



MAHARASHTRA RURAL CREDIT PROJECT

BY MIGUEL BRAGANZA

BACKGROUND AND OVERVIEW

Self-Help Groups, or SHGs, have become a household word in India. The concept was introduced in this country through an IFAD-funded project, the **Maharashtra Rural Credit Project (MRCP)**, which linked micro-credit lending with the organization of the rural poor into groups that would generate funds through their own savings and thereafter finance enterprises they could run using skills they already had or could acquire with the help of other stakeholders, like banks, and rural development agencies, both Government and non-Government.

Due to its runaway success, this concept of SHGs was incorporated in the National Rural Self Employment Scheme [SGSY] which was launched to mark the Golden Jubilee of the Indian Republic. The SHG concept was likewise adopted in watershed development projects throughout the country. On the other hand, sustaining federations of SHGs envisioned in, and created during, the MRCP project has had very limited success.

The MRCP was made operational in 1993, when India embarked on liberalization, so as to minimize the adverse effects of a market economy on the rural poor, specifically by equipping them to take advantage of new opportunities. Starting in 1991, India embarked on wide ranging economic liberalization. Financial sector reforms, with emphasis on market forces, profits and reliance on the private sector, could have

adverse implications for the rural poor. It was felt that a suitably designed strategy would not only help to minimize the negative effects on the poor, but also provide them opportunities to derive benefits from economic liberalization.

The Government of India and IFAD negotiated the loan in March 1993 following which the Loan Agreement for MRCP was signed on June 1, 1993. The loan period of the Project was seven years. The Loan Agreement, signed in June 1993, became effective on 6 January, 1994 and actual implementation started in 1995-96. The Project, which was originally scheduled for closure by March 2000, was first extended up to March 2001 (with claims being filed up to September 2001) and again extended for a year up to March 2002.

The three planned outputs or objectives were:

- Improved supply of rural financial services;
- Promoting savings mobilization through SHGs as the basis of credit linkages; and
- Improving incomes among rural poor households through support for enterprise development.

IMPLEMENTING AGENCIES AND THEIR RESPONSIBILITIES

NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT

(Project Co-ordinator and Project Steering Committee Secretariat)

- Guiding and monitoring project implementation;

- Approval of budgets of implementing agencies;
- Refinancing to participating banks;
- Reimbursement of Project expenses to banks

GOVERNMENT OF MAHARASHTRA RURAL DEVELOPMENT DEPARTMENT (RDD)

- Ensuring provision of support services by the concerned Line Departments and by other Government of Maharashtra Agencies;
- Ensuring provision of adequate funds to MAVIM, MITCON, MCED, DRDAs

PARTICIPATING BANKS

- Formation of SHGs with or without the support of NGOs;
- Provision of direct loans to SHGs;
- Encouraging savings habit among all borrowers;
- Credit management by involving people;
- Monitoring physical and financial progress;
- Formation and monitoring of Village Development Agencies (VDAs) and Village Development Committees (VDCs) and attending their meetings;
- Interaction with the village community;
- Preparation of PAP through peoples' participation at VDA meetings;
- Training of VDC members;
- Submitting claims to PSC Secretariat for refinance and reimbursement of project expenses

OTHER AGENCIES

1. MAVIM

- Formation of women's SHGs with training and guidance including skill and entrepreneurship development training for women members of SHGs;
- Establishing training-cum-production centers;
- Supply of kits to SHGs.

2. MCED

- Providing training in electronic data processing (EDP) to full time off-farm business borrowers;
- Holding Entrepreneurship Awareness Programs for part-time non-farm business borrowers;
- Identifying prospective entrepreneurs

3. MITCON

- Training district level consultants and borrowers for off-farm activities;
- Establishing market intelligence service;
- Preparing district/location specific project profiles for off-farm activities;
- Identifying institutions / NGOs in the district where skill training facilities for off-farm sector are available and sharing the same with District Rural Development Agencies (DRDA)

4. DRDAs

- Monitoring Project implementation at district level (District Committee headed by CEO of Zilla Parishad);





- Arranging skill training for on-farm and off-farm activities to borrowers.

5. National Institute of Bank Management (NIBM)

- Technical advice;
- Providing training to Senior and Middle level bank executives and Govt. officers.

6. Non Governmental Organizations (NGOs through PBs and MAVIM)

- Work on contract with Participating Banks and MAVIM;
- Help in formation, facilitation and strengthening of SHGs.

