

# **Innovative types of formal Member Based Organizations (MBOs): Interpreting the trends**

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**Paper presented at the Association for Non Profit and Social Economy Research meetings,**

**Fredericton, NB,**

**June 1-3, 2011**

## **Abstract**

At a time when there is renewed interest in cooperative and collective activity in a “social economy”, this paper explores innovative types of formal MBOs, where they fit in the landscape of state, market, and civil society institutions, and the significance of such trends. With a preliminary set of 25 innovative types and/or relationships, and after consultation with representatives from India, Philippines, Kenya, Ethiopia, Egypt, Vietnam and Kenya who have a strong association with MBOs in their respective countries, we examine some of the reasons for these innovations and identify filters for examining the significance of such innovation in further survey and case study research.

## **Innovative types of MBOs: Interpreting the trends**

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**Draft: June 5, 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. At a time when the roles of state, market, and civil society institutions are shifting in many countries and creating both crisis and opportunity, several authors have observed space for cooperative and collective action being claimed and created by innovative types of social and economic organizations (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 act collectively to recapture some control over their livelihoods. This paper takes a closer look at this trend from several vantage points to assess the significance of these innovations. One vantage point is an institutional one: Do these innovative types signify true cooperative or collective activity with its emphasis on economic democracy and mutual accountability, or do these innovations represent a drift in alignment and accountability towards either the market or the state? A second vantage point relates to the source or driver of innovation: Do these innovations represent an affirmation and extension of community-initiated collective action or has the impetus come from elsewhere? A third vantage point is a more practical one: Is there a new pattern emerging in which MBOs have the space and opportunity to make a contribution that is more effective than action by either government or private sector institutions? If so, what lessons can be drawn from exemplars of this trend? Taken together, we are interested in learning whether these innovations constitute a genuine expansion of a more “social economy.”

Our discussion begins with a background to the Coady International Institute's interest in innovative types of MBOs, followed by an overview of global trends in the roles of institutions in the different sectors – state, market, and civil society – and the implications this has had for formal MBOs. Taking this historical context into consideration, we then describe the examples of innovative types of MBOs selected for this phase, and make preliminary observations about the character of these innovations, the reasons for their emergence, and their significance. Taking these observations a step further we draw on existing literature to organize these innovations into 3 different “social economy” frameworks, showing that the organizing criteria used in these are important to consider in a broader global survey. Finally, we provide a rationale for carrying out in-depth case studies of examples of these innovations that are operating successfully and as intended so that practical lessons can be learned by development practitioners and policy makers.

## II Background to the study

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 organize themselves to meet new opportunities, and position themselves as credible and independent 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: these community-initiated associations have provided savings, 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 often produce the leadership and momentum for new community-driven activity.

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, 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. In Murray's terms quoted above, 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, community foundations extending social philanthropy beyond traditional mechanisms for social protection, 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 people struggling to find economic opportunity, there has been a demand for institutions that allow them access to the resources and information they need to participate in the mainstream economy. 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 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 Boyd’s (2005) broad definition of formal MBOs as examples of “organizations that best serve the poor.” According to this definition, MBOs are expressions of collective action and democratic organization, and 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.

As Chen et al. (2007) point out in their book *Member-Based Organizations of the Poor*, the civil society sector includes 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 blurred, with many organizations having overlapping characteristics.

Our preliminary selection includes some innovative types that therefore stretch the boundaries of Boyd's definition and might in other literatures be described as social enterprises, NGOs, traditional clan-based organizations, or social movements. We also include innovative linkages and integrative relationships between MBOs and other sectors. 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.

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

For this exploratory phase, we conducted secondary research on 25 innovations. A summary of each of these is provided in Appendix 2. While we focused on innovative types of MBOs, we also explored the innovation occurring under overarching policy-legal environments, such as Brazil's solidarity economy and the opportunities for collective action through common property resource regimes. We included 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 a broad range of policy environments.

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	Transnational MBO of informal traders trying to benefit

(Zambia/transnational)	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, Bhandari’s observation that the “prime [institutional] movers of change” are 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: the transfer of state enterprise to the private sector; and a shift in responsibility for social services to the non-profit service sector or to the unpaid voluntary sector, including the private sphere of the household or extended family. In the case of the latter, there may be a reversion to traditional informal arrangements for mutual self-help.

