

GOOD PRACTICES IN BUILDING INNOVATIVE RURAL INSTITUTIONS TO INCREASE FOOD SECURITY



Photos from left to right: Papaya Fiji Coop; Organic certification system – India; Credit warrantage – Inventory credit system Niger

Continued population growth, urbanization and rising incomes are likely to continue to put pressure on food demand. International prices for most agricultural commodities are set to remain at 2010 levels or higher, at least for the next decade (OECD-FAO, 2010). Small-scale producers in many developing countries were not able to reap the benefits of high food prices during the 2007-2008 food price crises. Yet, this upward food price trend could have been an opportunity for them to increase their incomes and food security. The opportunity that high food prices could have provided as a pathway out of poverty for small producers was not realized.

Evidence from the ground shows that when strong rural organizations such as producer groups and cooperatives provide a full range of services to small producers, they are able to play a greater role in meeting a growing food demand on local, national and international markets. Indeed, a myriad of such institutional innovations from around the world are documented in this FAO case-study-based publication. Nevertheless, to be able to provide a broad array of services to their members, organizations have to develop a dense network of relationships among small producers, between small-producer organizations and with markets actors and policy-makers.

OVERCOMING BARRIERS WITH PRODUCER ORGANIZATIONS

The lack of supply response is largely due to a number of small-producer constraints. Dispersed and fragmented in small economic units, small producers face high transaction costs in imperfect markets. In recent years, a broad variety of institutional innovations have emerged, in response to small-scale producers' constraints. Innovative small-producer organizations and institutional arrangements provide an array of services, ranging from enhancing access to and management of natural resources, accessing input and output markets, improving access to information and knowledge and facilitating small producers' participation in policy-making.

Enhancing access to and management of natural resources

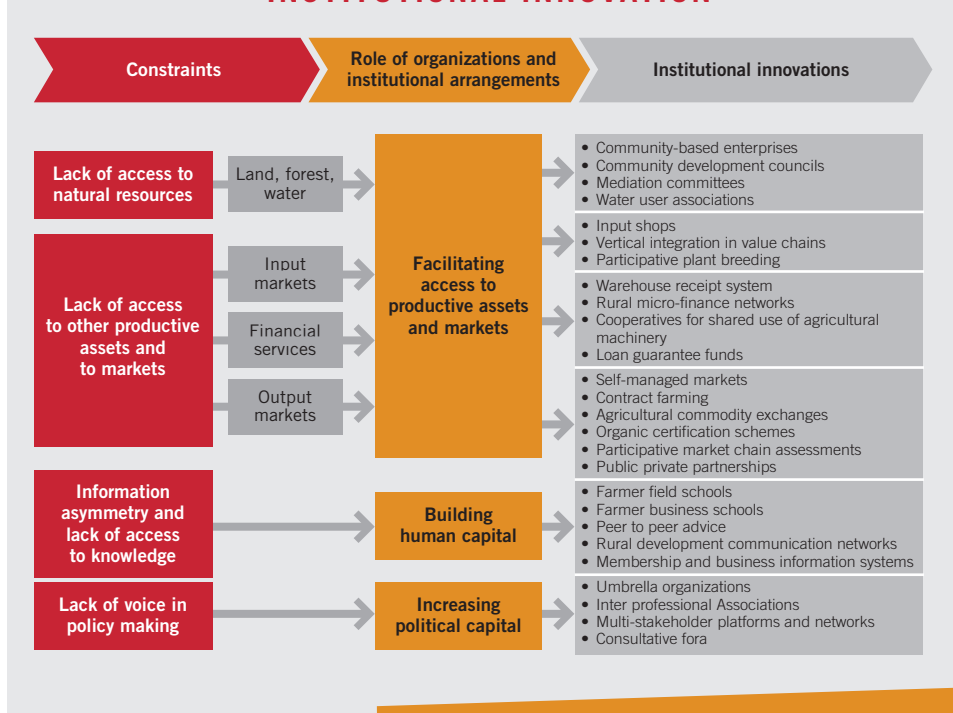
The initiatives presented in this publication describe an array of organizations and institutional arrangements that regulate access to and help manage natural resources for small farmers. These include mediation committees for conflict resolution over land or securing land-use rights; women's groups for reclaiming land; and forest-community based enterprises for generating income activities. These arrangements are effective because they provide incentives for small producers to manage natural resources in a sustainable way while creating benefits for the rural communities. Hence, institutions are crucial in regulating how the natural resource base is accessed and managed in order to achieve sustainable food security.