Only the Participating Banks and the contracted NGOs had an interface with the SHGs and the VDCs at the village level where the major operations of the MRCP were concentrated. The DRDAs had a formal role at the District level with some participation at the Block (sub-district) level through the Extension Officers. The linkages between the individuals, SHGs, VDCs and the Government agencies at the Block and District level were not provided for.

Bank transactions in rural India (including Maharashtra state) were done almost exclusively by men. The contact with rural women was initiated by Bank contracted NGOs by meeting the wives of the bank customers. There was a great degree of reluctance among the wives because of their inexperience with banking or, worse, bad experience with fly-by-night Non-banking Financial Organizations (NBFCs) that had cheated the rural people of their hard earned

savings by offering very high returns on investment made through fancy schemes linked to teak plantations and commercial fruit orchards. When breakthrough was achieved by the NGO/Bank, a group of three women was started to mobilize others and form an SHG of 10 to 20 members. Initially, friends and relatives were roped in to form an SHG. However, experience shows that a SHG formed of like-minded neighbors has a greater chance of success and sustainability. Maximum attention and effort was devoted to this stage and has yielded great returns.

The PCR clearly states that VDCs which were supposed to be the federating agencies would need support for their continuance, as well as some clarity regarding their roles. Multiple models based on local conditions may continue. Bankers could contribute to funding support for VDCs as they benefit from improved repayments from direct borrowers. No provision was made for this in the MRCP. In many villages, the existence of a VDC is currently (i.e., in the post project period) limited to a board displaying the names of the incumbents as the transactions take place directly between the Banks/DRDA and SHGs in the absence of a provision for VDC in SGSY, NWDPR and other schemes/projects now being implemented. The PRIs have assumed the role of the VDCs in the absence of their activity.

Models where SHGs and VDCs have integrated were most likely to be sustainable. Training and orientation of bankers at various levels in micro finance and participatory methodologies for externalizing transactions costs needs to continue, especially so given staff turnover. So also non-credit support

through line departments, EDP training, modern marketing, etc., was needed for poor households to move continuously towards value addition so that they earn the maximum returns for time spent.

The Project Completion Review (PCR) was prepared at the end of the MRCP project period by the National Bank for Agriculture and Rural Development (NABARD), which was the fund manager for the project with the following objectives:

- To facilitate an assessment of the role of the participating agencies (Government of Maharashtra, NABARD), Government of India, UNOPS and IFAD in respect of MRCP implementation, Project design and achievement of the Project purpose of increasing and improving rural financial services for the poor; with the ultimate goal of contributing to poverty alleviation and rural development;
- To provide feedback based on MRCP experience to improve future lending strategies and project designs; and
- To explore prospects for sustainability, identify key requirements for the continuance of rural financial services beyond the Project period.


According to the NABARD PCR, the partnership facilitated by MRCP between three types of implementers — the bankers, the government with its agencies, and NGOs - worked well, with each partner bringing its relative strengths and covering up for each other's relative weaknesses. It, however, accepted that a stronger NGO

(rather than bank) role in the selection of areas and beneficiaries would have ensured the focus on the worst off right from the start. The planned outcome (development objective) of rural financial services for the poor was achieved.

Overall, implementation was rated by NABARD as good, with physical and financial targets for the eight activities having been achieved, and even exceeded in most cases. Over-achievement was particularly high in the case of SHGs - the massive growth and ongoing demand among women was not anticipated at the time of Appraisal. Clearly, in this respect, MRCP seems to have been timely, catering to an incipient demand among the target population. The activities have resulted in the successful achievement of the three planned outputs: (1) improved supply of rural financial services; (2) promoting savings mobilization through SHGs as the basis for credit linkages; and (3) improving incomes among poor households through enterprise development support.

Specific problem areas were also identified. One was getting and identifying adequate support for on-farm sector income generation, particularly animal husbandry. In respect of off-farm, there was a design issue as a very small percentage of borrowers were planned to be provided with training. The implementing agencies also did not press for greater number of trainings in spite of demand from below. Poverty focus was not sharp enough in the early years, though this improved considerably later. A focus on the worst off could have been incorporated right from the start by including suitable monitoring indicators. It was





heartening to see the potential for a convergence with the national Swarnajayanti Gramin Swarajgar Yojna (SGSY) or the Golden Jubilee Rural Self-employment Programme implemented in India since 26 January, 2000, which has itself adopted the SHG approach and is also providing protection for existing SHGs created under the MRCP.

