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# **NEWS TRENDS IN RURAL DEVELOPMENT AND POVERTY ALLEVIATION: THE CONCEPT OF PARTICIPATORY INSTITUTIONAL DEVELOPMENT**

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DÉCENTRALISATION ET DÉVELOPPEMENT RURAL  
DECENTRALIZATION AND RURAL DEVELOPMENT  
DESCENTRALIZACIÓN Y DESARROLLO RURAL

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## **I. Introduction**

World agriculture has undergone drastic changes during the last decades. Agricultural production has increased and world food supplies are 18 % higher than 30 years ago. Yet, while the sector on average has kept up with population growth and demand for agricultural produce, many countries and population groups have been bypassed. In some areas, most evident in sub-Saharan Africa nutritional levels per capita have actually fallen. World-wide about 840 million people are still chronically undernourished. The percentage of poor people world-wide increased during the 1980s from 41% to 47 % (FAO, 1994:5). In absolute figures it is estimated that by the year 2000, 1.4 billion people world-wide will be living below the Poverty Line (Worldbank 1996:4). About 80% of the poor live in rural areas of developing countries. The proportion of the rural population whose income and consumption fell below national defined poverty lines was estimated 46% in Asia, 60% in Subsaharan Africa, 61 % in Latin America and the Caribbean and 26% in the Near East and North Africa (FAO, 1994). In China an estimated 65 million rural people lived below the poverty line in 1995 ( Dept. of International Co-operation, Ministry of Agriculture, People's Republic of China: 1996:3). The map attached in Annex 1 provides a framework for comparing "Human Development and World Poverty" (Baas & Rouse, 1997) on a country basis. The map is based on the Human Development Index established by UNDP.

What can we do to improve the current situation? This paper proposes one possible entry point for improving the efficiency of rural development and poverty alleviation efforts. When talking about rural development this paper refers in general terms to the physical, economic, social, human, and institutional changes that expand a region's capability to provide a good quality of life to its people while sustaining its natural resource base. Elimination of hunger and poverty is certainly one of the most fundamental objectives of rural development. The paper starts from a historical point-of-view synthesising past experiences of rural development initiatives. Based on these findings, the focus will be narrowed down to the specific challenges for rural development in arid marginalized/low potential environments. Finally, it will focus on one essential component of rural development and poverty alleviation strategies which gained increasing importance under the newly developing economic and political environments with the tendency of a reduced role of the state at local levels and an increasing role of free market economy, for example the aspect of local level community empowerment, participation, and institution building.

## **II. Learning from the past**

Rural development efforts until the early 1980s were mainly based on applying a "trickle down" approach to development, meaning focusing efforts on certain polarisation centres hoping that these would then be adopted and replicated to the rest of the country including fully the less favoured, dry areas. This usually lead to urban-biased development expenditures and/or favoured elites in rural areas. Development programmes were also often combined with policies of excessive agricultural taxation in order to finance the development of other sectors, mainly industry and manufacturing, while only a small share was returned to agriculture. The poverty reduction impact of agricultural growth has been underestimated in the past.

Looking backwards now, we have realised that failures in rural development and poverty alleviation programmes of the past were often related to the following shortcomings:

- Lack of beneficiary participation: Too little attention has been given to strengthening the negotiation capacities of the rural populations. Programmes were often designed in a top down approach within which beneficiaries were not given any authority for decision making or program execution.
- Too little attention has been given to local level institution and capacity building. Programme co-ordinating units were usually staffed by expatriates and relied almost exclusively on central or regional government line agency's support. The development of local and district level institutional capacities was neglected or even undermined, locally available and location specific knowledge was mostly neglected.
- The belief in the superiority of large farms in economic terms and the assumption, at the same time, that smallholders were technologically backward and inefficient producers, which led to (i) misguided land policies and land distribution in many countries; (ii) the fact that support programmes (subsidised credit, extension service, irrigation facilities, etc.) for agriculture mainly focused on large commercial farmers (iii) lack of attention given to the importance of customary rights and the participation of local communities in regulating access to land and the management of natural resource use.
- Excessive emphasis on sectoral approaches which tended to neglect the important linkage between the rural farm sector and the non-farm sector, which is particularly important with regard to income diversification strategies.
- Not enough attention given to women farmers and workers. Despite the fact that women play an equally important role in agriculture and household income earning strategies as men do the design of agricultural and rural development strategies and the design of support services and credit programmes focused for decades on men exclusively.
- Uneven terms of trade and protectionism in the developed world became a barrier to developing countries, and particularly to small agricultural producers/net sellers of food, to compete on an equal footing on the world market. Financial losses transmit themselves to rural workers via direct or indirect employment effects.

