup>3</sup> Athmer, G (On the basis of a report written by master students Casper Havinga and Jurjan Mol); September 2008; Rural Finance Study: An inventory of policies, practices and challenges regarding support to rural (micro) finance among Netherlands' MicroNed members.

<sup>4</sup> Klerk, Ton de, 2008 The Rural Finance Landscape, A practitioner's guide, Agromisa Foundation and CTA, Wageningen, the Netherlands

Services (AFS) provides all credit related services. AFS's responsibility is to assess and monitor credit applications and pass its recommendations to the rural banks. The banks themselves then decide which farmers are eligible for micro loans and it is the banks that carry the risk if loans are not repaid. Once a loan is approved by the bank, AFS ensures repayment.

This kind of a *tripartite* arrangement provides an opportunity to overcome the challenges of providing credit to small and marginal farmers – particularly those living in more remote areas – being normally rejected by the banks. This happens because the model allows the financial institutions to leverage the value chain relationships from producers to buyer companies with SFMC in the middle. The initiative expects that AFS should be able to expand its outreach beyond the current client base of the SFMC.

*Yogesh Ghore*

## **Nijera Cottage and Village Industries, Bangladesh**

### *Introduction*

Nijera Cottage and Village Industries (NCVI) is a private limited company that serves as an umbrella organization representing a number of village-based social enterprises in Bangladesh (IDS, 2008). These enterprises are autonomous workers' cooperatives inspired by the business model of Mondragón Co-operative Corporation in the Basque region of Spain. The organization brings together workers in the craft industry who specialize in kantha (quilt) making, indigo cultivation, natural dyes, tailoring, honey-making and marketing (CARE Bangladesh 2008).

### *What prompted its emergence?*

In north-western Bangladesh, 10-15 per cent of people live in extreme poverty and many more fall into the 'poor' and 'lower middle' income categories (CARE Bangladesh 2008: 2). The mass impoverishment of the region's residents can be attributed to factors such as seasonal hunger (*monga*), loss of livelihoods, landlessness and exploitative labour relations (CARE Bangladesh 2008: 1-2, Kumar 2006: 5-9).

In the mid-2000s, CARE Bangladesh's Social Development Unit introduced a participatory initiative called Nijeder Janyia Nijera (We, For Ourselves). Using community-led total sanitation (CLTS) as an "entry point", the project engaged members of poor families in leadership training and the development of strategies for alleviating *monga* and addressing social exclusion (CARE Bangladesh 2008: 4).

The community capacity-building of the Nijera project laid the groundwork for the creation of NCVI in 2006. Participants saw the need for an initiative that would address the economic roots of poverty, but were wary of conventional economic development approaches (including NGO-led activities) that focused on individual household income while failing to take into account social relationships (CARE Bangladesh 2008: 7, Kumar 2006). The co-operative model of Mondragón seemed like a fitting alternative, as it would build upon the leadership skills and solidarity developing among Nijera participants (CARE Bangladesh 2008: 7). Furthermore, it would help participants overcome economic exploitation through a business model in which members control all aspects of the commodity chain (production, distribution, management, marketing etc.) without the involvement of intermediaries (Kumar 2006: 16).

### *Who are its members?*

NCVI's membership includes "women and men from poor and extreme poor households" who work in the craft industry in north-eastern Bangladesh (CARE Bangladesh 2008: 4). These members are "stakeholders" in the various social enterprises affiliated with NCVI (CARE



Bangladesh 2008: 4). The organization is governed by a Board of Directors that is elected from the general membership using a one-member-one-vote principle (NCVI 2008: 8).

*Whose interests does it serve?*

NCVI contributes to the economic and social development of participating communities through the nurturing of a “social economy” (NCVI 2008: 8). In keeping with co-operative principles, NCVI is a non-profit organization in which surplus revenue is directed towards dividends, insurance, savings and education for the communities of affiliated social enterprises (NCVI 2008:.). As a member-based organization, its primary purpose is to economically empower workers and their communities, helping foster what Kumar (2006: 15) describes as “participatory economic democracy”.

A variety of other groups and agendas can potentially benefit from artisan initiatives such as NCVI. From a business perspective, such initiatives constitute a shift from informal to formal economic participation, requiring artisans to “conform to the needs of the markets” (Kumar 2006: 4). Development NGOs also have an interest in the creation of artisan enterprises, particularly if their mandate includes developing sustainable livelihoods and promoting women’s economic empowerment (the majority of craft workers in Bangladesh are women) (Kumar 2006: 4). Engagement with the craft industry is also seen as valuable through an anthropological or conservational lens, since it allows for the study and preservation of traditional artisan practices (Kumar 2006: 4).

*What are the challenges?*

Little has been written so far about the challenges encountered by NCVI since its inception in 2006. However, a concept note written during the early stages of the organization’s development (Kumar 2006) outlined several “needs” that had to be met in order to move ahead with the initiative. These included a formal organization, product development, marketing assistance, start-up capital, research and development, technology and capacity building (Kumar 2006: 17). Recent publications by CARE Bangladesh (2008; also NCVI 2008) suggest that NCVI has overcome these initial challenges and grown into a successful co-operative organization; however, further research is needed to evaluate its success and identify remaining challenges.

*How does it change relations between different development actors and their respective rights and responsibilities?*

NCVI has emerged in a context of changing economic, political and social relationships in north-western Bangladesh. Through collective action, participants in the Nijeder Janyia Nijera

initiative have strengthened their bargaining position vis-à-vis local landowners, established collaborative relationships with local governments, and developed a sense of mutual solidarity (CARE Bangladesh 2008: 3-4). These changes set the stage for the emergence of NCVI which, through its co-operative structure, has the potential to increase the economic self-reliance of its members. As a development model, it is unorthodox in that outside involvement seems to be minimal – while CARE Bangladesh provided assistance in the preliminary phase, it now appears to be taking a ‘back seat’ as NCVI evolves into a self-sustaining, member-controlled organization.

### *Summary*

In 2006, grassroots leaders from the impoverished north-western region of Bangladesh created Nijera Cottage and Village Industries, a co-operative organization encompassing a number of village-based social enterprises that focus on traditional artisan work. Inspired by the Mondragón model, NCVI began as an alternative economic development strategy and has grown into a full-fledged co-operative with a democratic ownership structure and various social investments in the communities in which it operates. While the work of NCVI may appeal to different groups and agendas, its primary goal is the economic and social empowerment of its members. Although there is scarce documentation of the challenges currently faced by the organization, it is apparent that NCVI is contributing to changes in the ‘fabric’ of local society – a process that most likely involves an assortment of challenges.

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*Betsy MacDonald*

## **Cross-Border Traders Association, Zambia**

### *Introduction*

Since the early 1990s, the number of informal cross-border traders in Zambia has increased dramatically (Nchito and Tranberg Hansen 2010: 169). Adverse working conditions have motivated small and medium-scale traders to create the Cross-Border Traders Association (CBTA), a transnational member-based organization. Working in close partnership with governmental and inter-governmental agencies, the CBTA lobbies for policy changes affecting cross-border trading and provides support and education to its members (Nchito and Tranberg Hansen 2010: 171).

### *What prompted its emergence?*

In 1991, Zambia adopted a Structural Adjustment Program (SAP) that involved privatization on a large scale. This change resulted in mass unemployment, leading to an influx of workers into the informal economy (Nchito and Tranberg Hansen 2010: 169-172). Many of these workers became involved in cross-border trading, an industry with many opportunities given Zambia's geographic position as a land-locked country with eight bordering neighbours.

While cross-border trading work is abundant in Zambia and the surrounding region, conditions for informal workers are less than favourable. Harassment at borders is common, and a series of tariffs and non-tariff barriers make it difficult for smaller scale traders to operate. In Lusaka, informal vendors at the COMESA Flea Market (a major hub for cross-border traders) are marginalized by the local government which seeks to displace them. These common experiences of hardship led to the creation of the CBTA in 1997 (Nchito and Tranberg Hansen 2010: 171).

### *Who are its members?*

Membership in the CBTA is open to individuals who conduct small and medium-scale cross-border trade in COMESA (Common Market of Eastern and Southern Africa) and SADC (Southern African Development Community) countries. The organization is made up of general members and "office-bearers"; the elections for these positions are held every three years. Members pay a US\$10 annual fee, are required to have travel documents, and must adhere to the laws of the countries in which they work (Nchito and Tranberg Hansen 2010: 171-172).

The CBTA has approximately 15,000 members in Zambia and 75,000 members in the region, which includes southern and eastern Africa. Members are generally well-educated due to the industry's demand for knowledge and skill. In Zambia three-quarters of CBTA members are women, a phenomenon that can be attributed to both cultural and economic factors: trading is

seen as “a woman’s domain”, and it has also become a necessary livelihood strategy for women whose husbands lost their jobs following the implementation of the SAP (Nchito and Tranberg Hansen 2010: 173).

*Whose interests does it serve?*

The CBTA promotes the interests of its members through lobbying for regulatory changes with the goal of creating a policy environment more conducive to cross-border trading. For example, it pushed for the creation of a free trade area in the COMESA region, an agenda that was realized in 2000. The CBTA has a close relationship with Zambia’s Ministry of Commerce, Trade and Industry, and with COMESA itself. All three organizations share an interest in trade liberalization (Nchito and Tranberg Hansen 2010: 177-180).

Paradoxically, these allies are among the same neoliberal forces that are considered responsible for the dramatic structural changes in the 1990s that resulted in mass unemployment and the subsequent growth of the informal economy. While the CBTA stands to benefit in an immediate sense from the removal of trade barriers, it is worth considering whether this approach will produce more favourable conditions for cross-border traders in the long term, or whether trade liberalization (and other related processes such as privatization) will weaken the social and economic supports available to informal workers and thus undermine the CBTA’s efforts.

*What are the challenges?*

The main challenge currently faced by the CBTA is friction with the Lusaka City Council (LCC) regarding policies that govern the COMESA Flea Market, a major economic hub for cross-border traders. According to Nchito and Tranberg Hansen (2010: 182), the local policy environment is “hostile” to cross-border traders who sell their goods in the market. While there are many informal vendors working in Lusaka, the local government puts “special pressure on the cross-border traders” (Nchito and Tranberg Hansen 2010: 182). The CBTA has responded to this situation by registering as a trade centre, but the COMESA Flea Market continues to be a site of conflict.

*How does it change relations between different development actors and their respective rights and responsibilities?*

Through establishing collaborative relationships with other organizations promoting cross-border trade, the CBTA has become a “partner in development” (Nchito and Tranberg Hansen 2010: 182), and has earned considerable influence in the realm of economic policy. In the spectrum of member-based organizations, the CBTA occupies an interesting position as an

organization that seizes new opportunity and works with, rather than against, economic liberalization

### *Summary*

In 1997, informal cross-border traders established the CBTA as a way of representing their collective concerns, improving their working conditions, and educating themselves on issues surrounding their trade. The organization includes workers from several countries in southern and eastern Africa, many of them women. Since its creation the organization has evolved into an influential lobby group, pushing for the removal of barriers in order to facilitate trade across national borders. While the CBTA has achieved many gains in this regard, its members continue to work under pressure in Lusaka where municipal policies restrict the operation of the COMESA Flea Market. As a development strategy, the CBTA's approach raises some challenging questions about the autonomy of civil society and its role vis-à-vis globalization.

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*Betsy MacDonald*

## **Mutual Benefit Associations – The Philippines**

### *Introduction*

The National Federation of Co-operatives for Persons with Disability (NFCPWD) was founded 1998 to provide support and services to PWD co-ops and to promote co-ops as an alternative vehicle for PWD empowerment and socio-economic progress. Starting with 5 members, the Federation has grown to include 16 primary co-ops. The organization is entirely owned and staffed by physically disabled persons.

The Federation provides training to co-operatives on governance, managerial and technical skills, and health and safety practices. They advocate on behalf of PWDs and for the past 12 years they have bid on procurement contracts from the Department of Education to produce school desks. The contract represents as much as 80% of some co-ops' revenues and represent 100,000+ units annually.