Key conclusions of the PCR by NABARD were that the policy environment in India is highly conducive for poverty sector lending through community institutions of the SHGs. In the post-project period also, the SHGs themselves have proved to be replicable, sustainable and serving the incipient felt needs of the poor, especially women. The SHGs have given the rural women a new confidence in their abilities to manage affairs of a group. This, combined with the reservation of one third of the elected constituencies for Village Panchayats through an amendment to the Indian Constitution, has empowered rural women to play an increasingly dominant role in rural development in India. However, given that the groups are still at low levels of credit, support for a level jump in their operations through a federated network of SHGs will help build upon a good foundation already created under MRCP.

OBJECTIVES OF THIS STUDY

The objectives of the current Case Study are:

- To describe and analyze particular cases under MRCP in the state of Maharashtra on the West Coast of India where the IFAD project MRCP for building and strengthening rural

poor organizations and/or coalitions/federations, was implemented up to the year 2002, ending 31 March, 2002; and

- To draw out particular lessons and provide suggestions and recommendations for IFAD initiatives to build and strengthen rural poor organizations and/or coalitions/federations.

STATUS OF SHGs IN HAVELI TALUK

The MRCP was implemented in two phases in 12 districts of Maharashtra. Pune, along with Chandrapur, Nanded and Yavatmal, was selected for MRCP in the first phase. Three SHGs in Haveli taluka of Pune district were visited along with the Extension Officer from DRDA and Block Co-ordinator of the NGO, *Gramin Mahila Va Balak Vikas Mandal* (the Marathi language title meaning 'Rural Women & Child Development Council') promoted by the Bank of Maharashtra but assisting other banks also, with the active support of the Pune DRDA and Zilla Parishad (District Administration)

The Shri Ganesh SHG at Urali-devachi village in Haveli taluka, Pune, is one of the oldest SHGs. It was started in 1995 through the efforts of the NGO (GMVBVM). Each member's monthly saving was pegged at Rs.10/-. The members are women who used to cultivate vegetables and stitch clothes. This SHG was linked to Bank of Maharashtra for savings and micro credit. Urali-Devachi was recently in the national news due to the contamination of ground water by the seepage from a 36 acre garbage dump/landfill. The state government has now

contracted an NGO to convert the biodegradable garbage into manure and market the same.

The first loan sanctioned to Shri Ganesh SHG was Rs.20,000/- in 1996. The loan was fully repaid. It availed of a second loan of Rs.48,000/- and then a third one of Rs.1,00,000/- All the loans have been repaid. In the process the SHG has earned an interest of Rs.86,286/- Through the margin permitted to it by the bank for loans to its members.

The track record of the Shri Ganesh SHG over the last 10 years is good and it is now eligible for a loan of up to Rs.4.00,000/- Individual members of the SHG are also availing of individual loans directly from the bank. The SHG is now in a position to disburse individual loans to its members where its eligibility is higher than its group loan requirement. The SHG can earn interest by facilitating such loans to members.

Shri Ganesh SHG has diversified its activities to stitching school uniforms, assembling folding umbrellas and making Metal Stencils for *rangoli* (powder-based floor decoration). The *rangoli* stencils were exported to the US until Sept 11, 2002. The SHG is now trying to re-start the export as it had contributed significantly to its earnings.

There are 20 women members in the Shri Ganesh SHG. All of them are prompt in their monthly contribution to the saving fund, which has increased from Rs.10/- since 1995 to Rs.30/- p.m. recently. Each member's saving stands at Rs.2665/-. The accounts are meticulously maintained. The SHG meets once a month.

The MRCP helped this group of women to come together and create a group savings fund. It was put in contact with a bank and learned accounts keeping through the NGO. Though the MRCP project period ended two years ago, the SHG keeps growing. It has spawned more SHGs. There is no looking back.

Urali-devachi Village Panchayat (local self-government body) building has a board giving details of a VDC. The VDCs were formed to federate SHGs in each village. However, the role of the VDC overlapped that of the village Panchayat and the taluka (county) level Panchayat Samiti. It thus became a redundant power centre. The VDCs are now largely dysfunctional and their role is effectively played by PRIs.

An SHG member's daughter from Urali-devachi married a man from Shewale wadi village a few km. away. She brought with her the concept of SHG. In the last year, 31 APL (Above Poverty Line) SHGs and six BPL (Below Poverty Line) SHGs have been started in Shewale wadi. The Block Coordinator of the NGO proudly pointed to the fact that Shewale wadi has a woman as a Village Development Officer (a government officer posted at the Village Panchayat). It helps in starting an SHG as almost all SHGs have only women members. The VDO is a young girl, possibly just out of college and enthusiastically works with the SHGs. Two of the six BPL SHGs have availed of loans of Rs.3,96,000/- each in addition to the Revolving Fund of Rs.25,000/- available to each one of the SHGs. Four of the BPL SHGs have up to half the members from the Scheduled Castes/ Scheduled Tribes communities, or the poorest of the poor. Sixteen of the APL group SHGs have





submitted the documents for linkage to funds.