While we know a lot about what was wrong about past approaches we also know that there are no global blueprints or universal recipes for poverty alleviation and rural development. We have learned that industrialised countries and high potential areas cannot simply export their knowledge without adaptation to other local conditions - every country and in fact every particular social group needs specific programs that reflect the location-specific characteristics of a region. Development policies which do not give due attention to the agricultural sector and the small holder sector in particular, are not conducive to the alleviation of poverty.

When looking at rural development and poverty alleviation approaches from today's perspective a more recent historical dimension has to be considered as well. Major achievements of economic recovery were made in many developing countries, following implementation of adjustment policies and/or transition to more liberalised market economies, the transition to more representative forms of governance based on increased decentralisation of decision making, and the consolidation of stronger webs of civil society organisations. This context has created a particular new perspective for addressing the problem of rural poverty and rural development.

### III. Ways towards improved approaches to rural development and poverty alleviation

Having said that there are no global blue prints for poverty alleviation and rural development there are, however, some broad principles that can be synthesised for future work:

- The success of rural development and poverty alleviation strategies requires an enabling policy environment. Without a policy and legal environment that encourages the participation of all segments of rural people there is little chance for success. Policies must become more responsive to the needs of the poor.

A sound macro-economic context is necessary for rural development and poverty alleviation. The implementation of stabilisation and adjustment programmes can help achieve a favourable macro-economic context - meaning they can lead to a removal of historical anti-agriculture biases. Exchange rate and trade liberalisation allow to put in place a more realistic and credible price system with increased incentives for promoting development of the agricultural sector in the long run. However, transition to price liberalisation might in the short run worsen the economic situation of various rural groups. For certain periods it might be necessary to shelter these groups for transitional periods via special programmes of income generation such as public works and social funds. It is also important to note that in spite of their essentiality, neither a sound macro-economic context nor economic growth alone are sufficient for successful rural development. There is the need for other complementary measures on the micro-economic, the socio-cultural, institutional and environmental sides as well. China is in fact a good example of a country which has been successful in applying a policy of balanced growth in the past though no one is sure if this can continue along the same lines in the future under liberalised market conditions. It is important therefore to ensure that future programmes enhance the people's power to participate meaningfully in both policy and in the market place.

- Anti poverty and rural development programmes need to focus on mechanisms that increase households' access to and control over assets of physical, economic and social nature. There exists a wide array of assets which serve this purpose: the primary assets land and water; other productive assets such as tools, animals and machinery; human capital, including health education skills; social capital such as membership to kinship or other groups where social collateral can be used to access loans, membership to co-operatives and credit unions which improves economies of scale.

For rural development access to land and water and the nature of property rights over these assets are of key importance. Where landlessness, non viable farm sizes and uncertain property rights prevail, no agriculture based rural development effort can succeed in reducing rural poverty. This may re-open the question of land reform, a complex issue which needs to be placed high on the political agenda.<sup>1</sup>

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<sup>1</sup> The important "issues" for land reform may differ from country to country. Among the most important are: to restore the inverse relation between total factor productivity and farm size, based on the superior advantage of farms in making use of self-motivated family labour; to organize powerful political coalitions in support of land redistribution in order to countervail the power of traditional land owners and local elites to derail the reform; to mobilize government support to reform beneficiaries and promote organizations among beneficiaries

- The most serious constraints to rural development in current transition processes - either induced by SAPs or through the shift from centrally planned to market economies - is the down sizing of state-supported rural services and institutions. Recent transition processes have had the impact of downscaling the direct role of the state in economy what in turn had the consequence for rural development of contraction or even closing of many public institutions which had previously served rural areas/agriculture such as credit/financial institutions, marketing institutions, extension services, vocational training institutes sometimes even rural schools.