### *What prompted its emergence?*

Most of the founding members had prior experience working in 'sheltered workshop' started by charitable organizations, where salaries were guaranteed regardless of profitability. One of these workshops began trial runs of desks and chairs which led to some local school contracts. Over time this led to a small contract with the Department of Education (DepEd). DepEd encouraged the group leaders to organize PWDs in other regions, to pursue regional contracts. At the same time, some of the sheltered workshops were closing down, while elsewhere workers were 'graduating' out. This led to the formation of 5 co-operatives that eventually put up the Federation to represent their interests.

### *Who are its members?*

Their members are physically disabled men and women.

### *Whose interests does it serve?*

The Federation and primary co-operatives serve the interests of their members; to empower them through employment and mutual assistance.

### *What are the challenges?*

The NFCPWD members are one of the most marginalized groups in the Philippines. Issues of poverty are compounded by physical barriers, low levels of formal education and work experience, and negative perceptions that prevent employment mainstreaming. Co-operatives have opened a space for PWDs to focus their collective energy on employment creation. In

doing so, they have successfully negotiated Department of Education contracts that, at their peak, provide seasonal employment to over 600 people. However, PWD co-ops have few other revenue sources and so are vulnerable to demand fluctuations.

*How does it change relations between different development actors and their respective rights and responsibilities?*

Through co-operatives, PWDs have moved from charitable recipients to business owners, and empowered the members vis-à-vis donor organization. The Federation, representing the co-operatives, negotiates annual contract terms with the Department of Education, and arranges materials, financing and logistics. Whereas the initial contracts were extended as a hand up, the Federation is bidding in competitive process that requires them to independently manage a complex production contract at a fixed per piece price, and deliver on time; clearly a business relationship. The Federation has also pursued private sector contracts (e.g. organic vegetables) but has had some difficulties in meeting high volume demand starting out.

#### *Summary*

In the case of the NFCPWD, co-operatives have been a vehicle for a particularly marginalized to pursue employment and empowerment where there are few alternatives available. Considering the lack of opportunity afforded the majority of the members growing up they are producing contracts valued as high as \$2mln CDN and delivering over 100,000 school desks in a year. The Department of Education was an important influence on the development of the worker co-ops and continues to be the main source of revenue.

*Derek Cameron*

### **Community-Based Institutions, Ethiopia**

Community-Based Institutions (CBIs) in Ethiopia have been pioneered in Ethiopia by Agri Service Ethiopia (ASE), a local NGO specializing in agricultural extension services that initially worked with informal village-based agricultural extension groups, but realized that these informal groups could be scaled up into formalized district-wide institutions that could provide services on a sustainable basis.

ASE defines a CBI as “a rural, people-centred, non partisan, not-for-profit, voluntary, free and multi-purpose, self-help community development association/institution.” CBIs operate at the *woreda* or district level. Thus far, ASE has initiated six CBIs in six *woredas* of three administrative regions in the country. For example, Abdiboru CBI was established in 2002, as a legal entity registered with the Bureau of Justice. (The other formalizing option would have been to form a producer co-operative under the Cooperatives Commission). By August 2008, it had 2,410 members, 707 of whom were women. It operates in 12 *kebeles* or villages, and is now extending its influence into a further 5 *kebeles*. Activities include agricultural production enhancement, natural resource management, social service, constituency building (i.e. recruiting members and building capacity) and income diversification.

Theoretically, membership is “open to all individuals and organizations that are interested ...in being of service to their community.” Membership does not necessarily result in any material benefit; and special consideration is given to the poorer, more marginalized members. It can therefore be categorized as a mutual association (Quarter et.al, 2001) with principles that are broadly in keeping with the International Cooperative Alliance’s (ICA) statement of cooperative identity formulated in 1995. The experience of Ethiopian co-operatives were no exception to ICA’s concern that state intervention and control in many countries of the world had undermined the integrity of these entities. (see for example Taimni, 2001:9; 298).

#### *What prompted their emergence?*

CBIs in Ethiopia have emerged out of a deliberate effort by a local Ethiopian NGO, ASE, to establish sustainable local partners that can continue its work after it phases out, and carry out this work in a way that is community-driven rather than NGO or government driven. As outlined by Assefa et.al. (2007):

- The CBI constitutes a counterpart to ASE, gradually assuming more and more responsibilities, and taking ownership of development initiatives, so that a sustainable member-based institution continues when ASE phases out. This capacity building role for ASE is a departure from its previous service delivery role, working primarily with extension groups. The intention is that over time, CBIs will be able to support their ongoing activities through membership fees, income generating activities, and soliciting funds from the



private and NGO sectors and from the diaspora – associations and groups whose members originally come from the area.

- There are many traditional associations in Ethiopia that perform various social and economic objectives – the *idirs* and *iqubs* for example – and these could have served as a development partner for ASE, especially in light of their demonstrated abilities to adapt and expand their activities. However, there were concerns about the undemocratic process of elections in these, and the tendency to exclude women and marginalized groups from leadership positions. It was decided that a new institution was needed if there was to be community-wide membership and benefit. Membership would be encouraged across different *idirs*.
- The Ethiopian government has had decentralization policies in place to complement its federalist system of government introduced after the overthrow of the Derg in 1991. However, decentralization has been characterized as deconcentration rather than genuine devolved participatory democracy, rigid in its approach to service delivery, and under resourced. The promotion of CBIs therefore serves as a mechanism to encourage government to see community-based organisations as potential partners in service delivery, and to build that capacity for community-driven development.

While similar models for formal community-based organizations exist elsewhere in the world, the CBI is innovative in the Ethiopian context because of the dominant role of government as a development actor, first during the socialist Derg regime (1974-91), and then more recently as the current government has attempted to protect its position, and resist foreign influence, by placing restrictions on international NGOs and local NGOs relying on external funds for advocacy activities. As Cunningham (2009) points out, the scrutiny of the NGO sector can be attributed to resentment of its lack of legitimacy and its diversion of international funds from sources that might otherwise help support a severely under resourced decentralized government structure.

The emergence of CBIs, however, was a deliberate strategy on the part of ASE, a well respected Ethiopian NGO, before the CSP law was passed. Establishing these CBIs did not require new legislation. While CBOs or CBIs were not specifically mentioned, there was in fact provision for the establishment of public associations and NGOs in the Ethiopian Civil Code, promulgated during Haile Selassie's regime in 1960, so long as these were formally registered and regulated. Furthermore, Article 31 of the 1994 Constitution provides "for freedom of association for any cause or purpose, as long as the activities of the association do not in any way contravene the Constitution" (Assefa et.al., 2007). As of 1995, the regulation of these CSOs (i.e. those that are international or that operate in one regional state) rested with the Ministry of Justice.

*Whose interests are served?*

The intention of the CBI model is to introduce a mechanism for genuine community-driven development, a departure from both the government directed organizational model that has been pursued through co-operatives, and the recipient-of-service model, often encouraged by the NGO sector. As such it is designed to enable communities to mobilize internal and external resources themselves, and collaborate with government to improve service delivery. Rather than an exclusive reliance on government, service delivery is renegotiated, with government responding to CBI initiative, along with other development actors in the private and civil society sectors. The CBI concept is redistributive in the sense of its intention to benefit all members, especially poorer and more marginalized groups. It also provides a vehicle for redistribution from richer to poorer member of the diaspora, and for richer to poorer countries through its linkages with external agencies through which investment in community activity by external funders, including government, is encouraged. At the same time, the CBI concept is designed to build on existing community capacities and strengths. These include the strengths of traditional informal associations (whose members may be members of the CBI) for mutual support, as well as technical and practical capacities that could be directed towards building community assets.

The story of road building in Tebbo illustrates what a CBI – in this case Abdiboru—can do when functioning at full potential. A road linking Tebbo to markets and services was a community-wide priority. The CBI membership was able to mobilise a set contribution of 50ETB<sup>1</sup>/per household (approximately \$4CDN) from 50% of its membership; additional contributions were secured from people in nearby towns who would also benefit from the road, and from members of the diaspora further afield. These community-mobilized funds (in total 20,000 ETB or \$1,500<sup>5</sup>) were then used as leverage to secure funds from NGOs operating in the area (a total of 100,000ETB -\$7,700-from ASE and Oxfam Canada). The CBI was also able to secure government services to carry out a road survey, and the use of construction machinery. All in all, the CBI was able to mobilize sufficient resources to rent and purchase the necessary equipment to build the road. At a later stage, 20 *iddirs* contributed additional funds (30,000ETB or \$2,300) , and a committee was formed combining *woreda* level government officials and members of the CBI. Members were again called upon to make a set contribution per household (30ETB, or \$2.5) to cover the cost of covering the road with gravel. As far as the service of the road is concerned, more than four *kebele* populations are benefiting from the road, including those who use the road for moving livestock or for pack animals – donkeys. (Peters, Gonsamo and Molla, 2009).

There are many reasons why this achievement is significant. First, it demonstrates the capacity to mobilize funds and labour locally in the spirit of mutual assistance. This is all the more interesting given the integration of informal and traditional mechanisms of mutual assistance,

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<sup>5</sup> All figures are in Ethiopian Birr and Can\$ at May 18, 2010 exchange rate (1ETB=0.08 Can\$)

such as burial societies, as members of the CBI, as well as district-wide individual household memberships. Thus the CBI is a bridge between familial association through the *iddirs* and relationships that cut across family and village lines. The second reason is the CBI's ability to leverage this for additional resources, demonstrating the agility of the CBI in establishing productive linkages with local NGOs, local government and the private sector.

### ***CBI's relationship to different development actors?***

Currently, CBIs are being assessed by other international NGOs that have the capacity to roll out the CBI concept on a wider scale. CBIs that extend government capacity to deliver services, and attract external resources to do so can be expected to go unchallenged. However, until now the CBI has described itself as a member-based organization. It has not gone so far as to register as an association because this would restrict activities to only those from which members could benefit, rather than offering services community-wide. Instead the CBI has registered as a local Ethiopian NGO. ASE is now suggesting that CBIs re-register as an Ethiopian Residence NGO, facilitating their ability to mobilize external funds (Assefa, personal communication). Thus the future is ambiguous, with the CBI member-based, but formalized as an NGO with responsibility towards the wider community, and with the capacity to draw on external, not just local, funds. The test will be whether the resources generated by the community, and the results of its activities position them as organized entities in which external funders are willing to entrust their own resources, without taking control.

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*Alison Mathie*

### Community Foundations

A community foundation is a public grantmaking institution, governed by local multi-sectoral boards reflecting the community. They respond to grant proposals submitted by eligible community-based organizations. Technically they are not member-owned or governed but are considered an innovative concept in low and middle-income countries where government-private-sector-civil society relations are being renegotiated and new ways of wealth redistribution are being explored.

#### *What prompted its emergence?*

Originating in the USA and Europe, the “model” of Community Foundations has been promoted actively over the last 20 years in other countries as a “philanthropic mechanism that in the best sense is run by members of the community who reflect the community, who are partners of the community, and have resources to be responsive to their needs.” (Milner and Hatnell, 2006). Supported by major foundations such as Ford, Mott, the Synergos Institute and the World Bank, they have been introduced in countries of the Global South (notably South Africa) to encourage a culture of local philanthropy among the wealthy and the corporate sector, and to build on local expressions of solidarity and “horizontal philanthropy” or mutual aid. They are premised on the ideas that (i) communities can effectively mobilize resources themselves, and that (ii) funding from the private sector is attracted to local level independent grant-making mechanisms in the areas where they are operating. Thus, one example is a community foundation in the western region in Zimbabwe that “started with 4,000 families donating 1 zim dollar, demonstrating the buy-in of those communities to the foundation” (Moyo, 2006). A contrasting example is the Community Foundation attracting significant levels of funding from large corporations, such as the mining sector, that is used for immediate grant giving or to build endowments for sustained grant-giving. The Greater Rustenberg Foundation stands out as a particularly successful example of this.