The Stree Samarth SHG in Village Fursungi of Haveli taluka, Pune, has no direct link with MRCP. It is an example of the spontaneous replication of a successful developmental model. This group of 20 women started in September 2004 with a monthly contribution of Rs.50/- for the Saving Fund. It raised the contribution to Rs.100/- in January 2005. The Stree Samarth (meaning “Women’s Power”) SHG makes *pappads* (a spicy wafer eaten with the local staple food of rice and curry), chilli powder and *laddoos* (sweets made from semolina, finger millet, etc). It has procured its own flour making machine. The products are sold in retail or to the marketing network. Encouraged by the success of the enterprises in the SHG, some of its members have set up units to produce spice powders on their own.

The SHGs set up under the MRCP are not an unmitigated success. In the initial years, the NABARD, participating Banks, DRDA and NGOs were as unfamiliar with the concept of SHGs as were their potential members. No preparatory training or gestation was provided to prepare the various agencies for the field work. The selection of members for SHGs, the training of members and their organization suffered from various deficiencies. Add on schemes like sanitation, rural housing, family planning, etc., delivered through the SHG network which boosted the performance of some SHGs, were not always beneficial to the project. Some SHGs collapsed by the end of the project period, others wound up shortly thereafter.

In Urali-Devachi village, out of the 10 SHGs formed under MRCP only four survive. Four new SHGs (including one for BPL families under SGSY) have been formed in the post-MRCP period and now there are eight functional SHGs, including the highly successful Shri Ganesha SHG. In village Vadki, out of the 16 SHGs formed under MRCP, only six survive. However, the village now boasts of 38 SHGs. In village Fursungi, none of the six SHGs formed during the MRCP survives. It, however, boasts of as many as 173 SHGs (including six under SGSY) now. The village of Shewale wadi had no SHGs under the MRCP but now has 37 SHGs including six under SGSY. The SHGs in this taluka were serviced only by the Bank of Maharashtra during MRCP. Now State Bank of India and nationalized banks like Canara Bank, Bank of India, Bank of Baroda, UCO Bank and co-operative banks are servicing the SHGs.

PIDRA (Participatory Integrated Development in Rainfed Areas), an IFAD intervention in Indonesia, being implemented over an eight-year period has two phases, with the first phase from 2001-2004 and the second phase from 2005-2008. In a recent review, it was observed that there was a wide disparity in the sustainability levels of SHGs because of the different stages of their organizational development. However, there seemed to be agreement among different stakeholders (SHGs included) that few SHGs were prepared for phase-out of facilitator assistance. For example, one East Java SHG, which had made significant progress in many of the prescribed criteria, stated that it will require the assistance of the facilitator team for

another two to three years in order to address its current weaknesses.

Since the facilitator-team shall terminate its assistance to the SHGs after three years, PIDRA recruited and deployed Voluntary Community Organizers (VCOs) to work with the facilitator-team and eventually replace the latter in its facilitation role. At present, the capacity of the VCOs is still inadequate but PIDRA hopes that on-the-job training will build their capacity to acceptable levels.

SHG federations were organized in 2004 in the first 18 villages of East Java. Over time, these federations were also expected to perform a facilitation role, e.g., facilitating the sharing of experiences and expertise among member-SHG. At this time, however, these federations are just starting up. One federation has begun a group activity of distributing fertilizers and selling the agricultural products of its members but most of the others are still formulating their plans. In fact, the federations themselves will likely require various forms of technical assistance from PIDRA before they are in a position to assist in strengthening their member-SHGs, according to the assessment report.

The PCR prepared by NABARD for MRCP in India is equally revealing and indicative of the reasons for the post-project phase collapse of the MRCP institutions other than the highly self-motivated SHGs. The federating agencies, like the VDCs, were the worst affected as insufficient capacity-building or training had been provided at these levels. Basically, the project was conceived with a focus on making a large majority of BPL villagers bankable clients of commercial banks, either directly

or indirectly through village intermediaries. This component, Development of Formal Financial Services, included bank staff training, strengthening participatory rural credit planning and delivery, and credit lines, was estimated to cost US\$ 30.0 million and represented 71 per cent of base costs of the project.