Successful rural development thus needs to focus on the reconstruction/creation/strengthening of new civil institutions and the private sector in support to an efficient smallholder economy. This may include a wide array of institutions such as savings and loans associations, financial NGOs, marketing and community storage associations, water users associations, community organisations that can enforce co-operation in the management of common property resources such as land, rangelands, forests, fishing grounds; organisations for co-production with governments of public goods and services, such as infrastructure and its maintenance. A new characteristics of these institutions - and rural development programmes in general - would be that they are based on the principle of being demand driven. They would be locally managed and owned and permit smallholders to reduce transaction costs and increase economies of scale. Local people may however need organisational and technical assistance to build up institutional capacities and to operationalize and implement their solutions. This is where short term outside support may come in as required. In the long run, however, these new types of institutions need to be self financing.

Section V of this paper will give some more concrete ideas on how grass root organisations might be launched/modified to fill this gap and to fit into the existing horizontal and vertical structure of existing institutions and organisations.

- Agricultural development cannot be seen in isolation. Rural poverty cannot be solved by agriculture alone. There is the need to promote hand in hand with agriculture - and taking into account rapid rural population growth, increasing land scarcity and environmental pressure - off-farm and non-farm activities as an integral component of rural development. This implies the need for policies<sup>2</sup> which:
  - promote micro-enterprise development enabling rural households to add value to agricultural, forestry and/or fishery products. A focus might be on regionally tradable goods. Micro-enterprises may be part of modern decentralised branches of industry or the labour intensive informal sector, complementary to the modern sector.
  - Strengthen capacities and skills of local producers for successful participation in the labour market.

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and construct service institutions as land reforms must go beyond pure redistribution of land (De Janvry & Sadoulet, 1996).

<sup>2</sup> Often promotion of rural micro enterprises which link the agricultural with the non-agricultural sector is not clearly defined responsibility of a specific ministry and tends to fall in the cracks of public administration. Also international agencies often have difficulties in bridging these sectors as they tend to have a specialized focus like for instance, on agriculture (FAO, IFAD) or industry (ILO/UNIDO) or on human capital development (UNESCO/UNICEF). Rural Development calls for a broader perspective and elaborated coordination among different agencies and ministries.

- Developing rural financial intermediary institutions to (i) facilitate the mobilisation of rural savings and (ii) to channel back remittances of migrant labourers to the local communities (iii) thus make capital available for reinvestment in productive employment creation activities in the rural areas (De Janvry & Sadoulet, 1996).
- Solutions to rural poverty must correspond to the high degree of heterogeneity among various groups of rural poor. The heterogeneity across households comes from highly varied asset endowments and differing access to markets and services. To design rural development this heterogeneity must be characterised and understood. This can be done by conducting household case studies and surveys and constructing typologies of household categories. Heterogeneity is both a difficulty for designing solutions but at the same time an opportunity, as it follows that there are many potential roads out of poverty.
- Rural development implies a strong/redefined role for the state able to support and complement the role assumed by civil society in rural development programmes. The central government and its local branches involved into this partnership with civil society need to perform the demanding task of catalysts in inducing the emergence of regional executive agencies. The state needs to continue fulfilling functions that are its unique mandate such as: designing macro and sectoral policy in support of rural development, the delivery of public goods and services, regulation of environmental effects, regulation of competitiveness of markets, provision of information, assistance in access to assets for the poor, and welfare and safety nets for the poorest.

#### **IV. Specific considerations for sustainable agriculture and rural development in Arid areas.**

The major objective of agricultural development in dry areas may be phrased as “the stabilisation and, where possible, intensification of existing production systems while sustaining the natural resource base at the same time”. Rural development primarily looks at the creation of favourable frameworks for the overall economic, social and environmentally sustainable development of the Region.