Accessing input and output markets

The publication outlines how a vast array of producer-organization initiatives have enabled small producers to increase their access to markets and productive assets, while reducing transaction costs. By acting collectively through their organizations small producers are able to access seeds and fertilizers. For instance, input shops in Niger have enabled small producers to develop effective local input markets by grouping input demand and supplying them in quantities and types that are adapted specifically to their needs and limited financial capacities.

Access to financial services is also critical for developing input markets. Many microfinance systems managed by small producers have burgeoned since the 1990s. The microfinance system is useful in ensuring subsequent marketing activities. Nevertheless, it does not always meet the needs for credit to cover farm-operating

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expenses or equipment. To close this gap, small producers and service providers together develop other innovative arrangements such as warehouse-receipt systems in which stored produce is used as a collateral guarantee to obtain short-term credit.

Collective investments to acquire agricultural equipment represent another innovative institutional arrangement managed by small farmers themselves. Collective marketing through groups, associations or cooperatives enables small producers to reduce their transaction costs and risks and improve their bargaining power. When linked with other private and public actors, these arrangements range from contract farming and fair-trade schemes to multistakeholder coordination along the value chain through interprofessional associations and multistakeholder platforms. Farmers, traders, processors and supermarket buyers use contract farming to respond to modern procurement systems. Kenya's African leafy vegetable farmers used groups of small producers to respond to modern market system requirements. Through contractual arrangements, they ensure compliance with food quantity, quality and time delivery requirements set by supermarkets. Hence, contractual arrangements between small-producer organizations and commercial stakeholders represent an effective means to overcome market imperfections.

Improving access to information and knowledge

Producer organizations combined with connections links to non-governmental organizations (NGOs) and public and private actors, help small-scale producers build their skills to access and use appropriate information and knowledge to innovate and adapt to changing markets.

Some of them enable farmers to build their capacity to analyse their production systems, identify their problems, test possible solutions and eventually adopt the practices and technologies most suitable to their farming systems.

Enabling small producers to engage in policy making

Another powerful contribution of producer organizations is their ability to help small producers voice their concerns and interests in policy-making processes. Multistakeholder platforms and consultative forums are good examples of mechanisms for small-scale producers to discuss the design, formulation and implementation of public policies. In the Gambia, for instance, the National Fisheries Post Harvest

Operator Platform, is a mechanism for dialogue where governments can learn about small producers' needs while producers can express their concerns and preferences. Mechanisms for transparent dialogue support the emergence of new cooperative behaviour between government and small producers based on trust and shared values – both critical conditions for successful policy development.

In sum, producer organizations and the institutional arrangements they develop, can help small producers to overcome critical obstacles to development. They enable small producers not only to “play the game” of managing natural resources or accessing input and output markets, information and knowledge effectively, but also to influence the “rules of the game” by becoming an integral part of policy-making processes.

BUILDING EFFECTIVE PRODUCER ORGANIZATIONS

This good practice publication suggests that effective and sustainable producer organizations and institutional arrangements with market actors and policy-makers are the result of three interdependent types of relationships that small producers develop:

- **Bonding or intragroup relationships** among small producers within organizations.
- **Bridging or intergroup relations** between small-producer organizations to create apex organizations.
- **Linking or extra-group relations** between small-producer organizations and market actors and policy makers.