Overall, the CF model has had mixed success thus far, partly because of “the absence of a favourable legal and fiscal framework” to encourage more corporate giving in many countries. However, CFs are indicative of several trends. First is the increasingly influential and direct role of the corporate sector as a donor and development actor over and above its role as an employer. Secondly, the CFs are part of a trend towards giving more direct responsibility to communities to redistribute resources through locally controlled institutions (Kuljian, 2005) In the context of South Africa, critics are concerned that these community foundations are being expected to take on too much too quickly, or that the corporate donors are not sufficiently understanding of local realities. However, the current realities of high unemployment and the concerns about high levels of dependence on social grants has led to a particularly innovative development where local government is challenging social grant funding through the Community Foundation (Sebastian Matthews personal communication). Also, given the high unemployment levels in South Africa and the gap in entrepreneurship, CFs access to expertise in private enterprise should not go unnoticed.

### *Whose interests does the CF serve?*

As a philanthropic institution, the CF serves most disadvantaged members of the community, but also provides a mechanism for Corporate Social Responsibility (CSR) mandates. These can be a double-edged sword, but at their best these funds, channeled through a CF, are an opportunity for the socially conscious corporation to share its skills and resources in response to broader community needs and interests. Building endowed funds minimizes inappropriate influence, and community foundations will be in a better position to secure endowed funds (offering them greater independence) if tax incentives are put in place, as has recently happened in South Africa. In the case of the latter, critics warn the preoccupation with asset accumulation for endowed funds has distracted attention away from “discussions about civil society, inclusive diversity practices, community building and social justice” (op.cit), but in our experience there are several examples in South Africa where this dialogue is active, with serious engagement with local government on these issues (see for example, Wilkinson-Maposa’s discussion of Ikhala Trust, 2009)

### *Challenges*

In an early phase of introduction outside of North America, CFs face the challenge of establishing legitimacy and credibility among community members, among donors, and among government agencies, especially given different histories of “philanthropy” in different countries. A pre-occupation with securing sufficient funding, especially for an endowment fund, has sometimes taken attention away from discussions around the role of the foundation to address inequality and exclusion in the community. Yet when successful, they also have to manage sometimes unrealistic expectations.

### *In what way does it change relations between different development actors and their respective rights*

Hodgson and Knight (2010) claim that they “may be a missing piece in the jigsaw puzzle of international development” since they offer a means to reach those most in need in the community, while preserving local ownership and accountability. In advancing values of philanthropy and mutual assistance, the CF both builds on the informal support networks at the local community level, while also providing a vehicle for philanthropy through Corporate Social Responsibility. In the case of South Africa, with government under resourced to fulfill its ambitious targets for reducing poverty and inequality, this alternative channel (i.e. alternative to taxation) for harnessing corporate profits to stimulate local social and economic enterprise is potentially significant. The CF, based as it is on values of mutual support and horizontal philanthropy, is also at pains to move people out of relations of dependency on government, and match the rights to which people are entitled with motivation to take independent action.

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## **The Solidarity Economy in Brazil**

### *Introduction*

The “social economy” has emerged as a category for understanding the relationships and practices in various local contexts that address public and private concerns, yet are considered distinct from the state and the market. The social economy is associated with addressing human and ecological needs and serving the most disadvantaged members of society, and therefore is sometimes used as a synonym for the “third sector” or civil society. However, scholars have identified a conceptual challenge in “locating” the social economy: is it synonymous with the third sector, does it exist within this sector, or does it contain elements of the state, the market and civil society (Amin 2009)? According to economic geographers such as Gibson-Graham (2006), the social economy is part of a broader, heterogeneous economy that is embedded in human relationships, values and traditions. While this understanding of the economy unsettles the notion of the social economy as a distinct category, it does allow us to see how the social economy interacts with various economic, political and cultural processes.

Within the social economy, a number of innovative forms of social organization have coalesced around the idea of the “solidarity economy”, a cooperative approach to addressing issues of social and economic exclusion (Tremblay 2009). According to Arruda (2008, cited in Tremblay 2009: 37), the solidarity economy differs from the social economy in that while the latter is a system, the former is a conscious strategy that is based on shared values of citizenship, collectivism, and placing human and ecological needs before profit.

In Latin America where it is most widely embraced, the solidarity economy is comprised of informal organizations, associations and cooperatives that are nurtured through a broader transnational movement and supported by the left-leaning governments of Venezuela, Brazil, Argentina, Chile, Peru and Bolivia (Tremblay 2009). In Brazil in particular, the solidarity economy has given rise to a multitude of social enterprises that are creating livelihood opportunities for the country’s most marginalized citizens and fostering new forms of democratic participation.

### *What prompted its emergence?*

The solidarity economy has arguably existed in Brazil and elsewhere since the emergence of cooperatives 200 years ago (Gomes 2005, cited in Tremblay 2009: 36). The 2005 Brazilian national census found that there were 21,578 enterprises in the solidarity economy employing 1,687,035 people. Most of the enterprises identified were associations; there were also numerous informal groups and cooperatives and a small number of commercial companies (Lechat 2009: 161). The main reason given for participating in the solidarity economy was that it

offered an alternative to unemployment; respondents also viewed it as a way to increase profits and provide supplementary income (Lechat 2009). Economic self-interest is not the only motivating factor, however; according to scholars the solidarity economy also represents “a new philosophy of life, a new economy, or even a new way of organizing production” (Lechat 2009).

#### *Who are its members?*

According to the 2005 census the majority of workers involved in the Brazilian solidarity economy are men; however, this observation is based on formal participation and therefore obscures the informal participation of women (Lechat 2009: 162). Producers of various goods and services are involved in the solidarity economy. For example, ACATA is an association of recyclable waste collectors in Ijuí, Rio Grande do Sul. Formed in 2003, the organization started by borrowing carts from a plastics recycling company in return for the promise to sell products back to company. ACATA was registered legally as an association in 2005 and now participates in regional and national solidarity economy networks. Another example is NATUAGRO, a cooperative organization of family farmers in the northeast of Rio Grande do Sul. The farmers came together initially to sell their products at a cooperative store using space provided by a local school, and some members formed a sub-group that focused on cultivating sugar cane and creating value-added goods using its by-products (Lechat 2009).

Enterprises involved in the solidarity economy are supported and developed through “incubators” that provide technical assistance, education, advocacy, and opportunities to network with other social enterprises with the purpose of facilitating eventual self-management. These incubators take the form of non-governmental organizations, universities and state departments and are considered an important part of the solidarity economy movement (Lechat 2009: 163-164).

At the national level, the solidarity economy has been encouraged through the creation in 2003 of the National Secretariat on Solidarity Economy (SENAES). The secretariat, which is a subdivision of the federal Ministry of Labour and Employment, has helped establish

an innovative legal framework governing the relationship between the Third Sector and the state, where creative innovations were introduced, such as the *parceria* (partnership) and public-interest and civil society organizations. The *Organização da Sociedade Civil de Interesse Público* (Civil Society Organization on Public Interest) is recognized in Law as a new type of nonprofit legal entity. This nonprofit cannot distribute any income surplus, dividends, bonus and/or assets gained among any of its members or participants, advisors, directors, employers or donors. Rather, these assets are used to fund organization’s activities and purpose. (Tremblay 2009: 36-37)



This is a significant change given that the pre-existing legal framework did not reflect the diversity of organizations in the Brazilian solidarity economy and was often prohibitive – for example, the law requires at least 21 members to start a cooperative (Poirier 2006). The emerging framework, including policies such as the abovementioned one, provides a more supportive environment for the thousands of small organizations that constitute the solidarity economy.

Facilitating these legal changes is the relationship between SENAES and the Brazilian Forum of Solidarity Economy (FBES), a national network that includes representatives of all 27 Brazilian states and 16 organizations. SENAES and the FBES have jointly organized work groups in order to enhance the solidarity economy in the areas of “communication, geographic census, legal frameworks, public policies, production, marketing and consumption, international relations, solidarity finances and training” (Poirier 2006). This relationship has been instrumental in the reform of policies affecting social enterprises, a process that is part of the greater shift towards democratization and decentralization in post-authoritarian Brazil.

#### *Whose interests does it serve?*

According to its proponents, the solidarity economy is worker-centered and focused on placing the needs of people—particularly the most socially and economically disadvantaged members of society—before profits. However, there are varying interests that come into play in the development of social enterprises. The relatively progressive political climate in Latin America is conducive to intense government involvement in the solidarity economy, as is seen in the participation of state and university incubators. According to the literature, enterprises in the solidarity economy remain relatively autonomous despite the state’s active role (Tremblay 2009: 36). However, much of this literature is itself state-sponsored and therefore would naturally downplay any divergent interests between members of social enterprises and regional or state governments.

#### *What are the challenges?*

Enterprises in the solidarity economy face a number of material and organizational challenges. As member-based organizations that include some of Brazil’s most materially impoverished citizens, social enterprises often have little or no start-up capital and have to find creative solutions (such as the borrowing arrangement used by ACATA). Encouraging the broader community to support social enterprises can also be a challenge, making public education an important strategy. Finally, there can be tension among members of social enterprises who come from diverse cultural and livelihood backgrounds and may have different reasons for participating in the solidarity economy, as well as transience as individuals move around to seek better economic opportunities (Lechat 2009). Incubators play a vital role in mitigating these

tensions and addressing the aforementioned challenges associated with starting a social enterprise, though their support is more educational than financial (Lechat 2009: 163-164).

*How does it change relations between different development actors and their respective rights and responsibilities?*

The solidarity economy can be viewed as a model of citizen-led development in that it puts citizens in charge of their own economic empowerment through horizontal support (solidarity) rather than top-down policy implementation. There does, however, seem to be an effort on the part of Latin American governments to foster a policy environment that is conducive to the growth of social enterprises. While proponents of the solidarity economy maintain that the role of governments is supportive while not overbearing, some critics have raised questions. At what point, asks Amin (2009), is the social economy compromised when state and private actors get involved? Can a balance be found where support is provided without the integrity of the social economy being jeopardized? In a context of neoliberal globalization, the social economy may provide a convenient avenue for governments to offload their responsibilities for social welfare onto citizens. Conversely, the social economy can be seen as an opportunity for marginalized members of society to exercise agency and participate in democracy. The impact of the social (and more specifically the solidarity) economy on the relationship between different development actors, then, is not necessarily clear or straightforward.

### *Summary*

In Brazil and elsewhere in Latin America, the solidarity economy is emerging as a new model of people-centered development guided by cooperative values and involving a large number of workers in different sectors. In bringing together members of socially and economically marginalized groups to create new livelihood opportunities, the solidarity economy fosters a spirit of cooperation and is seen to embody a philosophy of economic justice that runs counter to hegemonic, neoliberal attitudes. There are, however, practical challenges in ensuring the sustainability of social enterprises in contexts of economic adversity, as well as questions surrounding the innocence of state and private actors in supporting social enterprises. While its implications for the relationship among development actors are complex and even problematic, it is evident that the solidarity economy is becoming an important force in Latin America and may present a viable alternative to neoliberal capitalism.

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*Betsy MacDonald, July 2010*

Note also the growth of literature on the social economy emerging in Canada and the U.K. The Canadian Social Economy Research Partnership (CSERP), for example, is a Canada-wide research initiative to profile and strengthen communities that are organizing in the social economy. This is broadly defined as follows:

Separate from the private sector and government, the Social Economy includes co-operatives, credit unions, non-profit organizations, the voluntary sector and Social Economy enterprises. Social Economy enterprises are a component of the Social Economy that are run like businesses producing goods and services for the market economy, but manage their operations and redirect their surpluses in pursuit of social and environmental goals (CSERP,p3).

Historically, Canada has had an active social economy given the spread of the cooperative and credit union movement from the 1930s onwards. Quebec's social economy has been and continues to be particularly strong. The current revival of interest is in keeping with trends in North America and Europe towards more socially and environmentally conscious responses to economic crisis, and the social innovations that attempt to address these challenges.