The framework for rural development and poverty alleviation outlined so far is also valid for dry areas. However, it has to be kept in mind that (i) dry areas are often marginalized and in many cases have a comparatively low production potential, and (ii) that the provision of services and infrastructure is more difficult and costly in the usually huge arid areas where population density is generally low. For that reason region-specific strategies need to be carefully elaborated in which at the least address the following social and technical aspects:

- Creation of a framework for peaceful co-existence between pastoralists and farmers on regional level closely connected with the provision of either secure land ownership or at least secure range and water user rights for all groups.
- Decentralisation of power and decision making to the level of user groups especially with regard to common property and natural resource management systems.
- Intensive participation of the population in the development and dissemination of locally adapted approaches to rural development. The most important instrument in that context is the creation/strengthening of local self-help groups for representing their own interests and bundling self-help initiative.

- Promotion of income generating opportunities in the off-farm and non-agricultural sectors is in low potential areas with limited income opportunities from agriculture of particular importance.
- Provision of basic services (health, and education, clean drinking water ) for all rural people including mobile segments of population; promotion of civil society organisations and NGO as providers of technical support, vocational training, and services to the household/ community levels.
- At the household level, integration of livestock and cropping activities on the basis of an environmentally sustainable use of natural resources. For the livestock sub-sector, a priority lies in improved mobile livestock rearing strategies. In the cropping sub-sector, emphasis should be given to an increased diversification of existing cropping patterns, including an emphasis on fodder production in crop livestock production systems. Both livestock and cropping strategies should include emphasis on better management of soil-water-nutrient cycles based on efficient use of available organic material and scarce water resources. Introduction of improved locally adapted crop varieties and animal breeds as well as sustaining autochthonous, indigenous crop varieties and animal breeds is also important.
- Direct involvement of women into all development activities according the social and economic roles they do play in a given region-specific cultural set-up.
- Promotion of irrigated agriculture where environmentally sustainable.
- Poverty monitoring and risk management planning at household/community and district levels including early warning methodologies, concrete emergency implementation planning and institutional responsibilities.

With regard to several of the above mentioned priority areas for rural development/poverty alleviation China has already started in the late 70s implementing successfully what has been said above. The important roles given to a smallholder based agriculture, to the farm off-farm linkages and to land reform led to spectacular successes and growth rates in China's rural economy. In 1993, China's economy grew 13.4% in 1994 11.8%. Despite unfavourable weather conditions, agriculture grew 3.5%. (FAO 1995:105). China's policy packages to alleviate poverty such as the policy for key support to poverty stricken counties, the policies for increasing inputs (e.g. poverty relief discounted loans for pastoralists), the policies of alleviating burden of poverty stricken areas (e.g. reduction of contracted quotas for grain purchase by the state, agricultural tax exemption) or the mutual help programmes between Eastern and Western Provinces (Gansu-Beijing) lead to a substantial reduction of poverty. Between 1978 and 1995 the poverty stricken population was reduced from 26% of the total population to 5% - or as said earlier to 65 million people. These figures are remarkable indeed.

The early stages of poverty relief in China which accomplished these success were characterised by a strong organisational framework and high capital investment which functioned particularly well in those impoverished areas with comparatively good social environmental and human conditions but poor economic basis. However, since on the one hand (i) the role of family responsibility systems in the context of increasingly market economic conditions is steadily increasing and on the other hand (ii) the poverty stricken population has now dropped by large margins the factors that will alleviate poverty for the remaining poor parts of population are no longer economic conditions only. They also include environmental, organisational, infrastructural, and human dimensions. As stated by Dep. of International Cooperation, MoA



People's Republic of China (1996:22) "the focus of support to the remaining poverty stricken areas/counties will have to be lowered in administrative level beyond the county level". Higher emphasis should be put on the village and household levels.