As these shifts take place, 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 gain 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. In MBOs, 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 gauge whether the best "DNA" of each organizational type has been retained in the hybridized response to new opportunity or need.

## **VI Observations drawn from innovations selected for the exploratory phase**

Against this broad institutional backdrop, we offer some observations about the alignment of the innovative MBO types selected for this study and relationships with prevailing government policy, and point to some of the sources or triggers for innovation. Highlighting the tendency towards hybridized forms, we illustrate the promise and the dangers of an increasingly porous boundary around the term "MBO" with examples of hybrids that may or may not advance a more social economy.

- **Innovative types of MBOs sometimes occupy space deliberately created for them by new policy, and sometimes occupy space created by them within an ambivalent or restrictive policy environment.**

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, Ethiopia 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.

In India, for example, economic 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, inheriting high levels of social inequality, have struggled to provide the benefits and services 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 and community mobilizing 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 (like South Africa) in the 1990s had one of the highest rates of inequality in the world. In a conscious strategy based on 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.

Vietnam and Ethiopia offer policy environments that are transitioning from centralized planning under socialist government regimes. Vietnam is opening up to market forces under *Doi Moi*, but the pace is gradual to prevent the social inequalities and political tensions associated with a rapid unraveling of state control. 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.

Ethiopia is at a similar turning point, although for different reasons. In this self-styled “Developmental State”, economic growth through foreign investment has gone hand in hand with tight state control and a restrictive environment for civil society. The state continues to organize communities into various cooperatives for agricultural production, land reclamation, irrigation, and infrastructure maintenance in a deliberate strategy to create the agricultural transformation in productivity to support industrialization. Despite restricted space for civil society, innovative forms are emerging that are community-driven rather than state driven. Community Based Institutions, for example, established as an exit strategy for a local NGO, combine elements of an NGO with an MBO. Embracing customary institutions such as burial societies in their membership, they have demonstrated community capacity to mobilize resources among its members at the District level, finance their operations through income generating activities, leverage external resources, and be proactive in inviting government and private sector collaboration to pursue goals such as infrastructure development, tree nursery development, and promotion of health education.

Several examples of innovative types of MBOs have emerged as a result of the vulnerability of state institutions in a neoliberal economic policy environment. Cut backs in public expenditure have in many places prompted 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 contrast to the space created by the retreat of state responsibilities for services, there is also space being wrested away from the state. Often it is government inefficiency that has been the trigger for redirecting cooperative endeavour 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 to take over services. 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.

In sum, while some of the innovations explored here have required new legislation, others have created space within existing policy and legal environments for innovation.

- **In a highly competitive market place, innovative types of MBOs and innovative combinations of collective action and private enterprise have emerged to benefit small producers**

The imperative for small-scale producers and traders to respond to new opportunity in more liberalized economies has resulted in 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 which acts as a rural distribution network for SEWA products, connecting farmers directly with end customers. SEWA itself is registered as a charitable organization and so cannot purchase shares, but SEWA members and Board members can as private individuals. If it eventually becomes a publicly traded company it will have to put the checks and balances in place to ensure that members' interests are not outweighed by those of other shareholders (Business Standard, Sept 2008) but in the meantime this relationship combines and maximizes collective interest with private investment.

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 strategy is riskier than the latter; hence the more decisive shift towards direct linkage from base-tier organizations to private sector firms.

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.

- **Common property resource management MBOs are being promoted in the face of failure by the state and the market to protect the environment and indigenous rights.**

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 these innovative formalized tenure arrangements represent the resistance to pressures to individualize land tenure. In other cases they represent 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 Cordillera region in the Philippines. In still other cases, building on the principle of the adaptability of collective action to preserve “the commons” (Ostrom, 1990) 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 the last fifteen years, and now have a viable and influential federation participating in national policy debate. As concerns about global climate change gain momentum, these local examples of common property resource management have lessons for international and global levels where new institutions will be needed to co-manage global and international environmental resources.

- **Innovation is occurring at the boundaries between sectors (state, market, civil society) but also between informal and formal.**

These boundary-spanners offer interesting examples of hybridization and synergistic linkages between actors in different sectors. To mention a few: The producer company in India is a

hybrid of a cooperative and a private company, and also provides linkages between informal and formal sectors of the economy. The community investment company in the UK is a social enterprise, a hybrid between a charity and a private company, where the company is required by law to show social benefit. The Community-Based Institution in Ethiopia is a hybrid between an MBO and a “publicly oriented NGO”, while the member-owned micro finance institution Lembaga per Kreditan (LPD) in Indonesia is a hybrid between a traditional “member-based” village with a micro-finance institution, with governance achieved through clan and ethnic group governance systems and arms length regulation by local government authorities.