In the UK, the National Endowment for Science Technology and the Arts (NESTA) has been active in promoting the UK's capacity for all kinds of innovation, including social innovation. Arising from this have been a number of publications from the Young Foundation on "Social Venturing", "Social Innovation" "Cooperation in the Age of Google" as well as several publications from NESTA itself such as: "Danger and Opportunity: Crisis and the new social economy". These all provide both a historical

analysis and several illustrative examples of how new social innovations, including member based organizations, are emerging in the spaces between big government and big private sector. However, recent promotion of the idea of the Big Society in Britain has been met with some cynicism, coinciding as it does with a time of massive down-sizing of public expenditure. Nevertheless, the New Economics Foundation has produced provocative and insightful publications on what Big Society could be and shouldn't be in the context of its larger mandate to identify ways the UK can move towards a sustainable society, as described in "The Great Transition"

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*Alison Mathie*

## Self Help Affinity Group (SHG/SAG)- Bank Linkage, India

### *Introduction*

India's SHG/SAG -Bank Linkage program began in 1992 and has enjoyed the support of government, banks, and NGOs as a model for linking informal member-based savings and lending groups with the formal banking sector. For years, commercial banks claimed that the provision of services to the very poor was not viable. Yet, the National Bank for Agriculture and Rural Development (NABARD) began to recognize the capacities of SHG/SAGs to manage their own savings and credit, and created a progressive institutional environment for such groups to grow and flourish with an integrated system of financial services. As such, NABARD has acknowledged the potential for economic and political empowerment of the poorest sectors of society through this means, and has obliged banks to change their practice accordingly.

A crucial feature of the program has been national banking regulation that is innovative on 2 counts:

- (i) it allows banks to lend to SHGs **even though they are not registered (i.e. they are informal)**. This responds to SAG claims that registration would make them vulnerable to unscrupulous or overly bureaucratic tactics of petty government officials.
- (ii) Unlike other group-based MFI models that require bank approval of individual loans, it allows banks to lend to SHGs **without requiring information on how the SHG intends to on-lend to members**. For example, SHG/SAGs can make the decision to provide consumption loans as well as income generating loans, without referring this to a bank official. Instead, SHGs are assessed for their success as institutions before the bank agrees to lend.

### *What prompted its emergence?*

An integral part of its strategy to build "peoples' institutions" for the poor, MYRADA is credited with the emergence of Self-Help Groups in India, starting in 1985. By this time, many of the large cooperatives had collapsed, leaving poor people without access to credit on reasonable terms. When groups of former cooperative members asked MYRADA to revive the credit system and offered to repay the loans they had taken from the cooperative, MYRADA suggested that instead they should repay these loans to the group, thereby providing the start up for small savings and credit services. These groups tended to be made up of people who knew and trusted each other, hence the name "affinity group". (Fernandez, 2005)

From 1987, NABARD supported MYRADA's initiatives to strengthen the SHG/SAG movement through capacity training and match funding. By 1992, satisfied with the success of the SHG/SAGs, NABARD introduced policies that would allow the banks to lend directly to SHGs—

until then banks could only lend to individuals, rendering the SHG/SAGs dependent on NGOs for the credit financing they needed. The initial pilot project in 1992 linked 500 SHGs to formal banks. By 2006, 1.6 million of the 3 million SHGs were linked to banks. Those that are not linked are either not mature enough to take bank loans, or have access to credit through NGOs, or are too far away from the bank, or are functioning poorly (Fernandez, 2005). The evolution of SHG and their federations is briefly described at Box - 1.1.

**Box - 1.1 Evolution, growth, and trends of SHG movement**

Phase	
I:	NGOs promote women SHGs as an alternative to mainstream financial services to reach un-reached segments of society.
II:	NABARD takes the lead in partnering with NGOs, particularly MYRADA, to pilot the well-known SHG-bank linkage model.
III:	State Governments, particularly in the South, take a proactive role in the promotion of SHGs in a big way, by way of revolving loan funds and other support.
IV:	SHG-Bank linkage reaches the scale of over a million bank-linked SHGs.
V:	SHG federations emerge to sustain the SHG movement and to provide value-added services.
VI:	SHGs and SHG federations gained widespread recognition.

Source: Reddy et al, 2007

*Whose interest does it serve?*

The SHG-SAG movement is designed to help people manage both savings and credit. In turn these skills give people the confidence to manage their lives both in the home and in the larger society. Directly or indirectly the movement has addressed structural causes of poverty and disadvantage embedded in the caste system, in patriarchal gender relations, and in class or ethnic divisions.

The Bank linkage program has made it possible for members to access formal financial institutions and freed them from money lenders.

*What are the challenges?*

Although the SHG-Bank linkage model has proved successful it has been uneven in its spread (due to uneven NGO support, and uneven capacity and interest of banks to facilitate the

linkages) and unable to take up some of the larger structural reasons for gender and social inequality. Federated structures have been introduced to address these challenges, with NABARD introducing a policy in 2007 offering financial support to strengthen SHG federation capacity. This has positioned the SHG movement to build relationships with financial institutions, the corporate sector, and government. However, this is still in the early stages, with management and governance capacity issues of federations continuing to be a constraint at the present time.

*How does it change relations between different development actors and their respective rights and responsibilities?*

The bank linkage model was accomplished not through initiative by commercial banks but by NABARD recognizing the potential of the SAGs to move themselves out of poverty, and by shaping policy so that banks could reorient their business towards this reliable and expanding borrower market. State regulation has therefore created the environment for the mutual responsibility achieved in the SHG/SAG to minimize bank risk and costs, and clear the way for these informal entities to link with regulated financial services and access credit on reasonable terms. As they federate, they have access to an even wider array of potential partners. Reddy, et al. (2007) for example cite the interest that large corporate interests have in the relatively new federated structures, seeing opportunities for reaching large numbers with products and services. It should be remembered, however, that the success of MYRADA's work with SHGs/SHGs in the early years was due to intensive NGO investment in capacity building of SHG/SAG groups (Fernandez, 2007, Mathie, 2008) To remain "people's institutions", federated structures need as much nurturing if they are to represent their members interests in these new partnerships

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## **Lembaga Perkreditan Desa – Indonesia**

### *Introduction*

Lembaga Perkreditan Desa (LPD) is the name of a member-based financial institution that exists in virtually every community in Bali, Indonesia. Each LPD is owned by the village and is “fully integrated” into local culture (Seibel 2008: 1). While not legally recognized as banks, LPDs function as de facto banks in their respective communities (Seibel 2008: 2). Using the sanctioning power of traditional law to ensure repayment of loans, LPDs are considered a successful model for providing financial services in remote areas. Issues with governance, however, are an ongoing challenge (Misra 2008, Seibel 2008).

### *What prompted its emergence?*

While there is an assortment of financial institutions in Indonesia, their reach in rural areas and among the poor is limited (Misra 2008: 2). In 1985, Balinese Governor Ida Bagus Mantra proposed the idea of establishing LPDs in the province’s villages. The first few LPDs were given start-up capital by the provincial government, and their success led to the growth of LPDs over the next two decades. There are currently 1356 LPDs that cover over 90 per cent of Bali’s population (Seibel 2008: 3). These LPDs are regulated through a provincial decree that recognizes LPDs as “non-bank financial institutions” that are, by definition, owned by the customary village (Misra 2008: 2).

### *Who are its members?*

Each LPD is a member-based organization that is owned by the customary village, known as the *desa adat* or *desa pakraman*. Indigenous residents, or *krama ngarep*, are the technical owners of the LPD as they form the assembly (*paruman desa*) that elects the village head and council (Seibel 2008: 2). LPD users include indigenous and non-indigenous residents, the customary village and *banjar* (the basic communities that make up the customary village), and various other local organizations (Seibel 2008: 15).

In Muntigunung, a remote Balinese community with a relatively high level of poverty, the local LPD serves 1,020 people or every household in the *desa adat*. 249 of these residents are borrowers, and the majority of them are poor (Misra 2008: 5-6). Due to the collateral required for taking out loans, most borrowers are men because women in Muntigunung generally do not possess property in their name (Misra 2008: 6). Contrastingly, Seibel (2008: 19) claims that most LPD depositors in Bali, and a large number of borrowers, are women. The extent and nature of women’s participation in LPDs is question that requires closer examination.

### *Whose interests does it serve?*



Community members prefer LPDs over other financial institutions for a variety of reasons. Located in the center of villages, LPDs are close and easy to access for all residents. Members feel a strong sense of ownership and trust, and like cooperatives, LPDs invest profits into their communities through funds set aside for development and social welfare. Additionally, LPDs are known for their fast and convenient service, straightforward processes, and small transaction costs (Seibel 2008: 13).

At the community level, LPDs seem to have a positive impact on social and economic development. According to Seibel (2008: 19-20), LPDs increase the availability of financial services to the poor, thus enabling them to afford livestock, education and health services. This in turn stimulates the local economy as families are able to consume more; additionally, LPDs offer financing to small enterprises, prompting expansion and new economic ventures (Seibel 2008: 20).

Perhaps the greatest advantage of LPDs is that villagers no longer have to rely on moneylenders, who are notorious for charging high interest rates. Seibel (2008: 20) states that LPDs have “completely abolished financial exploitation” through investing profits back into their communities. While this claim warrants further investigation, it does appear that LPDs have significantly reduced the financial vulnerability of their members.

#### *What are the challenges?*

Governance is a major challenge with LPDs. According to Misra (2008: 1), while LPDs are subject to both internal and external supervision, in reality they operate as autonomous organizations and are vulnerable to “elite domination”, especially in remote areas. Although the village assembly (*paruman desa*) is the highest authority with regard to LPDs, traditional power structures make it difficult for villagers to challenge their leaders who are also responsible for LPD governance (Misra 2008). The lack of accountability of traditional leaders can lead to corruption and mismanagement, as has been witnessed in several recent cases (Seibel 2008: 6-11). Misra (2008: 13) and Seibel (2008: 17) argue that LPDs need a better system of supervision, and that good governance requires education of LPD board members around issues of transparency and accountability. However, the remote location of villages such as Muntigunung makes supervision and capacity building difficult to provide. Location is a persistent challenge for rural LPDs (Misra 2008: 11).

#### *How does it change relations between different development actors and their respective rights and responsibilities?*

The establishment of LPDs throughout Bali, and their relative success, has transformed the role of the customary village (*desa pakraman*) in Indonesia’s political and social life. As owner of the

LPD, the *desa pakraman* – a traditional institution embedded in Balinese cultural and religious life – has become the main provider of financial services in the province’s rural communities. Through the LPD development fund the *desa pakraman* can now invest in temples and religious events, and the social fund enables it to act as a provider of social welfare. As the center for village finance, and with its newfound capacity to direct resources toward community projects, the *desa pakraman* has replaced the *desa dinas* (the secular, local jurisdiction) as the main actor responsible for development at the village level (Seibel 2008: 17-18).

### *Summary*

As a model of rural outreach, the LPD system can be considered successful in its ability to provide virtually universal access to financial services in even the remotest parts of Bali. Owned by their communities and governed by traditional leaders according to customary laws, LPDs have become an important feature of Balinese society. Members benefit from LPDs through access to loans and savings in a convenient setting, a sense of ownership, reduced financial exploitation, and the reinvestment of profits into the community. Governance remains an issue, especially in remote areas that are not easily reached for supervision and capacity building. Despite these ongoing challenges, LPDs are making a significant impact on the social and economic welfare of Balinese communities, investing the *desa pakraman* with a greater capacity – and thus greater responsibility – for development.

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*Alison Mathie*

### **Youth Agriculture Service Cooperative in Vietnam's Kien Giang Province**

Background: Timeline of Cooperative Development in Vietnam

1927: Vietnamese revolutionary leader and future president of the Democratic Republic of Vietnam, Ho Chi Minh, introduces the cooperative idea to the Vietnamese audience in his book *Duong Cach Menh* [The Revolutionary Path]. In Ho Chi Minh's view, cooperatives are intended to serve their members, who choose to pool their resources and act together for their mutual gain but remain independent and autonomous: "The cooperative is the house, and the members are the owners."

1945 to 1955: Establishment of the first cooperative specializing in handicraft production in northern Vietnamese province of Thai Nguyen; gradual expansion of the cooperative form of business organization into various industry sectors.