This point of view is also supported by the conclusions J. Pennarz draw from her study in Yibin (1994:21): "The introduction of its socialist market economy the Chinese State intended to withdraw even further interventions in the economy. Rural Development would then be guided by the growth of free markets which will encourage economic initiatives by farmers in search of new income opportunities. The case of Yibin Sichuan Province, shows that local government efforts are limited to the planning of market systems and the establishment of market places; introduction of new production techniques as well as opening up of new markets is left to the farmer's own initiative. Governmental agencies only address the extension of side line productions already introduced in collective times. Farmers being used to subsistence farming mainly, only slowly specialise in producing for the market. Without the assistance of collective or state agencies farmers will have to rely heavily on their own social networks. Thus social capital becomes a clue for the transition to market economy. The recent formation of the so-called "Rural Specialized Technical Associations", independant self help organizations build up at village and town level in many parts of rural China are a clear prove for new initiatives for social capital formation under liberalized market conditions (Yao Jian Fu, 1997). Based on the above statements and the earlier presented principles of rural development it appears obvious that a contribution to this conference in the field of institution building and local empowerment might contribute most to the current scientific debate on rural development and poverty alleviation in arid areas of China.

The following section outlines the importance of social capital formation and presents a possible way how local level capacity building can be achieved.

## **V. The concept of participatory institutional development**

### **1. The underlying idea of Social Capital**

Much emphasis has been paid in development literature to the importance of capital: natural, man-made, and human capital. Yet but until recently, little attention has been given to its 4th dimension: social capital<sup>3</sup>. Social capital refers to the social cohesion, common identification with the forms of governance, cultural expression and social behaviour that makes society be more cohesive and more than a sum of individuals - in short, to the social order that promotes a conducive environment for development and solidarity. Social capital theory aims at developing propositions about the conditions under which governments and communities can co-operate to achieve common ends. It states that horizontal institutional arrangements have a positive impact on the generation of networks of trust, good governance and social equity.

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<sup>3</sup> Journal of The term "social capital" was coined by J.S. Coleman in his article: "Social capital in the creation of human capital" published in the American Sociology, Vol 94, 1988. Social capital theory states that societies via their own institutions and forms of collaborative action can and do affect the quality of state and non-state interventions. A major objective of social capital theory is to explain the ways in which social actors demand and receive a more equitable share in the common good and to explain the relationship between governments and their clientele.

Social capital plays an important role in encouraging solidarity in overcoming market failures through collective action and common pooling of resources. It is therefore seen as a *sine qua non* for promoting community participation and self-reliant development. Social capital manifests itself in a location-specific set of institutions and organisations<sup>4</sup>, with both horizontal as well vertical mechanisms of interaction, collaboration and networking. Institutions are conceived as the rules and patterns of behaviour that shape social interaction; organisations are defined as groups of individuals bound by a common goal and conceived in this context as the players in the field.

Institutions and organisations may represent both an obstacle to and an opportunity for productive and equitable development. In their positive sense both institutions and organisations can facilitate collective action and enable individuals to transcend the limitations of acting in isolation. They can, however, be conservative as well. Historical inertia and active persuasion often ensure that rules and enforcement procedures reflect the preferences of “political entrepreneurs” within society. Perceived this way institutions may support maintenance and reproduce the status quo, often to the detriment of the politically and/or economically disadvantage.

An in-depth understanding of the endowment, functioning and interaction of institutional and organisational mechanisms of rural society is therefore of paramount importance for rural development and poverty alleviation efforts. An institutional approach to rural development and poverty alleviation outlines ways and means on how to improve given institutional constellations - to identify the rules and patterns of behaviour and collaboration which reconcile and/or optimise rationality on the part of individuals with rationality on the part of society. Social capital formation then can be promoted and/or built up by the way of a participatory institutional development approach at local level.

## 2. Framework of Implementation

Participatory institutional development, in its broadest sense is a process which mobilises locally co-ordinated collaborative action of small groups of rural (poor) populations and establishes collaborative linkages between these groups and other local and higher level institutions. Since the poor generally lack economic and physical capital, focusing on strengthening their social capital makes sense as it is a pre-requisite for achieving sustainable collective action and useful in acquiring all other forms of capital. This focus implies the strengthening local populations to better plan, manage and monitor their access to assets.