The example of LPD opens up another important type of hybridization: The formalizing of informal associations. The examples of organizations governing indigenous common property and resource management are a case in point. Burial societies in Ethiopia offer another example of the possibilities for formalization, as well as the challenges associated with it. They are community initiated member-based organizations that have existed for hundreds of years, adapting to the cash economy and the availability of formal banking services for savings entrusted to elders. In some cases, however, they now want to use their resources as leverage to secure additional resources, and this requires formalization. The challenge is then how to impose regulations in the “public interest”, as defined by the state, that might run counter to traditional practices in the “private interest” of current membership. The introduction of Community Based Institutions in Ethiopia was in part an effort to introduce a new type of MBO rather than formalize local burial societies that were resistant to democratic decision-making, particularly with regard to women. Nevertheless the CBI includes burial societies in its membership (along with individuals, diaspora members, some government officials and government institutions) because they are so integral to community life and so effective at mobilizing their own membership. The example of the SHG-Bank Linkage model in India provides a different solution—the SHG retains its integrity and independence as an informal entity free from government interference but with performance monitoring in place to ensure a mutually beneficial relationship with the commercial banking sector/

Community Foundations may well be poised to offer similar advantages of hybridization. In principle if not in legal or formal terms, the Community Foundations with which we are familiar deliberately base their practice on the norms of mutual support and reciprocity found in the community, but extend it beyond the confines of family groupings or traditional alliances. Some Foundations expect a financial contribution as a token of commitment by community members but also acknowledge the real value of in-kind contributions. This “horizontal philanthropy” (Wilkinson-Maposa, 2009) can then be leveraged to attract investment from external supporters. The Foundation therefore becomes a blend of an MBO and an NGO, the NGO extending the principles of mutuality within the MBO to the idea of shared responsibility

for the larger community. Governance is through boards drawn from (though not elected by) community members with transparency and accountability central to their success. Examples of what Community Development Foundations (such as the Kenya Community Development Foundation, Kenya, The Greater Rustenberg Foundation in South Africa, and the Soufriere Foundation in St. Lucia) have been able to achieve through community-based associations or in their own right as community-based foundations runs the gamut of infrastructure development, social services, and private enterprise.

The examples of hybridization or of tight partnerships between different sectors suggest that the boundary of “MBO” as a category is increasingly porous, with “MBO-like” organizations emerging that command attention. The very fact of innovation in this area suggests a frustration with old boundaries and a willingness to find creative ways of moving out of restricted space. However, those innovative types of MBOs that are set up to provide opportunity for the relatively poor and disadvantaged need to have mechanisms in place to ensure that implementation of innovation matches intent. Producer companies, for example, are likely to only benefit middle income farmers unless there are subsidies to pay for the professional management that producer companies with small farmer membership cannot afford. This and other 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.

Sometimes the solution may be to work along the boundary but not cross it. In the case of SEWA, a union with charitable status, the preferred option was to form a private liability company that could link its producers to local consumers but which did not interfere with SEWA’s current legal status. Similarly, in the case of the SHG-Bank Linkage model, linkage between informal and formal institutions means that both entities retain their integrity. What has emerged is a deliberate strategy to keep informally organized SHGs free from bureaucratic interference while establishing linkage between them and the commercial banking sector. SHGs can access financial services through this linkage model as informal groups (monitored for performance) and manage loans themselves.

- **The trends in MBOs are varied and complex and difficult to interpret**

Considering the dynamic and sometimes opposing political and economic forces that are in play, questions remain as to whether innovative types of MBOs are at the vanguard of a new

social-economic system driven by cooperative principles, or if they represent a transitional phase, giving their membership a better chance of benefitting from, and participating in, an increasingly privatized market economy, and increasingly privatized service delivery mechanisms. To answer these questions, a closer examination of the characteristics of these innovations at local, national, and global levels is required.

## **VII Mapping the terrain: Institutional alignment, source of innovation, and character of new MBOs<sup>1</sup>**

To explore these questions further, we referred to frameworks for defining or characterizing MBOs that could serve as a starting point for studying innovative types and innovative linkages. A two pronged approach for further study is being considered: 1) a global survey to gather information on the basic features of innovation for the purpose of comparative analysis (these profiles could be developed further into a compendium of innovative types for use by development practitioners); 2) in depth case studies of “exemplars”, going into detail about how such innovations were implemented successfully in practice.