1955 to 1960: The newly-established communist state of North Vietnam strongly promotes the cooperative movement as a vehicle for economic development. In the agricultural sector, for example, a total of 41,446 cooperatives were established by the end of 1960 (vs. 4,723 cooperatives that existed in 1958), embracing 85.8% of the country's farming households and 76.5% of its cultivated area. The numbers of consumer, credit, handicraft, and other cooperatives increased by thousands as well. This period also saw the emergence of nation-level cooperative institutions in various sectors.

1960 to 1975: Following the eruption of the American/Vietnam war, cooperative development in North Vietnam implements the principles of command-and-control economy taken primarily from the Soviet Union. As a result of the centralization and concentration policy, only one cooperative was left to operate in each commune, and it was an agricultural production enterprise. By 1975, North Vietnam had about 17,000 agricultural cooperatives, including 15,300 of so-called "high-level cooperatives" in which private property was abolished (as opposed to the earlier types, in which land and agricultural implements were lent by farmers to the cooperative but remained their private property). These "high-level cooperatives" involved nearly 96% of the country's farming households.

1975 to 1980: Following the reunification of Vietnam, the cooperative movement spreads to the south. Despite the new political circumstances, agricultural cooperatives continued to operate according to the principles adopted by wartime "high-level cooperatives," whereby

every member's labour time had to be recorded in a timesheet. In a time of peace, however, this policy (known as the work-point regime) proved a poor incentive for cooperative members, since they were well aware that the profits will be shared by anyone who merely showed up to be checked in the timesheet, even if that individual worked little or did nothing at all. (The bad fame of the work-point regime has been hard to shake: up to this very day, many residents of Vietnam's rural areas do not want to join cooperatives owing to the above reason.)

**1981:** In an effort to boost agricultural production, the Vietnam Communist Party Central Committee's Secretariat issues Directive No. 100 intended to replace the work-point regime in agricultural cooperatives with a contractual system. The Directive allocated 5% of cooperative-owned fields to individual households, granting them short-term (3-year) use rights over these plots and requiring them to meet production contracts with the state. This initiative marked the beginning of Vietnam's transition from a collectivized agricultural system to a household-oriented contract system. It provided a much-needed stimulus to Vietnam's agricultural sector: for example, the country's rice yield increased by 34% between 1980 and 1985, undoubtedly because farmers now came to focus predominantly on their allocated rice fields. However, Vietnamese farmers were still obligated to sell their outputs to and buy inputs from the state.

**1988:** The Political Bureau of the Vietnam Communist Party takes a further step towards abolishing bureaucratic centralism in agriculture by adopting Resolution No. 10, granting farming households long-term (15-year) contracts for the use of former cooperative land. In addition, farming households were allowed to buy machinery, fertilizers, and other input supplies from, and sell their outputs to, private traders as well as the state companies; they were also given the freedom to choose which crops to grow. As a result of this policy, almost all collectivized cooperatives were dissolved, while farming households became the dominant force in Vietnam's agriculture. The combination of decollectivization and market liberalization encouraged agricultural production and export. In 1989—just one year after Resolution No. 10 took effect—Vietnam, which had been a net importer of rice during the two preceding decades, exported 1.5 million tons of rice.

**1997:** The National Assembly of Vietnam enacts the country's first Cooperative Law providing a regulatory framework for the development of cooperatives under the principles of voluntarism, internal democracy, and mutual benefit.

**2003:** The National Assembly approves a revised Cooperative Law intended to bring Vietnam's cooperatives closer to market demands and international standards. Significantly, the revised

law allowed the establishment of cooperatives outside the agricultural sector, paving the way for new and increasingly diversified forms of collective action. However, many of the former collectivized cooperatives, despite being nominally transformed into member-owned institutions, continued to be run in the old bureaucratic fashion. (According to the General Statistics Office of Vietnam, approximately 40% of transformed agricultural cooperatives have not been effectively operated and now exist only on paper.)

2010: Representatives of various government agencies and cooperative unions discuss the second revision of Cooperative Law. Some of the more significant changes proposed include increasing the minimum size of a cooperative to 30 members (whereas the 2003 law set the minimum number of members required to form a cooperative at 7), introducing a group membership policy that would allow organizations as well as individuals to become cooperative members, and prescribing local government units to complete all paperwork necessary for establishing a cooperative within 5 working days.

Table: Number of cooperatives of various types in present-day Vietnam\*

COOPERATIVE TYPE	NUMBER
Agricultural production and service	8,828
Industrial and handicraft	2,571
Electrical service and water supply	1,932
Credit (a.k.a. people's credit funds)	1,037
Transportation	1,027
Construction	916
Trading and service	896
Aquaculture and seafood production	510
Environment	121
Other	266

\* Source: Vietnam Cooperative Alliance, data for 2009.

TOTAL	18,104
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### Features of Vietnam's New-Type Cooperatives at a Glance

- These institutions are established and operated in accordance with the principles of voluntary participation, mutual benefit, and democratic member control.
- Members share a commitment to the values of self-decision and self-responsibility.
- No restrictions are imposed on the type, scale, and geographic scope of activity.
- Profit distribution is based on time and capital contributed and the specific character of one's participation in the cooperative activities.
- Membership is open to individuals, households, and organizations.

### Youth Agricultural Service Cooperative in Kien Giang Province as a New Type of Cooperative

#### Origins

In 2003, Nguyen Van Chieu, a member of the Vietnam Youth Union of Binh Giang commune (Hon Dat District, Kien Giang Province), developed the idea to form an agricultural extension club. Originally the club's activities were focused on instructing its members (whose initial number was 15) how to grow rice more effectively. As the members started enjoying increased rice yields, the club embarked on a range of new initiatives, such as providing revolving loan funds to its members, repairing dilapidated bridges and building new ones, and improving local roads. As a result of attracting increasing interest from the local community, the club's membership rose to 25 and it accumulated capital of over 160 million Vietnamese dong (ca. 8,000 US dollars). Further on, the club borrowed tracts of uncultivated land from the local pagoda (Buddhist temple) to put them into agricultural production. After 5 years of the club's existence, Mr. Chieu and another young man (Nguyen Van Tien) reckoned that it should be transformed into a cooperative as a more efficient form of management, which would also enable further diversification of its activities. Putting the idea into practice, they established the Youth Agricultural Service Cooperative (YAS Co-op) to continue and extend the mission of its predecessor.

#### YAS Co-op as a Business Structure

Established in accordance with the provisions of the 2003 Cooperative Law, the YAS Co-op exemplifies the new generation of cooperatives in Vietnam.

- Governance is entrusted to the Management Board, made up of the key members of the former club possessing the experience and expertise necessary to operate a larger cooperative enterprise.
- Membership consists of 16 local households—the former club members who have voluntarily joined the new co-op.
- Services provided include:
  - ✓ Implementation of more efficient rice production techniques;
  - ✓ Fertilizer and pesticide application;
  - ✓ Agricultural machinery repair;
  - ✓ Management of a farm complex consisting of 10 hectares of high-yield rice fields, a fruit orchard, and a fish pond, located in a neighboring district.
- Customers: 16 participating households and other area farmers.

Implementing an Asset-Based Community Development (ABCD) Approach

- The cooperative has been built upon the success of an agricultural education club.
- Its founding members relied primarily on their assets, including relevant experience and expertise, natural resources at hand, social ties, and personal funds.
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#### **YAS Co-op in Relation to State, Market, and Civil Institutions**

**State:** The 2003 Cooperative Law provides the principal regulatory framework for the co-op's operations. Since its members also belong to the Vietnam Youth Union (one of the 5 "mass organizations" supported by the government), their decisions are inevitably affected by instructions coming from the district or provincial Youth Union, which may hamper the co-op's effectiveness.

**Market:** Established within the context of Vietnam's transition to a market economy, the co-op is designed to provide demand-driven services to meet the immediate needs of local farmers.

**Civil society:** When they operated as a club, the present-day co-op members engaged in building and repairing transportation infrastructure on a voluntary basis as well as calling for contributions from the local community. In their present capacity, they show an unflinching

commitment to the values of social responsibility and caring for others through sponsorship of community sports and music events.

#### Prospects and Challenges Ahead

Cooperatives of a new type, operated democratically for the benefit of their member-owners, are indispensable to Vietnam's future development if its government continues to pursue the country's transition from a centrally planned economy to a market-driven one. However, in order for the cooperative movement to become the main driving force of Vietnam's economic development, the collective enterprises dating back to the command economy era will have to be re-established as well, according to the same core principles that the genuinely new cooperatives are founded on.

In addition to this challenging task, recent discussions related to the forthcoming revision of the Cooperative Law have highlighted important questions regarding the identity and purpose of future cooperative institutions: Is it appropriate for a cooperative to serve its members only or does it necessarily have to provide benefits to the local community at large? And if a cooperative consists of a mere dozen members, who hire a hundred workers on a contract basis to serve their interests (and the community), shouldn't it more properly be identified as a business corporation?

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*Nguyen Duc Vinh*

## Water User Associations (WUAs) – Egypt

### *Introduction*

In Egypt, a country with scarce water resources that are increasingly under pressure due to industrialization, the development of efficient irrigation systems is a primary concern for farmers, governments and the private sector. Water User Associations (WUAs) have been established as a response to this situation, employing a participatory model of irrigation systems management not only to promote greater efficiency and water savings, but also to increase farmers' incomes and ensure equitable distribution of water resources.

### *What prompted its emergence?*

In the mid-1980s, the Egyptian Ministry of Water Resources and Irrigation (MWRI) partnered with international donors to create the Irrigation Improvement Project (IIP), a strategy for improving the efficiency of water use on farms through the improvement of physical infrastructure, and also for increasing the participation of farmers in managing water resources (Ghoneim 2010, Metawie 2008). The MWRI created WUAs as part of this strategy, and in 1994 a law was passed (Law 213) that established WUAs as “legal private organizations at the *mesqa* [tertiary canal] level in the improved irrigation systems, owned and operated by their members for their own benefit in the old lands [the Nile Valley and Delta areas]” (IDRC 2006). The bylaws of this law outline the responsibilities of WUA, which include ensuring the equitable distribution of water among farms, mediating conflict among users, and channelling feedback from users to the MWRI.

In addition to WUAs, two other organizations were created through the IIP: Water User Unions (WUU) which are similar to WUAs but operate in the new lands (the areas east and west of the Delta), and Water Boards (WBs) which are associations that exist at the secondary canal level and are responsible for irrigation management, partial financing of investments, water distribution and conflict resolution (Ghoneim 2010).

### *Who are its members?*

WUAs are member-based organizations comprised of farmers who use the country's irrigation systems. At the present time there are approximately 2500 WUAs in Egypt (Ghoneim 2010). The majority of WUA members are men (Ghoneim 2010, IDRC 2006), despite the high number of women working in Egypt's agricultural sector and participating directly in irrigation (Radwan 2007).

### *Whose interests does it serve?*

The most obvious beneficiaries of WUAs are their members. Research has suggested that farmers participating in WUAs have experienced improved conflict resolution, increased crop yields and income, reduced water costs and fairer water distribution (Ghoneim 2010, IDRC 2006). It is debatable, however, to what extent these benefits are linked to the participatory model of WUAs: one study reported the physical improvements made to irrigation infrastructure through the IIP had a more significant impact on farmers' well-being than their involvement in WUAs (IDRC 2006).

The new decentralized approach to irrigation systems management entails a transfer of responsibility – both financial and administrative – from government to water users (Ghoneim 2010). Through delegating the country's irrigation systems to Water Boards and Associations, the government minimizes its role in water management and simultaneously makes room for the involvement of private contracting companies, an arrangement that is potentially cost-effective for the former and profitable for the latter.

*What are the challenges?*

The challenges encountered in WUAs range from financial to organizational and representational. According to Ghoneim (2010), while Egyptian law delineates the roles and responsibilities of WUAs, there is no provision for ensuring their financial viability. As a result, many WUAs suffer from inadequate funding and budgetary issues. In addition, there is an ongoing need for capacity building of WUA members in order to ensure the effective functioning and sustainability of their organizations (Metawie 2008). The demographic makeup of WUAs is another concern: recent studies have shown that WUAs tend not to represent the diversity of their respective communities, including gender diversity (Ghoneim 2010, IDRC 2006).