As a basic principle participatory institutional development is demand driven since the rural people themselves, with appropriate organisational and technical assistance, are the best source

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<sup>4</sup> Institutions and organizations are not identical. In institutional literature D. North's clarification is widely used according to which Institutions are the rules of the game of a society, or, more formally, are the humanly devised constraints that structure human interaction. They are composed of formal rules (statute law, common law, regulations), informal constraints (conventions, norms of behaviour and self-imposed modes of conduct), and the enforcement characteristics of both; Organizations are the players: groups of individuals bound by a common purpose to achieve objectives. They include political bodies; economic bodies; social bodies (churches clubs, associations) and educational bodies (North 1995:23)

Institutions then are the formal and informal ties that bind collectives. Formal institutions are the explicit rules that govern social behaviour (established in written law, created by conscious, record decision with established precedents (Swift 1994: 154). As such, they have come to depend upon recognition from the modern state. Informal institutions, by contrast, imply the habitual ways, in which a society manages its everyday affairs. Examples here would include customs relating to kinship and marriage and the way these institutions affect access to land and labour in a specific cultural setting (C. Johnson, 1996).

for information necessary to identify their problems and the solutions that will suit them and belong to them.

Participatory institutional development strengthens localised social capital accumulation processes by mobilising self-help capacities, progressive skills development, and local resource mobilisation (savings, indigenous knowledge) in order to improve ultimately the group member's human, natural, and economic resource base and their political power. The approach reduces costs at both ends: the service delivery costs of governments, NGOs and the private sector, and the access costs of the poor in obtaining these services. Yet since local level self-help initiatives often require support from higher decision making levels, the establishment of a two-way system of communication connecting the bottom to top and the top to bottom is essential. At this level of generalisation participatory institutional development is made of four interrelated corner stones:

- i. Process: It is a development process whose moving forces are the growth of consciousness, group identity and solidarity via economic collaboration and mutual social support.
- ii. Empowerment: The process of constructing group identity, improving economies-of-scale, strengthening collective bargaining power, acquiring new skills and upgrading the knowledge basis progressively builds economic and social power. It is through this felt empowerment that the poor become more active in initiating interventions that help them overcome poverty.
- iii. Participation in decision-making: The term "Participation" is used to describe direct involvement in decision-making. It means the actual involvement of each member of a group/organization in the identification formulation and implementation of group activities<sup>5</sup>. In participatory decision-making decisions are collectively taken through open meetings of members and working responsibilities are assigned on issues such as savings mobilisation, micro scale income generating projects, conservation practices, infrastructural development and asset creation.
- iv. Networking: This refers to the building-up of collaborative action among locally formed groups and their interaction with formally existing public institutions at the local (horizontal) and higher (vertical) institutional levels. .

Participatory institutional development enters simultaneously on different institutional levels. In that sense participatory institutional development goes beyond beneficiary participation at grass root level as it has been practised in so many recent externally funded project approaches.

**(a) Strengthening the social capital of the poor via small group formation at the grass root level**

The core element of any participatory institutional development approach is the launching or strengthening of small local self- help groups organised around income-generating activities and locally available skills. The promotion of group self-help structures is an important tool of

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<sup>5</sup> In this sense it does - particularly at the local level - not refer to a system of representatives who act on behalf of people.

empowerment and increased participation of the poor in decision making and access to assets and services. The process of participatory institutional development at grass root level proceeds through a dynamic interaction between the achievement of specific objectives for improving the resource position of the local community and the strengthening of a sense of community identity. Collective actions towards common objectives such as the initiating of small irrigation projects, production activities like fruit processing, or clean drinking water provision can all be entry points for a local capital accumulation process leading to group savings schemes, reinvestment and asset creation. The ultimate aim is self-reliance.

### Principal elements and phases in a small group formation approach at grass root level

Phase 1: Participatory Community Problem Census<sup>6</sup>. This exercise with target communities leads to the identification of the specific problems and needs of a particular community, or to parts of that community. It is usually the first step taken in planning and a group formation process with the objective to tackle community and sub-community problems. The community will decide which kind of activities should be taken and in which order of preference.