For the global survey, we decided to draw upon categorization systems that would allow us to map innovative types of MBOs in a social economy framework. In this way we could a) assess the location of these innovative types of MBOs and the “drift” of MBOs and MBO-like innovative types as they align themselves with other sectors in the institutional landscape; b) assess the source or trigger of innovation; and c) assess the degree to which these innovative types are congruent with, or a departure from, the MBO “ideal type”. For each of these we drew upon the work of Quarter et al . Murray et al. and Bouchard et al. , respectively. Each system used criteria that could be incorporated into a survey template (Appendix 1).

Within a social economy framework, MBOs are considered core institutions. Quarter et al. (2001), consider the following criteria 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 market institutions.

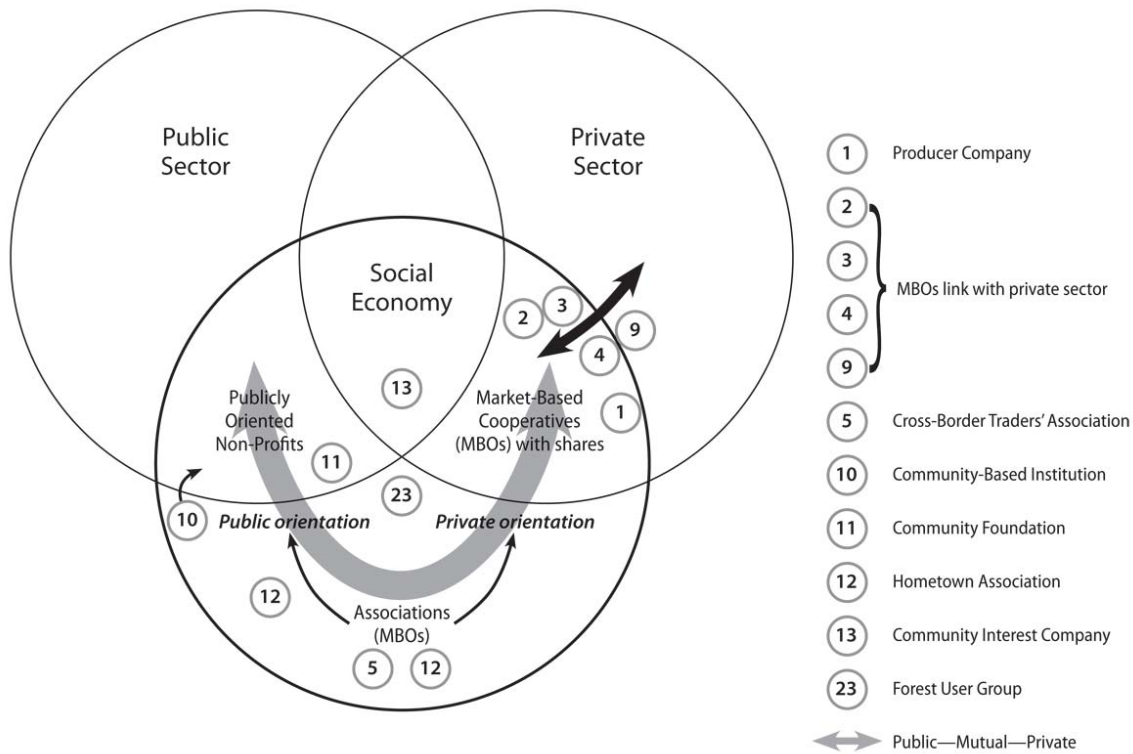
As Figure 1 shows, this preliminary study has identified several organizations that are situated at these areas of close alignment. Community Foundations (11 in the diagram), for example, have a legal identity as non-profits but have many of the core values of a mutual association.

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<sup>1</sup> Note that the positioning of our case examples in each of Figure 1, 2, 3 is approximate and serves mainly to demonstrate the value of these frameworks as heuristic and analytical devices. In a subsequent phase of study, criteria for positioning the cases will need to be more systematically and rigorously applied.