Bonding relations

Close bonds of solidarity among small farmers, fishers and forest users within grassroots and self-help groups, local associations and cooperatives are the basis for the development of strong rural organizations. Through bonding relations, small producers gain self-confidence and knowledge to analyse their own problems, make informed decisions, and act collectively. Farmer field and business schools, for example, help small farmers improve their understanding of “how things work” through trial and error experimentation. Bonding relations enable small producers to identify solutions collectively and build strategies to cope with change. Nevertheless, beyond this, small producers need to develop a sense of ownership of their organizations. The good practices documented suggest that a shared mission with mutual benefits, common values and members’ commitments are critical success factors for the sustainability of bonding relations in the form of small-producer organizations.

Bridging relations

Given the wide dispersal of production in fragmented, small-scale and distant units, small producers often encounter difficulties in entering markets and influencing policy-making processes. Bridging relations (intergroup relations) connect similar small-producer groups together to form larger organizations in the form of producer unions, federations and networks. Through bridging relations, small producers from different organizations are able to pool their assets and competencies to overcome market barriers, control larger market shares, and access better-quality information. Greater negotiation power, in turn, translates into more favourable transaction conditions and greater influence over other actors. In essence, bridging relations prepare small producers to engage, under fairer and more balanced conditions, with more powerful market actors and policy-makers. In Benin, small-scale cattle herders first organized into grassroots groups of 20 to 100 herders. Secondly, small-scale cattle herders developed bridging relations in local unions encompassing grassroots groups to supply inputs and provide technical advice. The Union of Borgou-Alibori district (UDOPER), for example, includes about 500 male and 30 female herder groups comprising some 25 000 cattle herders. Finally, in 2007, small-scale cattle herders formed a national apex organization (or federation) called the ANOPER (Association Nationale des Organisations Professionnelles des Eleveurs de Ruminants). As the national apex organization, ANOPER later helped strengthen the organizational, technical and financial capacity of constituent groups, such as UDOPER, while ensuring financial intermediation and representation.

Bottom-up and top-down relations that provide a two-way information flow, are critical for effective bridging


relations. They contribute to building transparency and accountability in decision-making as well as a shared understanding among member organizations. The Argentinean Viticulture and Winemaking Cooperatives Federation (FECOVITA), for example, improved its corporate governance by guaranteeing that members’ views could influence the management of the federation.

Linking relations

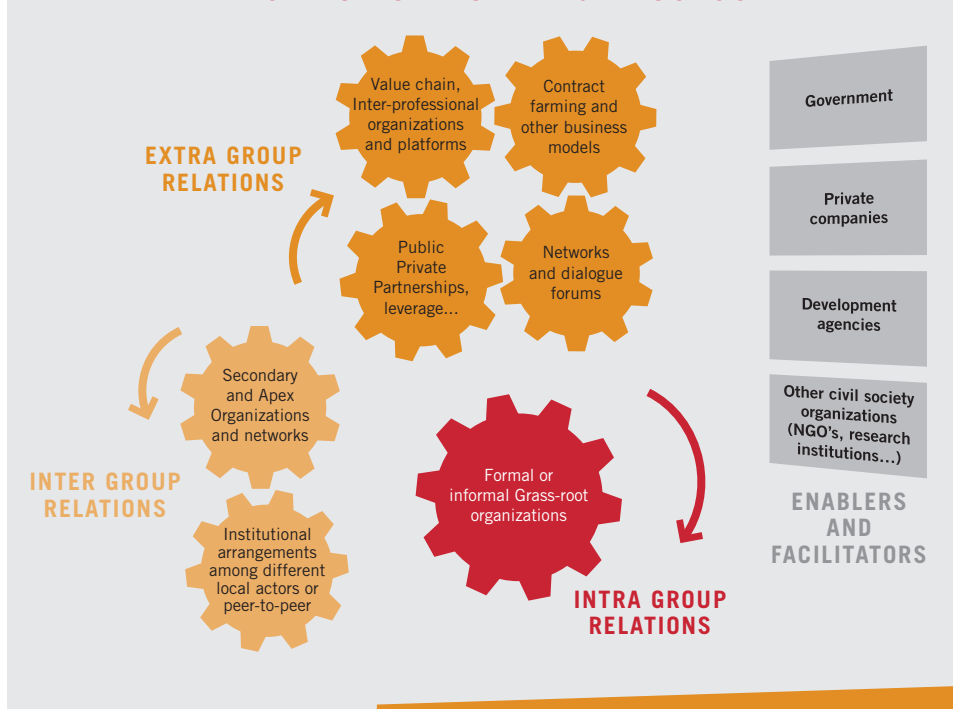
To be fully effective, small-producer organizations must link with external economic and policy actors, such as private businesses and governments. Through strong links with economic actors, small producers can gain access to national and international markets. Such institutional arrangements may take a myriad of forms. In Thailand, for example, small-scale vegetable- and fruit-producer groups developed a contractual arrangement with a private company supplying fresh produce to international markets. Linking relations with policy-makers help small producers create the enabling environment and conditions for their organizations to thrive and develop sustainably. The formulation of the Economic Community of West African States (ECOWAS) Agricultural Policy (ECOWAP) offers a good illustration of how small-farmer organizations can link with national and regional governments to influence policy processes.