On the other hand, the development of informal sector savings and credit, with banks promoting the formation of SHGs and linking them to credit programs, was expected to cost US\$ 1.7 million, or 4 per cent of base costs. This included a credit line of US\$ 1.4 million. In addition, the project would provide implementation support in the form of on-farm and off-farm enterprise training and strengthening the access of women to credit as well as project management support amounting to a total of US\$ 10.4 million, or 25 per cent of base costs. Total base costs amounted to US\$ 42.1 million. The distribution of funds was, obviously, imbalanced and heavily weighted in favor of the formal financial services while the stated objective was to create an informal source of credit for the rural poor.

Rural bank branches as credit delivery institutions have internalized a methodology of remarkably reducing transactions costs in micro lending (otherwise typically characterized by a large number of small accounts), and techniques of promoting very high repayment rates. This has made it worthwhile for the PBs to extend their client base. As a result, banks have demonstrated remarkable attitudinal change with respect to lending to the rural poor. From being excluded from the formal banking





system or, at best, reluctantly covered under Government sponsored, capital subsidy based schemes, PBs are using a cost-effective, and participatory methodology for covering hitherto excluded persons (i.e., poor, women). Bankers have also become more confident and skilled in providing rural financial services to groups and individuals. NABARD has provided 100 per cent refinance to the PBs. Two types of community institutions, i.e., VDCs for individual borrowers and SHGs for groups have proved effective in strengthening credit reception. VDCs have proved to be more an extension arm of the participating banks, and less as institutions for credit reception.

The SHG movement has caught on in other parts of India, and is now an accepted mode even for government sponsored schemes and direct bank linkages outside the Project under NABARD's refinancing. The VDC concept, however, is yet to be seen outside MRCP. Where successful, VDCs have proved capable of taking up activities for local village development for all sections of the population as part of the People's Action Plan (PAP), apart from the critical role of screening and monitoring individual borrowers on behalf of financing banks. SHGs have proved to be efficient in pooling tiny individual savings into steadily growing group common funds to provide informal credit to members. The NABARD assessment was that in villages where VDCs and SHGs have been well integrated, not only has poverty and gender focus been stronger, the VDCs themselves have also been stronger. However, the present reality is that the VDCs are hardly operational even where the SHGs are

growing in numbers and in strength. The role of the VDC is being played by the Village Panchayat, a local self-government body functioning under the Constitution of India and strengthened by the 73rd and 74th Amendments to it.

The most visible and significant achievement under the Project is a remarkable transformation in the attitude and approach of the participating banks in lending to the rural poor. Starting from a position of extreme reluctance (due largely to past experience of poor repayments under poverty alleviation schemes sponsored by the Government), bankers have expanded their client base to cover hitherto excluded sections of the population - the poor and women. The participatory MRCP methodology using the local institutions of the VDCs for screening individual borrowers and SHGs for group credit access has convinced banks that this is a cost-effective model for the growth of rural financial services. VDCs and SHGs have externalized the costs to the banks for promoting, upgrading, screening and monitoring credit recipients. The MTR/E (1997) and the last two Supervision Missions (2000 and 2001) have also documented consistent increases in credit disbursements and good repayments.

At Project completion, eight Commercial Banks (CBs), five Regional Rural Banks (RRBs) and seven Co-operative Banks were implementing MRCP through a total of 677 branches as against only four banks and 440 branches expected in the AR. Moreover, even though only Commercial Banks were contemplated originally, RRBs and Co-operative Banks

have also accounted for significant branch and village coverage. The commercial banks covered 1,086 villages through 434 branches; RRBs covered 127 villages through 74 branches and the DCCBs covered 290 villages through 169 branches. Legal hurdles in respect of SHG financing have disappeared, both for commercial and cooperative banks. Bank, branch and village coverage has been extensive. There were variations across districts in respect of branch and village coverage, ranging from a low of 26 branches and 54 villages in Gadchiroli to a high of 102 branches in Jalgaon for 124 villages and 64 branches for 215 villages in Chandrapur district.