Phase 2: Group formation: Group approaches at grass root level are particularly useful in serving the interests of the rural poor. These group formation/strengthening processes ideally follow the following principles:

- **Groups are voluntary and self governing.** Participants decide who joins the group, who leads the group and what rules the group should follow.
- **Small and homogeneous groups:** A key element is the formation of small self-help groups. Conflicts are reduced when members live under similar socio-economic conditions .
- **Income generation & savings mobilisation** are the starting points for group formation. Income earning strategies may be chosen on a flexible basis reacting to raising opportunities.
- **Building on existing capacities:** Ideally groups are build on already existing collaborative links between group members.

Phase 3: Group strengthening. Organisational and production skills are improved through demand-driven training, conducted by specially trained group promoters (see below), through workshops requested by groups themselves and provided ideally by local NGOs or support organisations. Once groups have a certain level of group maturity<sup>7</sup> in terms of managerial skills, group cohesion, and the proven ability to manage group money successfully, access to external credit/funding mechanisms is encouraged to further enlarge group investment capital stock and improve economies of scale. Access to external money

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<sup>6</sup> This type of process should only be launched in case that there is a framework/context for realizing concrete action. Otherwise unsatisfied expectations will be raised which will lead to negative attitudes towards participatory approaches in the long run.

<sup>7</sup> In the process of group strengthening criteria for increasing collaborative linkages, networking with other small groups and accessing group external money are set and applied in collaboration with existing support organizations and group promoters (see below). This may be done on the basis of a formalized organization maturity assessment methodology to be developed in a joint effort of all players involved..



and repayment conditions are best organised on a group responsibility basis (example: Grameen Bank, PPP Zambia).

## **b) Strengthening horizontal organisational and institutional linkages**

The small group approach, however, should be seen as only one element, though perhaps the basic "building block" in a broader social capital strengthening process. Other broader and deeper forms of social capital with wider horizontal and deeper vertical ties, also need to be established/ strengthened.

Group networking : Once groups are stable and operational they are encouraged to **link together in inter-group associations**. These secondary level organisations help small groups obtain larger economies-of-scale, tackle bigger community problems, strengthen negotiation power of the poor, and in more efficiently building inter-group solidarity and developing links between the "bottom" and the "top". These associations also often help defend member groups against the excesses of local elites misusing their economic and political power in groups to neutralise governance reform and emerging locally growing power structures. Unfortunately, while the importance of these informal linkage organisations has long been recognised by scholars (e.g. Putnam: 1993), there has been little progress made in developing practical tools for promoting or strengthening these types of networks.

Support organisations: Independent support organisations at the district level can promote such networks of village associations by (i) training the cadres of social organisers/supporters such as GPs and NGOs, and (ii) administering at the beginning of the group formation process seed money, and/or financial topping-ups to self-mobilised savings, and/or loans earmarked to help launching/continuing income generation/infrastructural micro scale projects identified and implemented by the local groups. Once local level groups/inter-group associations are mature enough to manage their own micro-funds the responsibility for them will be handed over to the local groups, (iii) lobbying for local level institutions.

The necessary conditions for initiating and sustaining the participatory institutional development process at grass root level are:

- It is important to emphasise that great care must be taken to ensure that these measures **complement or build upon locally existing institutions and organisations rather than replace them**. Problems of acceptance often occur when introducing completely new forms of organisations. Yet the simple transformation or modernisation of "traditional organisations" can also be problematic.
- Field experience showed that it is most helpful if **Group Promoters (Gps)** assist as catalysts in group development and in linking groups to government/NGO services. GPs role is that of an advisor strengthening the groups' leadership, organisational and planning capacity, a participatory trainer, teaching basic problem solving and technical skills, and a link person facilitating communication between the groups and government/NGOS development services. Once groups reach maturity, GPs withdraw from the groups.