To be successful, these links between small producers, market actors and policy-makers must result in a positive sum game in which all partners agree to cooperate to advance their common interests, achieve and increase profits and share benefits and risks.

Intertwined relations

The three constituent relationships, namely bonding, bridging and linking, interact closely with one another and enhance the benefits of each individual relationship. For instance, within value chains, effective linking relations between small-producer organizations and market actors, exemplified in the Senegal interprofessional tomato association, relied on strong small-producer bargaining power, which was largely the result of well developed bridging relations among small-producer organizations in apex organizations. Similarly, Kenya’s African leafy vegetable farmer groups were able to link effectively with supermarkets (powerful market actors), because they first strengthened their capacities by developing strong links with NGOs. Clearly, different “mixes” of the three relations coexist in the different cases presented. And the processes of institution-building take different paths depending on the context, rather than following a linear pattern or a predetermined succession of steps. 

INSTITUTION BUILDING PROCESS



rather than direct them. Creating new organizations from scratch is the least desirable option. Support organizations may need to facilitate existing institution building processes in order to stimulate small producers to become actively engaged in their own development, appreciate their own successes and build on existing assets. While benefiting from these new forms of collaboration, small producers need to maintain their autonomy of action and ensure that they themselves drive the changes within their organizations and in their long-term relationships with government, economic and civil society actors.

In order to implement this new partnership, governments, development agencies and NGOs have to make a shift in the nature and quality of support.

BUILDING NEW FORMS OF COLLABORATION

This good practice publication presents numerous examples of innovative producer organizations and institutional arrangements that have proven to be successful in helping small producers overcome their different constraints. However, they often remain limited in scale and scope. The main challenge is to build on these success stories, to up-scale or replicate them, in order to increase food security, and to catalyse sustainable rural and agricultural development.

Small producers, governments and profit and non-profit private actors need to find better ways to collaborate to shape the environment that enables and supports producer organizations. Such new forms of collaboration, like a new social contract, need to clarify the rights and duties as well as the roles and responsibilities for each stakeholder. Within these new forms of collaboration, one key challenge for policy-makers is to build upon existing small-producer knowledge capacities, skills, and organizations, and to formulate and design better policies that support their strengths and respond to their needs

From their traditional role of provider of assistance, they need to become facilitators of change, in a capacity development¹ (CD) approach. Strengthened knowledge and capacities of individuals are central to fortifying rural institutions, but this cannot happen in a vacuum. Capacity development is constrained when the organizations and overall environment to which individuals belong lack the ability to absorb and maintain the enhanced resources, or fail to anticipate emerging needs. A capacity development approach recognizes and addresses these three dimensions.

By engaging in such new forms of collaboration with policy-makers, civil society actors, the private sector, and other key stakeholders, small producers from developing countries, who were once largely excluded from markets, can “fully play the game”. By giving them a voice in policy-making, this contributes to improving “the rules of the game”, and creates the conditions to optimize this contribution to world food security.

^{1/} As stated in FAO. *Corporate strategy on capacity development*. October 2010.

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