The growth of banking services, extent (both in number of beneficiaries and amounts disbursed) of lending to SHGs and individual members of SHGs are good indicators of the progress in the build up of the primary organizations in the community (SHGs) and their linkage with resource agencies since even material and technical resources need finance. In the MRCP context, the linkage with the local government (Village *Panchayats* and DRDA) has been inevitable and may, in fact, be desirable. There is, however, a need to build up capacities in the village level organizations to federate the SHGs. Horizontal and vertical integration of production by linkage of SHGs involved in various products, including primary production, processing, packaging, grading and marketing would be indicative of progress in this sphere of linking the primary groups. Common marketing strategy for similar or related products (instead of competition) at the village level would also

be indicative of progress in linkages at the primary organization level. Concurrent monitoring and evaluation of the Project interventions has to be institutionalized. This is ideally to be carried out independently at the village, Participating Bank and NGO level and reconciled at the Block and district levels. The growth in the number of SHGs, the member strengths of each SHG, loans disbursed and finished product marketed from each village need to be monitored at monthly intervals from the records of each SHG and tallied with the loan/deposit data from the respective banks. In some districts, common marketing agencies (like Savitree in Pune District) are in place. This type of linkages can be strengthened and used to monitor progress.

The presence of an NGO, especially one linked to Banking services and with previous experience in facilitating a SHG, is an immense help. The existence of a natural leader within the village community, especially one that is willing to initiate a common enterprise with the neighbors, is useful in building up an SHG. It has been the experience that neighbors involved in a common activity are far more efficient in production of goods than likeminded persons spread over a large geographical area. Existing local organizations like the Mahila Mandal (Women's Councils) can be used to initiate SHGs in the village. The proximity of a Bank with staff sensitized to the needs of SHGs and aware of the high repayment record of such groups is beneficial. In the rural Indian context, it is beneficial if the bank has women staff to interface with the predominantly women-run SHGs. The entry of young women in the extension services





like Village Development Officers and Extension Officers has a desirable effect. The SHGs have initiated a larger role for women in village leadership and a growing number of SHG members now hold elected posts in the Panchayats in areas covered under MRCP, SGSY, NWDPR (watersheds) and other programs that promote SHGs.

The most important component for success is the desire to build SHGs and to federate them so as to have leverage in the marketing of goods and services. The enthusiasm separates the successes from the failures.

For initiating and building the primary organization/SHG, the NGO representative must study the background of the village in which the SHG is proposed to be set up and be mentally prepared to face uncomfortable questions without losing sight of the objective. It is important to know about team-building and to be able to identify leadership traits among the villagers. This person should be able to do a Strengths-Weaknesses-Opportunities-Threats (SWOT) analysis along with the potential members and to identify which goods or services could be profitably produced by the proposed group. The person must be familiar with the type of records to be maintained and with how to guide the members to maintain them. The banking norms and limits of loans should be part of the knowledge that is kept updated.

The Government official must be familiar with the Government schemes and subsidies available for various groups of

people and the norms of disbursement. This person should also be familiar with the rules and regulations (including licensing, sanitary certification, quality standards, etc.) applicable for the products proposed so as to guide the primary organization /SHG. Linkages with other agencies must be made for training, subsidies, licensing, etc.

The Banking representative must be abreast with the loan limits, interest rates for groups and individuals, permissible commissions and be able to guide the beneficiaries/loanees on the best possible options. This person should be able to evaluate the capacity of the individuals and SHGs to upscale production and loan limits to appropriate and sustainable levels and motivate the concerned persons to grow.

CONCLUSIONS AND RECOMMENDATIONS

A universal phenomenon in small-scale enterprise is difficulty in marketing due to low or irregular levels of production. The inability to sell decreases the desire to produce and slowly the enterprise dies out. Linkage between groups producing similar products or a range of products, that would attract a single type of consumer for the purpose of marketing, can help mitigate this problem. Exhibitions, fairs, common outlets and similar opportunities to display and sell products in bulk act as a great motivator for such enterprises. A partnership between the various participants, with a commensurate share in the profits, would help promote such linkages. However, some quality standards for the product, the period within

which the payment is due to the producer, and other terms of business must be clearly stated and agreed. A beginning in this has been made jointly by NGOs and the Government agency (DRDA) with the primary organizations in Maharashtra in post-MRCP period.

The MRCP has clearly demonstrated that:

- The availability of rural credit can be enhanced greatly by promoting regular savings by the target beneficiaries of the credit;
- Rural women can be trained to manage funds and keep accounts;
- Rural women are able to identify and produce goods and services for both local consumption and foreign markets, when finance is available to them;
- SHGs of 10 to 20 members are functionally sustainable after initial organizational support and identification of natural leaders;
- SHGs record exponential growth in the product range and turnover once teething problems are over;
- Entrepreneurial skills developed by the SHG members help them to set up their own enterprises for creation of goods and services;
- Financial institutions tend to have a better credit perception of SHG members for sanction of individual loans for business;
- Success stories tend to be replicated by new SHGs. However dissemination of information has been poor;
- Women's empowerment and equal access to finance and management

is enhanced by the formation of SHGs;

- Women's participation in local self-government bodies is enhanced by the development of leadership skills through day to day work in SHGs;
- Federation of SHGs does not occur spontaneously;
- Absence of organized marketing networks or federations is the biggest constraint to the growth of most new SHGs.