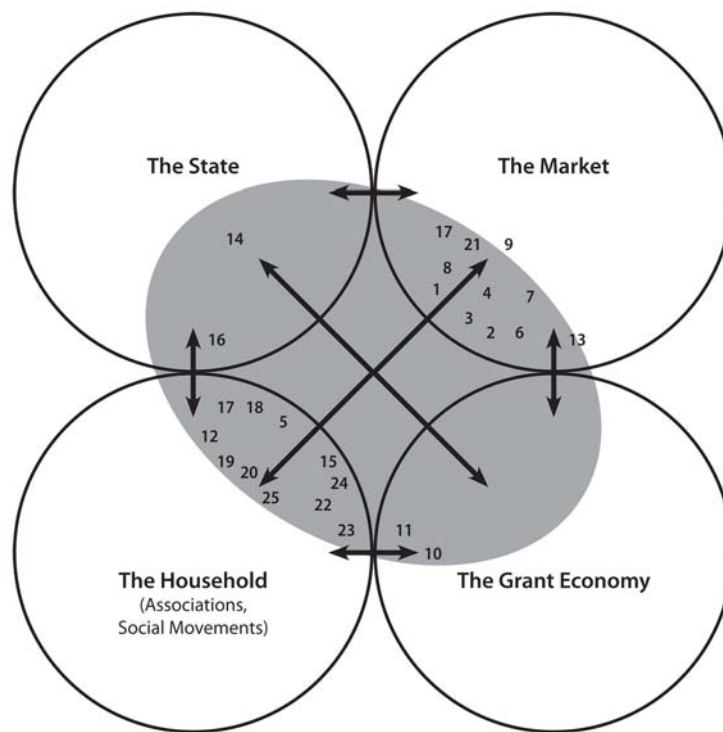
Community Based Institutions in Ethiopia (10 in the diagram) started as mutual associations (MBOs) with a public orientation but were required by regulatory authorities to redefine themselves as NGO “societies”. Producer companies (1) are hovering between a cooperative with shares and a private company, 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 (2010) 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. As illustrated in Figure 2, 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

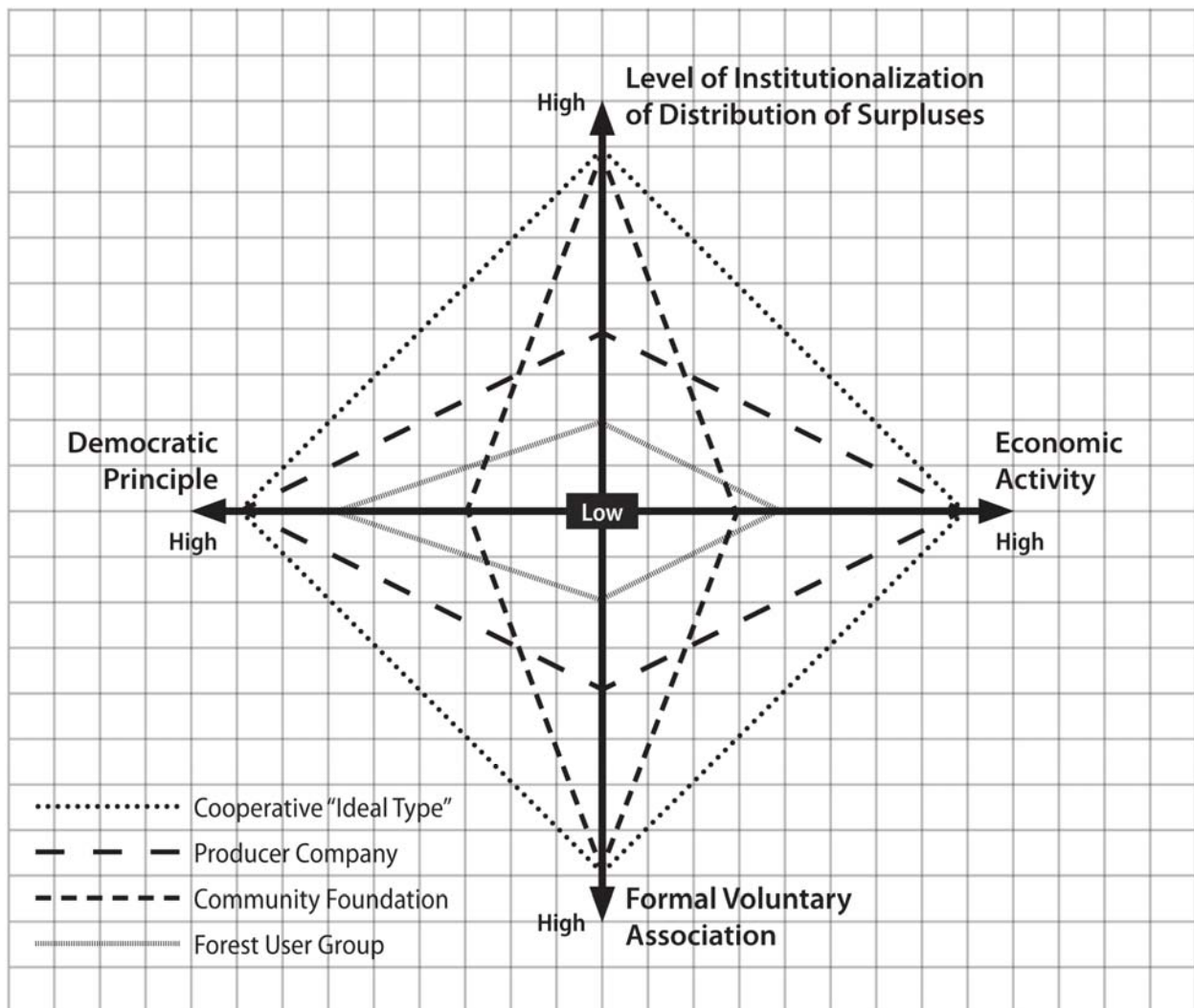
resources, its own structures of control and allocation, and its own rules and customs for the distribution of its outputs,... the parts of these economies which we term the social economy are united by their focus on social goals, by the importance given to ethics, and by their multiple threads of reciprocity” (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 show that the placement of our 24 examples of innovative types of MBOs occurs principally in “household” and “market” economies. This may be an artifact of our selection. However, as Murray et al. point out, this is also because the private sector is motivated to innovate and has the mechanisms to do so while the household economy (including associations and customary practices of mutuality and social reciprocation) often has innovative ideas but lacks capital to implement them. Meanwhile, 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). We can also infer 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, drawn according to the degree to which qualification criteria have been institutionalized (Bouchard et al. , 2006).