*How does it change relations between different development actors and their respective rights and responsibilities?*

In a context of economic liberalization and privatization in Egypt, WUAs are part of a shift toward less direct government involvement in agriculture. As farmers take on more responsibility for administering and financing their irrigation systems, a new scenario emerges in which civil society and private actors have a more significant role to play in the economic and social development of farming communities. The state continues to exert influence, however, in establishing the legal parameters, providing financial and technical assistance, and (with the help of international donors) investing in infrastructure for Egypt's irrigation systems. The new situation has varied implications for farmers: while the participatory model of WUAs may enable them to exercise agency in new ways, the lack of adequate funds may hinder the ability of WUAs to effectively represent the interests of farmers and their communities.

### Summary

A government-led strategy for irrigation improvement in Egypt led to the creation of WUAs which became legally recognized in the 1990s. The organizations, made up of farmers who use the country's irrigation systems, are responsible for managing water distribution, providing conflict mediation and acting as intermediaries between farmers and the MWRI. The establishment of WUAs has been linked to some tangible benefits such as increases in farmers' income and more equitable water distribution, though the extent to which these can be attributed to the institutional model of WUAs is unclear. The new arrangement seems advantageous for the Egyptian government as well as private actors as it fits with current policy objectives that encourage privatization and economic liberalization. While farmers' interests may also be served through WUAs, the organizations are faced with a series of challenges related to financing, capacity building and community representation.

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Betsy MacDonald

## **The Cooperativization of Cagayan de Oro Water District (COWD), Philippines**

### *Introduction*

In various parts of the global North and South, utility cooperatives are the preferred model for providing basic services to communities. Their unique ownership structure enables consumers to collectively and democratically manage the distribution of electric, telecommunications and water supply and sanitation (WSS) services. While they are subject to the same economic forces as investor-owned companies, their main objective is the provision of good, low-cost services to member/owners rather than the generation of profits. In many local contexts utility cooperatives have proven to be more efficient and transparent than private or public utility companies and are increasingly viewed as an alternative to these conventional models (DFID 2005, Mercado 2008, Ruiz-Mier and van Ginneken 2006).

In the Philippines, citizens have mobilized to transform a publicly owned water company – the Cagayan de Oro Water District (COWD) – into a consumer cooperative. Anselmo B. Mercado (2008) argues that the new model provides numerous economic and social benefits to its members and the broader community, contributing to a sense of increased “social cohesion”.

### *What prompted its emergence?*

In 1973 the Filipino government mandated the creation of COWD, the country’s first water district. A city ordinance that was approved by the mayor and city council made COWD the property of Cagayan de Oro City. Initially a “quasi-government corporation”, COWD became a Government-Owned-Controlled-Corporation (GOCCorp) in 1991 through a Supreme Court ruling that applied to all water districts (Mercado 2008: 3).

In 2007 COWD announced that it was in a financial crisis. This news prompted a public discussion of the future of COWD, with various public, private and civil society actors endorsing the idea of cooperativization. A citizens’ campaign to cooperativize COWD was launched with the support of regional cooperative federations. The campaign formed a study committee that identified inefficiencies and transparency issues with COWD and examined the feasibility of cooperativization (Mercado 2008: 7-9).

In April 2010, water consumers in Cagayan de Oro City assembled and passed a motion to form the Water Consumers Cooperative (WATERCCOOP). The assembly decided on the main tenets of the organization (including name, objectives and purpose, capitalization, area of operation, field of membership and governance) and elected an interim Board of Directors, Audit Committee and Election Committee. The interim leaders are currently in the process of registering WATERCCOOP with the Cooperative Development Authority (CDA) and lobbying

local, regional and national governments to authorize the cooperativization of COWD (Mercado 2010c).

*Who are its members?*

The members of WATERCCOOP are its owners or consumer-members. Within the cooperative model, consumer-members democratically control the organization through the election of officers who are accountable to the membership. In the case of WATERCCOOP, all consumers of water in the area of operation (Cagayan de Oro City) are owners. The membership includes not only individual citizens but also businesses and institutions that consume water. All consumer-members are subject to the one member, one vote principle (Mercado 2008).

*Whose interests does it serve?*

Consumer cooperatives serve the interests of their consumer-members. Any profits they generate are either re-invested in the company, allocated to funds to ensure the organization's sustainability and security, or dispersed to consumer-members in the form of dividends, patronage refunds or lower prices. In addition to these economic benefits, consumer cooperatives contribute to the social "empowerment" of member-owners through the mechanisms of democratic decision-making and accountability (Mercado 2008: 5). Moreover, in the case of WATERCCOOP the shift to a cooperative model benefits the broader community through the transfer of power from government to citizens, adherence to the cooperative principle of "concern for community", and the sense of solidarity that grows from working collectively (Mercado 2008: 5, Ruiz-Mier and van Ginneken 2006: 3-4).

*What are the challenges?*

The process of cooperativizing COWD has been slowed by a number of legal and political stumbling blocks. Filipino law currently requires that all water districts be "government owned and controlled", a law that must be amended in order for WATERCCOOP to be legally recognized and permitted to operate (Mercado 2010a). The cooperativization of COWD also must be approved by the city council of Cagayan de Oro. While the former city mayor, several councilors and some congressmen have openly endorsed cooperativization, these key legal changes have not yet transpired. On the political front, there has been resistance from the 'old guard' including members of the COWD Board of Directors and the Local Water Utilities Administration (LWUA), the national agency responsible for financing water districts (Mercado 2008).

If and when the legal institutionalization of WATERCCOOP is successful, there will be practical challenges in making the transition to a cooperative business model. Education and training of

member-owners and cooperative leaders will be necessary, and as Mercado (2008: 5) explains, collectively running a utility cooperative will be a learning experience for the citizens and communities involved. The scope of the operation will also be a challenge, given that COWD currently has 70,000 water meter connections in over 80 Barangays in Cagayan de Oro City. To ensure effective management and democratic participation, WATERCCOOP will be organized into geographic chapters (Mercado 2010b). Even with such mechanisms in place, WATERCCOOP will not be immune to inefficiency and corruption. The organization's success in circumventing these issues will depend on its adherence to cooperative principles, ongoing education of members and officers, election of quality leaders, and a good management system (Mercado 2010b).

*How does it change relations between different development actors and their respective rights and responsibilities?*

Transforming COWD from a government-owned corporation into a consumer cooperative will involve "devolution of power" from government to citizens through the change in ownership structure (Mercado 2008: 5). The new model will give citizens more control over, and therefore more responsibility for, their water resources. Conversely, national and local governments will play a less active role in water resource management. According to Mercado (2008: 5-7), both government and private businesses in the Philippines are in favour of privatizing government-owned corporations. While cooperativization is sometimes viewed as an alternative to privatization, it is similar to privatization in that "the future owners are predefined" (Ruiz-Mier and van Ginneken 2006: 23). Furthermore, the transfer of ownership from the state to consumer-members constitutes a form of denationalization, which implies a reduction of the welfare state. Thus, while cooperativism (as a model of development) is linked to the social and economic empowerment of citizens, cooperativization (as a process) may paradoxically be contributing to structural changes that undermine citizens' well-being.

If cooperativization is indeed a form of privatization, an important question is whether natural resources such as water can be treated as 'rights' when they are managed cooperatively. When ownership of the Cagayan de Oro Water District is formally transferred from the Filipino government to WATERCCOOP, will it be possible to distribute water universally and equitably or will it become a commodity? Either scenario seems possible given that the structure of cooperatives is both egalitarian and exclusive; however, this is a question that requires further examination.

### *Summary*

In Cagayan de Oro City, citizens are working to transform their local water district (COWD) from a government-owned corporation into a member-owned consumer cooperative. Prompted by

inefficiencies and transparency issues with the existing model, the campaign to cooperativize COWD has received positive responses from civil society organizations, private businesses and members of government. The new organization, WATERCCOOP, will be owned by its members (consumers of water in Cagayan de Oro City) and is designed to provide social and economic benefits to members and the broader community. Resistance to cooperativization has been a challenge for organizers, and various legal hurdles must be overcome to enable the formal transfer of ownership from government to citizens. If successful, the cooperativization of COWD will entail the partial denationalization of water services in the Philippines, a change that has complex implications for communities and the natural resources upon which they rely.

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**Betsy MacDonald**



## **Mutual Benefit Associations – The Philippines**

### *Introduction*

Prudent borrowing and regular savings habits are tools that the poor have used to pull themselves out of poverty, but without some form of social protection, hard won gains can be wiped out in an instant. In the Philippines a co-operative or mutual approach to insurance has succeeded in covering 1.24 million households, sped up processing times, reduced fraud, and increased the capital of the working poor.

### *What prompted its emergence?*

The mutual benefit association (MBA) was developed in response to the following:

1. Recognition that the poor need risk protection but were underserved
2. High risks associated with non-insurers operating in-house insurance programs
3. Lack of public/commercial products and/or dissatisfaction with existing public/commercial products

### *Who are its members?*

Members are microfinance clients (the 'working poor') and are primarily women. Members are the policy holders and owners of the MBA and each policy included coverage for 1 spouse and up to 3 dependent children.

### *Whose interests does it serve?*

The MBAs serve the interests of the members but they also benefit the financial institutions (FIs - credit unions, rural banks and MFIs) who have supported their development. Many of these institutions were operating in-house insurance programs (not actuarially based) or were retailing commercial insurance (long processing times). By helping their members to set up an MBA – with extensive support from a technical provider called RIMANSI – the FIs reduced their own risk exposure and provide a value added service to their clients, that sets them apart in frequently crowded microfinance sector.

The policy holder-members and their families have reasonably priced insurance coverage that reduces the need to draw down savings, liquidate assets or borrow in times of emergency. This is primarily life insurance but increasingly includes a hospitalization and disability benefit. Premiums are collected on a regular basis by MFI staff at the same time as microfinance loans/savings, which keeps the transaction costs down on both sides. Half of the premium is retained as member capital and is refundable should they leave the MBA.

*What are the challenges?*

The challenges include:

1. Other forms of insurance such as health, crop and property are in high demand but are more complex and subject to increased fraud risk
2. Maintaining renewal rates when people go for long periods without availing of their insurance policy
3. Covariant risk (e.g. typhoon) that affects large numbers of policy holders simultaneously
4. Governance – board members clearly understanding their roles and being able to carry them out
- 5.

*How does it change relations between different development actors and their respective rights and responsibilities?*

It has introduced what could be considered a ‘third approach’ to pro-poor risk protection in favour of the poor where collectively they are providing insurance to one another. At the same time it has altered the relationship between microfinance providers and their clients although it is too early to determine the impact of this change; the organizations are young and reliant on external technical inputs.

In terms of the public sector, the Department of Social Welfare and Development of the Philippines recently signed an agreement to include MBA as partners in its Conditional Cash Transfer (CCT) program to extend insurance to the poor.

*Summary*

In 1999, the Center for Agriculture and Rural Development transformed its in-house insurance program into a legal, member owned entity. A technical service provider, called RIMANSI, was formed by 8 FI's in 2005 to replicate the CARD model. Since then RIMANSI has facilitated the formation of 9 new MBAs in the Philippines, three in Cambodia, two in Vietnam, and one in Indonesia. This has insured an additional 358,557 low income households, covering 1.4-1.8 million people.

MBAs provide life, credit life and health coverage and are owned and governed by the policy holders. Through RIMANSI, MBAs have access to specialised technical services, training, and advocacy.

*Derek Cameron*

## Vimo Sewa – India

### *Introduction*

Vimo SEWA is an integrated insurance scheme that offers social and financial protection to poor self-employed women in Gujarat, India. It is a mutual self-help organization in which members pay a small premium to protect themselves and each other against various losses (sickness, death, accidents, loss of assets) throughout the life cycle. The organization is owned, managed and used by women working in the informal economy (Vimo SEWA 2006).

### *What prompted its emergence?*

In the late 1970s some members of SEWA began discussing the fact that they did not have access to social protection. They brought this issue to the organization's attention, and in the early 1980s SEWA approached one of India's state insurance companies, the Life Insurance Corporation (LIC), about providing life insurance to its members. The company was reluctant to extend its services to poor self-employed women because it was sceptical about their ability to pay the premiums, there would be administrative difficulties with premium collection, and SEWA members were seen as "high risk" because of their socioeconomic status (ILO 2001: 27-28).