A budgetary provision for creating a federation, either by using existing local self government bodies or creating new ones, must be made. Suitable skills and knowledge needs to be imparted to the members thereof to give an impetus to the primary organizations during the project period and to sustain them beyond the project. A system by which the primary organizations contribute a percentage of their turnover to support the federation, or the federating body deducts a commission on goods and services marketed through it, must be put in place so that such a federation can survive without external assistance in the post-project period. A Constitution and By-laws stipulating the objectives of the federation and the method of filling up vacancies in the federation's executive body must also be in place. The federation should preferably be registered under the Societies Act, 1860, in the Indian context.

RECOMMENDATIONS

To ensure a greater degree of success in the creation of sustainable organizations of the rural poor, the pattern of assistance





followed by IFAD for MRCP needs two modifications:

- Provision for identifying a (socially, culturally and politically) suitable model for village and district/province level federating bodies for the SHGs, creating capacities (financial and organizational management), and provision of seed capital to ensure its sustainability. In the Indian context, the *Panchayati Raj* Institutions (Village and *Zilla Panchayats/Parishads*) which implement numerous federal and state government schemes for the rural poor may be best suited for this purpose once the SHGs are established; and
- Judicious allocation of funds, with the balance in favor of funding and capacity-building in the ground level implementing agencies, right from inception of the project.

PARTICIPATORY INTEGRATED DEVELOPMENT IN RAINFED AREAS

BY RAUL GONZALEZ

PROJECT OVERVIEW

PROJECT OBJECTIVES

PIDRA is a project that focuses on poor communities in rainfed agricultural areas. Drawing upon the experience of earlier development projects in Indonesia, notably the East Java Rainfed Agriculture Project, it incorporates a number of elements – including a more focused targeting strategy towards the poorest and most vulnerable – to improve upon these earlier projects.

The Project is financed through an IFAD loan of US\$23.52-million, rural poor beneficiaries' contribution of US\$665,000 (representing 10 per cent of village infrastructure costs) and Government of Indonesia (GOI) contribution of US\$3.2-million. IFAD loan proceeds are used mainly to fund the costs of project fieldworkers, provide matching grants to village Self-Help Groups (SHG), contribute to village infrastructure costs and subsidize training costs. The GOI contribution consists of the salaries of government staff involved in the Project and general overhead expenses.

The overall goal of PIDRA is the “sustained improvement of living conditions, food and income security for some 100,000 low income households in the Project area. This

goal shall be achieved through four major objectives, namely:

Development of sustainable institutions of the poor. This includes: (1) the establishment and strengthening of sustainable SHGs, which are integrated into the village organization system and recognized as legitimate representatives of the target group, thereby enabling the poor men and women who are members of the SHGs to participate in community decision making; and (2) establishing federations of these SHGs at the village and inter-village levels.

The original project target was to establish about 5,000 SHGs; this target has now been reduced by 50 per cent to 2,370 SHGs.

Strengthening of the livelihood strategies of the poor. This involves: (1) development of farming and livestock systems to provide sustainable food security, improved nutrition, increases in income and diversification of income sources; and (2) adoption of sustainable farming practices to increase productivity and preserve natural resources.

Availment and sustainable co-management by the poor of basic infrastructures and natural resources within their watershed. This involves: (1) establishment of Watershed Management Associations (WMAs) to manage natural resources in an equitable and sustainable manner; (2) establishment of Village Infrastructure Development Associations (VIDAs), whose members are drawn from the men and women members of the SHGs, to manage, supervise and maintain village infrastructures; and (3) improved access of poor men and women





to drinking water facilities, transportation, health, education and market centers.

Development of a Project support structure that is geared towards impact achievement.

This includes: (1) the recruitment of motivated, committed, qualified and trained staff to support the development of the Project's grassroots institutions; (2) effective management and coordination to ensure timely and appropriate responses by the Project to the development initiatives of the poor; and (3) a functioning monitoring and evaluation (M&E) system in support of informed decision making.

PROJECT STRATEGY

The Project has four main components as follows:

Community Development and Gender. This component seeks to establish some 2,500 sustainable SHGs (original target was 2,500 SHGs) whose members include the poorest of the poor – landless, agricultural laborers, stonebreakers, abandoned women and widows, households with high dependency rates, and other people living below the poverty line. Ten SHGs are targeted to be established in each PIDRA village.