## **VIII Integrating indicators from different typologies: A summary**

These categorization systems 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.

## **IX How to make it work: Case studies of implementation of exemplars of innovative MBO types.**

From a practitioner point of view, a detailed understanding of the process of introducing and establishing an innovative type of MBO is of critical importance. 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.

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 farmer 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. A case study documenting such integration would be an important contribution.

Secondly, illustrative case studies should test the boundaries of the definition of an MBO and include examples of innovative organizational types that are MBO-like, but not necessarily “true” MBOs. In this way the mutualism and sense of public responsibility of Community Foundations can be explored. These and Community Based Institutions in Ethiopia are of

interest not only in how that sense of ownership and control are instilled, but also in the nature of the relationship they have with outside sources of assistance, whether the corporate sector or the government sector.

Thirdly, 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 cooperativization 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 fourth 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 (Oxfam, 2010). 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. 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 is measured for MBOs with an economic focus. 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 should success be measured in terms of intergenerational membership over the long term, marking a deeper shift towards cooperativism? To explore this further, it would be instructive to map the trajectory of new types of MBOs against those that were historically "innovative types" and have succeeded across generations.

## **X Conclusion**

In this paper, 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 inequality and the different development pathways for achieving this. From a practitioner and policy maker standpoint, 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 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 practitioners who are shaping innovative institutions and programs in their own countries with insights from the experience of others. Our discussions so far suggest that to the extent that space is opening up for cooperativism, mutual responsibility, and community-driven development, there is a matching appetite for inspiration and guidance about how to fill it.

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## Appendix 1:

### Survey to capture data on MBOs for comparative analysis

Based on the discussion in the main body of this paper, a 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 on the next page.



**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
<p>Narrative:</p> <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> <li>▪ Challenges of introducing and sustaining the innovation</li> <li>▪ Role of the facilitating organization</li> <li>▪ 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?</li> <li>▪ Assessment of how closely aligned this innovation is to an ideal type MBO</li> <li>▪ Assessment of its value</li> </ul>		

## Appendix 2

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# Case summaries

3/31/2011

## 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, unpub). 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.

MBAs provide life, credit life and health coverage and are owned and governed by the policy holders. Through RIMANSI, MBAs 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.