In 1989 SEWA obtained a simple life insurance plan for its members through an agreement made the previous year between the Indian government, the LIC and the United Indian Insurance Company (UIIC). Under this agreement, the government would subsidize organizations seeking to provide insurance at reduced premiums to poor communities (ILO 2001: 28). In 1992 SEWA adopted an integrated insurance scheme (IIS) that included life, health and assets insurance.<sup>6</sup> The scheme was administrated by the newly created Vimo SEWA, which did not provide the insurance directly but rather served as an intermediary between its members and the LIC and UIIC (ILO 2001: 30).

Ranson et al. (2008: 204) identify three main reasons for SEWA's success in adopting the integrated scheme in 1992:

First, the UIIC officer [a young woman who sympathized with SEWA] understood the need for such insurance and was determined to see such a programme materialize. Second, the membership of SEWA Union had increased to 40,000 by 1992, which made it a potentially large business proposition for the insurance company. And third, SEWA Bank had grown to be a strong, financially viable institution of 30,000 depositors.

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<sup>6</sup> For detailed descriptions of the IIS and its changes since 1992, see International Labour Office 2001 and Ranson et al. 2008.

Thus, a combination of personal will, bargaining power and reputation enabled SEWA to secure an integrated insurance program for its members.

*Who are its members?*

All participants in the IIS are members of SEWA in Gujarat State. While men cannot enrol, husbands of members automatically become life insurance beneficiaries (ILO 2001: 34). Moreover, if a woman is already a member she can take out insurance for her husband and children (Vimo SEWA 2006). Participation in Vimo SEWA is voluntary and women between the ages of 18 and 55 are eligible to join. In 2004 the organization had over 100,000 members (Ranson et al. 2008: 216).

Vimo SEWA espouses a participatory philosophy and employs a democratic governance structure. Decisions are made through a body of elected representatives, and members also voice their concerns through interaction with the grassroots workers who administer the IIS (Ranson et al. 2008: 216-217).

*Whose interests does it serve?*

Vimo SEWA serves the interests of self-employed women and their families by improving access to health services and by helping prevent financial and health crises. It also serves their interests collectively by functioning as a space in which women can share knowledge about health issues, practice community leadership and help shape the services they receive (Ranson et al. 2008: 216-217).

Several other actors benefit from the work of Vimo SEWA. From the perspective of the insurance companies, the IIS is both a lucrative business deal and an opportunity to fulfil corporate social responsibility by offering insurance to the poor (Ranson et al. 2008: 223). SEWA Bank also has an interest in Vimo SEWA, as it has been documented that failure to repay microfinance loans is often due to health crises (Ranson et al. 2008: 204). Finally, because Vimo SEWA encourages its members to use public rather than private health services, the organization can be seen as benefiting the public health care system (Ranson et al. 2008: 223).

*What are the challenges?*

Vimo SEWA has encountered legal and economic barriers to its realization as a member-owned, member-controlled organization over the course of its development. In the early 1980s the state had a legal monopoly on insurance, meaning that Vimo SEWA was limited to the role of intermediary between its members and the existing government-run insurance companies (ILO 2001: 27). Over the years Vimo SEWA has assumed more control over the insurance scheme

but has continued to work in partnerships with public (and more recently private) insurance companies (Ranson et al. 2008: 208).

In 1999, new legislation in India allowed private insurance companies to enter the market (Sinha 2002). Within the new legal framework Vimo SEWA is now able to register as a microinsurance cooperative; however, the capital requirement for microinsurance companies and other companies is the same, making registration unaffordable for the relatively small-scale Vimo SEWA. The organization is currently lobbying for a further change in the law to reduce the capital requirement for microinsurance companies (Vimo SEWA 2006).

In addition to these legal and economic challenges, Vimo SEWA has encountered a number of practical challenges that represent systemic problems in insuring the poor. For many women, the cost of health care is prohibitive despite the fact that they are insured; the IIS covers some but not all costs associated with hospital visits. Until recently, women faced another financial barrier in that it sometimes took several weeks or even months to process their claims, meaning they had to borrow money or sell assets in order to pay their hospital fees upfront. This issue has been partly remedied through a new policy in which Vimo SEWA pays a portion of the cost while the member is still hospitalized; however, the remaining costs are still sometimes enough to deter women from seeking health care (Ranson et al. 2008: 218).

Geographic barriers also affect women's ability to access health services and take advantage of the IIS. Women living in rural areas frequently have to travel long distances to seek medical attention or to visit the nearest Vimo SEWA office to submit their claim forms. These trips can be costly and difficult to arrange due to women's work and household responsibilities. The result is that rural members are less likely to use their insurance than urban members, an issue the organization is still trying to resolve (Ranson et al. 2008: 215, 222).

*How does it change relations between different development actors and their respective rights and responsibilities?*

The Vimo SEWA model has implications for the dynamic between citizens and government. Although the IIS has clearly had a positive impact on poor communities, Ranson et al. (2008: 222) argue that structural issues such as transportation, quality of health care etc. affect the degree to which microinsurance can deliver its purported benefits. Government, therefore, has a responsibility to provide the necessary infrastructure to ensure access to health services by all citizens.

Vimo SEWA serves as a unique model of a "private-public partnership" (PPP) (Ranson et al. 2008: 223) in which a non-governmental organization works with public insurance companies to tailor an insurance scheme for the poor. Ranson et al. (2008: 223) suggest that such a model

is an effective way of channeling government subsidies to poor communities, as it allows for equitable (i.e. evenly distributed among members) spending on education, rural outreach and administration.

Vimo SEWA no longer deals exclusively with public partners. Since privatization of insurance in India, the organization now has greater “bargaining power” to negotiate insurance schemes with various competing companies (Ranson et al. 2008: 216, Vimo SEWA 2006). Moreover, the Insurance Regulatory and Development Authority (IRDA) is promoting partnerships between NGOs and private actors through a policy that requires private insurance companies to conduct a certain percentage of their business in “rural and social sectors” (Chatterjee 2005).

If the legislation affecting capital requirements for microinsurance companies changes and Vimo SEWA registers as a cooperative, the organization will be subject to the same ‘market discipline’ as these other companies. While the new policy framework appears favorable to Vimo SEWA in a business sense, it should also be considered that the increasingly neoliberal climate in India may work against the interests of the poor and undermine Vimo SEWA’s efforts.

### *Summary*

Prior to the emergence of Vimo SEWA the poor in India were generally viewed as uninsurable; the organization has challenged this assumption by creating an insurance scheme that is now used by thousands of self-employed women as a means of social and financial protection. The organization has gone through several phases of development, overcoming legal and economic barriers while growing in membership and scope of services. Legislative changes reflecting a trend toward privatization have created a new set of opportunities and challenges for Vimo SEWA as it continues to forge a microinsurance model that best serves the needs of its members.

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*Betsy MacDonald*

## **Communal Land Management/Common Property Resource Management**

### *Introduction*

Since the Brundtland report in the 1980s, the twin ideas of “the tragedy of the commons” and “reclaiming the commons” have been associated with concerns about the inherently extractive and unsustainable path of global capitalism and the imperative of preserving natural resources for future generations. As such, “reclaiming the commons” harks back to pre-capitalist and customary land tenure arrangements where natural resource systems were considered “public” or common pool resources, not private goods and subtractable as commodities for sale without consideration of wider community long term interests (Gibson, Mckean, Ostrom, 2000). More recently, the award of the Nobel Peace prize to Elinor Ostrom has given renewed credence to the prospects for innovative forms of common pool resource management based on her detailed research on how people have adapted ways of managing forests, irrigation, fisheries and other Common Property Resource (CPR) regimes around the world. Community-managed arrangements are built on the assumption that there are local aspirations to manage resources sustainably. In most cases, government regulation is in place to protect the larger public interest in natural resource preservation should CPR management fail.

Another push for community-managed resource use has come from the inability of governments to pay the price of adequate resource protection. In many jurisdictions, limited government ability to purchase land for protection puts the onus of responsibility on other stakeholders; community land trusts, for example, are emerging as a way in which private individuals join forces to preserve land for specific localised purposes, or contribute to the stock of land preserved by the State for the public in perpetuity. These co-management or community-based management institutions are member-based in their character, but vary in their degree of autonomy.

Concurrent with these responses to environmental threat is the resistance expressed by the indigenous people’s movements who are pre-capitalist in their cultural and economic relationship to the land and want to protect a collective identity intricately bound up in those relationships. The following presents an overview of communal land management arrangements among indigenous people of **the Cordillera region in the Philippines** as an example.

*What prompted its emergence?*



The protection of indigenous rights has been gaining momentum in International Law over the last 25 years. The UN Declaration of Rights of Indigenous Peoples in 2007, while not legally binding, was a landmark achievement. By recognising indigenous people's "unrestricted self-determination; an inalienable collective right to the ownership, use, and control of lands" it challenged the pre-eminence of state and/or individual land ownership (Perera, 2009).

The Philippines had already demonstrated the possibility of such legal accommodation. Previously, the Philippines system of landownership declared that the state owned all natural resources. This rendered indigenous people's occupancy of land that had not been privatised essentially illegal or precarious at best. In 1997, following a persistent campaign for land rights for indigenous people in the Philippines, a law was passed that recognised their rights to ancestral domains and lands (Crizologa-Mindoza and Prill-Brett, 2009)

*Who are its members?*

Upholding indigenous land rights and the character of collective ownership means recognising clan ("corporate descent groups") and community (ili) membership as the defining principles for access to and use of land. In the case of the Cordillera region of Northern Luzon, different land use systems may be governed by different sets of rules and customs, often because different population densities demand it for environmental sustainability reasons. For example, in one village a household may have access to common land owned by the community as well as access to common land owned by the husband's or the wife's clan. Individual user rights through the clan is also possible, and the final configuration depends on overall land availability and its quality, as well as the degree to which cash crops are cultivated. (Crizologa-Mindoza and Prill-Brett, 2009)

*Whose interests does it serve?*

Based on the assumption that indigenous people are ecologically sound land use managers, the new legislation offers autonomy to indigenous communities to make use of forest resources without gaining permission from the government. When these lands were designated public lands, they were considered "open access," open to use by competing user interests, and therefore not managed sustainably. The arrangement is therefore assumed to benefit both clan/community membership and the wider public that benefits from sound forest conservation.

*What are the challenges?*

One of the first challenges has been the demarcation of land as ancestral domain, which is the first of Ostrom's 8 principles for successful common property resource regimes (Ostrom, 1999).

A further challenge is the pressure to privatise the land. There has been a tilt towards individual ownership as new livelihood opportunities emerge (e.g. new crops encouraged by the Dept of Agriculture) which require significant investment. Loopholes in the law have made it possible for a clan member to claim individual tenure by improving a section of communal land (fencing, planting orchards) for the purpose of paying taxes. Once a tax declaration is obtained this essentially excludes others from his descent group from any future use. The threat may come as much from breakdown of indigenous systems as from the pressure from external actors, though both are intertwined (Crizologa-Mindoza and Prill-Brett, 2009).

*How does it change relations between different development actors and their respective rights and responsibilities?*

The adoption of indigenous rights to communal land management, along with the power vested in those with ancestral domain to decide whether to accept or refuse development initiatives promoted by outside private or public interests, has increased the power and status of indigenous people once severely marginalised in the Philippine context. In areas such as the Cordillera region where indigenous peoples are in the majority, opportunities for election to public office further enlarges the space for indigenous people to retain and draw benefit from a new legal regime and new economic opportunity (Crizologa-Mindoza and Prill-Brett, 2009). However, as private interests begin to insert themselves and attract indigenous people away from collective management practices, new institutional forms may need to be put in place that protect indigenous collective decision-making and the environment, whose sustainability relies on assumptions of indigenous collective identity and responsibility. As McKean (p35) explains, these communal land management practices are not “quaint relics” but – in adapting to current realities—essential guardians of the future of common pool resources.