- Financial support (government or external project) is necessary for financing training of support staff and providing seed money, and/or financial topping-ups to self-mobilised savings, and/or loans.
- Participatory learning. Participatory learning describes an interactive learning process enhancing the co-operation and problem solving capacities of the poor. It addresses participants on all levels from the local to national levels. Participatory learning methods are based on participatory rural appraisal (PRA) techniques as well as small-group learning techniques. Ideally a participatory learning exercise for institution building is a phased approach: It aims first at (i) team building & group formation processes with a focus on demand-driven skill development in fields, such as organisational management and leadership; this phase of learning is directed towards and brings together representatives from all institutional layers involved into programme implementation. A second phase focuses on (ii) technical skills development addressing mainly the small self-help groups on topics of direct relevance to the rural poor such as group savings and credit and small business management and accounting. When learning groups are small, members come from the same socio-economic level and have similar concerns, learning of technical skills is easier. Beneficiaries set the demands, not outsiders!

The use of group-based, participatory learning methods for strengthening the collective learning, problem-solving and enterprise management skills of the poor have proven quite successful and a number of practical tools for doing this are already available. FAO experience in small group development now spans almost two decades. Practical handbooks and manuals such as FAO's "Group Promoters Resource Book" and "Group Enterprise Resource Book" proved to be very useful and popular sources for this kind of learning.

### **(c) Strengthening vertical organisational and institutional linkages for poverty alleviation**

Linkage with higher level organisations: Disadvantaged rural populations don't just lack horizontal co-operation linkages. They also lack institutions and organisations which help them link up and interact with decision making at higher levels. It is therefore essential to develop networks, partnerships and alliances between grass root organisations and other civil society organisations, NGOs and key decision makers in government line agencies and/or the private sector. There are actually a wide range of rural institutions and civil society organisations who can facilitate these linkages; for example, peasant associations, cultural associations, trade unions, producer co-operatives, women's associations, environmental NGOs etc. An efficient diverse set of civil society and grass root organisations is essential in ensuring fair play, accountable public structures, institutional change and sustainable development. It is crucial, however, to understand which institution/organization does what best, and at which level to alleviate poverty.

In the field of rural finance, for instance, collaboration could be encouraged with regional institutions, following the model of Community Development Funds (IFAD) or Social Action Funds (World Bank). They should bring together representatives from central and local government, NGOs, community based and grass root organisations and local traditional structures of leadership. They are setting broad principles and priorities for the disbursement of

funds and invite organised households/groups to submit project proposals for funding on a competitive basis. The regional institutions can again be regrouped in peak organisations allowing efficient dialogue among such organisations, as well as with governments and donors.

Ensuring complementarity with the role of the state and the private sector: Recognising the importance of civil society and grass root organisations, however, does not mean ignoring the role of the state and the private sector. Governments have mandates and capacities to combat poverty and hunger. They set some of the rules of the game by determining legal frameworks, agricultural and macro economic policies, developing infrastructure, funding research and education, and creating the enabling environments for local action. The private sector can act as a crucial contributor to economic growth and innovation. The reform of public institutions is often needed. Such reforms need to go beyond the pure act of decentralising decision making authority. There must also be a greater degree of devolution of development functions to locally representative bodies, elected or traditional. These bodies must be given larger say in planning local development activities, the use of public resources, the delivery of public services and the management of common property resources such as land and water.

## **VI. Concluding Remarks**

For successful rural development and poverty alleviation, partnerships and close interaction between Governments, Civil Society, the private sector and the poor themselves are needed. Research, planners, administrators and rural populations are called upon for joint efforts on both national and international arenas. The framework of participatory institutional development offers a tool for self-help capacity building and improved economies of scale starting from the grass roots. Rural development programmes and efforts on the other hand should complement the institutional bottom-up approach and be decentralised to the highest possible degree towards organised groups at local level. They should be demand driven and participatory to capture local needs, information and resources. They should be flexible and organised as a learning process, ready to re-direct priorities if suggested by regular executed evaluation exercises. In order to achieve rural populations competitiveness within the new economic and institutional framework of liberalisation they should be market-economy oriented. To fill the gap left by downscaled state services, infrastructural and direct financial assistance should be complemented by the promotion of supportive civil society institutions. Rural development programmes should be separated from welfare provision to minimise false expectations. They should be based on (and at the same time be a vehicle to further increase) collaboration between state and civil society to maximise complementarity between the initiatives of these two sets of institutions.

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