Without common understanding and resources sufficient to monitor and sanction rule breakers, rules restricting activities that generate high private benefits are moot, whether made and enforced by the national government or by the local community (Gibson, McKean and Ostrom p22)

Moving from the local and indigenous to the global and international, the same can equally be said for regimes put in place to protect the common property of the planet from climate change induced by human activity – an application of Elinor Ostrom’s work that is now receiving renewed attention.

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*Alison Mathie*

### **Forest User Groups**

Forest User Groups (FUGs) in Nepal are relatively new member-based community institutions that have been formed to enable forest users to manage forest areas sustainably.

#### *What prompted their emergence?*

Until Nepal's forests were nationalized in 1957, traditional forest management practices had been effective in preserving Nepal's rich forest. Thereafter, according to Shresta (2008) insecurity of tenure had the effect of undermining traditional conservation practices., and failure on the part of government to protect and manage the forests led to relentless deforestation:

Poor people started cutting down the forest by the thousands, thinking that the forest was the government's property, not theirs. Nationalization resulted in deforestation through exploitation by the same people who previously had maintained the forest. (op.cit.: p2)

Despite efforts to involve communities, deforestation continued at a devastating pace until 1987 when the forest user group concept was introduced, and enshrined in the Forest Act of 1993.

#### *Who are its members?*

Under the regulations of this Act, a forest user interested in developing, conserving or using forest products for collective benefit may form a user group. Once they have produced an operational plan which has been approved within established boundaries, there is a formal handover of usufruct rights. Subsequently FUGs can register themselves as independent bodies, and can engage in market oriented activities, beyond satisfying subsistence needs. The active support of local and international NGOs, especially in the early years of FUG formation, have ensured the recognition of the importance of women's membership as users and processors of forest products (Spring-gate Bakinski et.al., 2003)

#### *Whose interests does it serve?*

Under the Forest Act, FUGs have a legal status as autonomous and corporate institutions with perpetual succession (Federation of Community Forest Users, Nepal. <http://www.fecofun.org/>). Nevertheless, their usufruct rights are subject to government supervision, support, and approval. In theory, therefore, a balance exists between private and group collective interests, and the "public good," which in this case is the conservation of a rich forest resource and protection of water supply.

## **La Vía Campesina**

### *Introduction*

La Vía Campesina is a transnational movement of peasants, family farmers, indigenous and rural peoples united by a common interest in challenging neoliberal agricultural policies and developing sustainable, democratic food systems (Desmarais 2007). Comprised of member-based organizations from the global North and South, La Vía Campesina emerged as a transnational actor in the early 1990s and became a leader in the anti-globalization movement, introducing the discourse of “food sovereignty” to the political, social and economic landscape (Martinez-Torres and Rosset 2010: 151). With its unique structure and decision-making process, La Vía Campesina is a case that illustrates how citizen-led development can be successfully organized at a transnational scale.

### *What prompted its emergence?*

In the 1970s and 1980s, neoliberal policies in the Global South and elsewhere saw the retreat of the state from the social sphere, creating a vacuum that was filled by a multitude of civil society organizations articulating the interests and identities of marginalized groups. These included a wave of new peasant organizations that rejected traditional clientelist practices and instead sought autonomy from state, religious, non-governmental and political organizations (Martinez-Torres and Rosset 2010: 152). As import substitution industrialization (ISI), structural adjustment and free trade policies contributed to the increasing impoverishment of farmers, peasant organizations became more politicized in their opposition to globalization and the corporate and financial interests driving it (Desmarais 2007: 75, Martinez-Torres and Rosset 2010: 153).

In Latin America, peasant organizing gained momentum in the 1980s and gave birth in the early 1990s to the Coordinadora Latinoamericana de Organizaciones del Campo (Latin American Coordination of Rural Organizations – CLOC) (Martinez-Torres and Rosset 2010: 154). This transnational organization, which brought together peasants, landless people, workers, indigenous people and women to resist neoliberal globalization and develop alternatives, established an organizational model that La Vía Campesina would later adopt (Martinez-Torres and Rosset 2010: 156). The idea of a transnational, trans-continental peasant movement was proposed at the Second Congress of the Unión Nacional de Agricultores y Ganaderos (National Union of Farmers and Cattle Ranchers – UNAG) in Managua, Nicaragua in 1992, and the Vía Campesina was formally established in 1993 at the movement’s First International Conference in Mons, Belgium (Desmarais 2007: 75-76).

### *Who are its members?*

La Vía Campesina is currently made up of “148 member organizations in 69 countries” (Martinez-Torres and Rosset 2010: 165). Its members include organizations of “peasants, small- and medium-sized producers, landless, rural women, indigenous peoples, rural youth and agricultural workers” (McKeon and Kalafatic 2009: 3). To ensure that La Vía Campesina stays autonomous, organizations must be grassroots and peasant-based in order to officially join the movement (Martinez-Torres and Rosset 2010: 158). Some examples of member organizations include the União Nacional de Camponeses (National Peasants’ Union) in Mozambique, the USA-based Border Farm Workers Project, the Movimento dos Trabalhadores sem Terra (Landless Workers’ Movement) in Brazil, the Korea Women Peasant Association, the Nepal National Fish Farmers Association, the Coordinadora Nacional Indígena y Campesina (National Indigenous and Peasant Coordinating Committee) in Guatemala, and the Confederation Paysanne (Peasant Confederation) in France (Via Campesina 2008).

Decisions in La Vía Campesina are made through “consultation and consensus” (Martinez-Torres and Rosset 2010: 165). Each participating organization is accountable to its members and has its own internal democratic process through which members identify their concerns. Organizations then bring these concerns to La Vía Campesina where they are discussed and “common positions” are reached (Martinez-Torres and Rosset 2010: 165). Members gather for an International Conference every 3 or 4 years, there is an International Coordinating Committee of regional representatives that meets biannually, and the Jakarta -based International Operative Secretariat provides ongoing coordination for the movement. Concrete goals are realized through a number of International Working Commissions that address issues such as agrarian reform, biodiversity, climate change, human rights, gender parity and education (Martinez-Torres and Rosset 2010: 164-165).

Women’s participation and influence in La Vía Campesina have increased significantly since the movement’s early days. At the Second International Conference in 1996 in Tlaxcala, Mexico, women mobilized to make gender equality a priority in La Vía Campesina, which at the time was dominated by men at the decision-making level (Desmarais 2003: 142). Discussions in Tlaxcala led to the creation of a women’s “special committee” to address women’s participation and gender issues, which later became the Vía Campesina Women’s Commission. The work of peasant women has resulted in structural changes to ensure gender parity in the International Coordinating Committee, and women have helped shape the movement’s discourse on food sovereignty (Desmarais 2003).

*Whose interests does it serve?*

The interests of peasants, family farmers and rural communities are represented in La Vía Campesina’s work. The paradigm of *food sovereignty*, which the movement advocates as an

alternative to the current globalized food system, centers on the right of nations and peoples to develop their own agricultural policies and produce their own food (Desmarais 2007: 34). In contrast with the neoliberal view in which food is primarily treated as a commodity to be traded, food sovereignty holds that agricultural policies must be based on human and ecological concerns rather than profit. La Vía Campesina is therefore fiercely opposed to entities such as the World Trade Organization (WTO) that represent neoliberal interests, and works to challenge 'free trade' policies such as dumping (the flooding of domestic markets with cheap international commodities) that produce low prices and undermine farmers' livelihoods (Martinez-Torres and Rosset 2010: 159-160). Such policies negatively affect farmers in both the Global South and North, forming "the objective basis for global collective action by La Vía Campesina" (Martinez-Torres and Rosset 2010: 162, citing Rosset 2006).

The priorities and actions of La Vía Campesina are driven by its members. Although it would be naive to suggest that the movement and its members are completely independent of outside interests (indeed, traces of clientelism still exist within some peasant organizations), the membership criteria and organizational structure of La Vía Campesina enable it to maintain relative autonomy and promote radical alternatives to the status quo (Martinez-Torres and Rosset 2010: 153, 160).

#### *What are the challenges?*

While peasants and family farmers around the globe may share a set of interests when confronting neoliberal policies, La Vía Campesina's members are also marked by significant geographic, cultural and linguistic differences. The movement attempts to simultaneously honour diversity and promote unity through multilingual translation at conferences, the incorporation of cultural performances and ceremonies (*mística*), and the articulation of a common farmer or peasant identity (Martinez-Torres and Rosset 2010: 166). The decision to hold international conferences in diverse locations (Belgium in 1993, Mexico in 1996, India in 2000, Brazil in 2004 and Mozambique in 2008) indicates a concern for geographic representation and inclusion (Vía Campesina 2009).

As a movement that has gained considerable momentum in under two decades, La Vía Campesina now faces the challenge of developing itself internally while continuing to act as a voice for peasants on the global stage. In recent years the movement has increased its focus on "training for member organizations, on strengthening operational mechanisms, and on building regional secretariats to insure sustained regional and local engagement" (Martinez-Torres and Rosset 2010: 164). With La Vía Campesina's expanding membership and growing political impact, such developments are necessary to ensure the movement's sustainability and effectiveness.

The daily struggles of peasants are both the source of, and a challenge to, the Vía Campesina movement. As the “corporate food regime” intensifies globally, rural life is increasingly jeopardized (Martinez-Torres and Rosset 2010: 162). The gravest aspect of this reality is the disturbingly high number of farmer suicides reported in the past several years, a phenomenon linked to falling crop prices and the inability of farmers to repay loans, resulting in bankruptcy. While these deaths – and the structural violence experienced by rural communities in the form of poverty – threaten to weaken the movement, they also serve as reminder of the urgent need for organized action (Desmarais 2007: 66, Martinez-Torres and Rosset 2010: 163).

*How does it change relations between different development actors and their respective rights and responsibilities?*

La Vía Campesina proposes a radical alternative to the mainstream, economic growth-oriented model of development. The food sovereignty paradigm entails a fundamental shift in relationships among governments, businesses, NGOs and citizens towards a new scenario in which communities producing the world’s food have the right and the capacity to determine their own development priorities (Desmarais 2007: 67-68).

In a sense, this decentralization of power and responsibility is consistent with the role of the neoliberal state, whose limited capacity for social and economic intervention necessitates the involvement of civil society and private actors in addressing human welfare. While La Vía Campesina is a product of globalization, however, its members are opposed to privatization and wary of the motives of NGOs that claim to represent the interests of the poor (Desmarais 2007: 90). Furthermore, the creation of an enabling policy environment for food sovereignty requires the involvement of governments in creating laws that favour peasants and rural communities. Yet since its birth, La Vía Campesina has vehemently resisted co-optation by governments and political organizations (Martinez-Torres and Rosset 2010: 171).

The approach of La Vía Campesina, then, can be considered an innovative form of citizen-led development. In maintaining a high degree of autonomy, it has resisted becoming a ‘partner’ in pre-determined development scenarios and has instead become a development actor in its own right. As a transnational movement consisting exclusively of member-based organizations, it serves as an effective mechanism for channelling the concerns of peasants into a common discourse that is capable of influencing policy at various levels. In a context of shrinking state power and increasing corporate control over food systems, it seeks neither to conform to nor reverse the processes of globalization, but rather to cultivate an “alternative way of experiencing modernity” (Martinez-Torres and Rosset 2010: 160, citing Patel 2006, McMichael 2006 and Desmarais 2002).

*Summary*



The seeds of La Vía Campesina were sown during a period of economic, political and social transformation that involved the privatization of economies, the weakening of nation-state sovereignty in the realm of economic and social policy, and the proliferation of civil society organizations. Formed in the early 1990s, the movement now boasts a broad membership that spans the global North and South. Through its multi-level process of deliberation, peasants translate their concerns and goals into a collective voice that asserts the right of rural peoples to “produce our own food in our own territory” (Desmarais 2007: 34). In the face of numerous challenges, including life-and-death ones, La Vía Campesina has succeeded in mobilizing millions of peasants in a movement that demonstrates the potential for citizen-led development to occur at a transnational scale. Moreover, it has inspired the world to rethink modernity and development and to imagine a radically different world order.

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<sup>i</sup> Ethiopian Birr