SHGs have between 15 and 25 members and may be composed exclusively of women, of men, or by both sexes. They are meant to promote equity and ensure that, as the poor grow in confidence, they assert themselves in public institutions and in decision-making regarding the allocation of resources. SHGs can also serve as support groups to farmers, functioning as service

cooperatives to purchase commodities or market produce in bulk.

According to the PIDRA design, SHGs are assisted by NGO facilitators and government field extension workers (FEWs) for a period of three years. The facilitators and FEWs work as a team, providing assistance according to their respective areas of expertise. NGOs provide facilitation in the formation and strengthening of the SHGs, while government workers provide technical assistance in farm production and processing. Each two-person team of NGO facilitator and FEW is responsible for two villages. Specific forms of assistance include:

- Identification of target villages;
- Identification of target households;
- Formation of SHGs;
- Conduct of Participatory Rural Appraisal (PRA) to identify key problems and determine priorities;
- Conduct of participatory planning to prepare Village Annual Development Plans (VADPs) and determine priority needs for village infrastructure;
- Provision of training to build SHGs' institutional capacity and to develop individual members' skills;
- Assistance to SHGs in the conduct of participatory self-assessment to determine progress in organizational development;
- Facilitate disbursement of matching grants based on the performance and level of development of the SHG;
- Facilitate linkages between the SHGs and resource institutions within and outside the village, including functional literacy and market linkage services; and

- Facilitate the formation of federations of SHGs within a village or across villages.

Agriculture and Livestock Production. This component includes:

- *Food and cash crops development.* PIDRA encourages the SHGs to produce HYV (high-yielding variety) seeds and establish demonstration plots for nurseries, fruit and vegetable crops and marketing of these crops.
- *Livestock development.* SHG members can use their common fund to purchase chickens, ducks, goats and other small livestock. PIDRA provides training courses in vaccination, simple medical treatment, egg production and market linkages.
- *Soil and water conservation.* PIDRA utilizes micro watershed approaches in the construction of bench terraces, planting of fodder trees, multiple cropping, minimum tillage, strip cropping and others.
- *Research with farmer participation.* Beneficiary participation in research is accomplished through the formation of Farmer-Led Research Groups (FLRGs), which include representation from both men and women SHGs. Supported by research institutions, FLRGs identify research topics and locations as well as run experiments in collaboration with researchers. They are provided with funds by PIDRA to procure materials needed by the research work.

Infrastructure Development and Land Management. Village infrastructure priority


needs and projects are identified through the PRA process and in the preparation of the VADP (also known as the Village Annual Workplan and Budget). Villagers are expected to contribute 10 per cent of the cost (whether in goods, cash or labor) of village infrastructure projects.

Village Infrastructure Development Associations (VIDA) - composed of SHG representatives and village authorities- are established for the purpose of procurement, management, monitoring, supervision and maintenance of village infrastructure works. Investment priorities are decided by the SHGs and other villagers. VIDAs are expected to be the principal decision-makers in all phases of village infrastructure development.

Watershed Management Associations (WMAs) - composed of landowners and landless workers living and/or working within a micro watershed - are established to manage natural resources, thereby increasing productivity in an equitable and sustainable manner. While their membership is not based on affinity and includes the non-poor, WMAs are expected to serve as an effective forum in the articulation and resolution of conflicting interests over access to land and water.

Institution and Management Support. Coordination of PIDRA is effected through a series of committees at different levels whose operational costs and allowances are covered by this component of the Programme. This component also funds: (a) the operating costs and transport of the different GOI offices involved; (b) a comprehensive training program; (c) some





national technical assistance for community development, management; and (d) M&E. The M&E system seeks to equip implementers with the systems and tools required to collect, compile and analyze essential management and performance information. Data collection is facilitated through the appointment of a monitoring officer at the sub district level.

PROJECT COVERAGE

The Project works in 14 districts within the three provinces of East Java, NTB (Nusa Tenggara Barat) and NTT (Nusa Tenggara Timur). In East Java, there are six targeted districts, namely, Pacitan, Ponorgo, Trenggalek, Tulung Agung, Blitar and Lumajang. There are three districts targeted in NTB - Sumbawa, Dompu and Bima. In NTT, there are five target districts in NTT – Timor Tengah Utara (TTU), Timor Tengah Selatan (TTS), Sumba Barat, Sumba Timur and Alor.

The design of the PIDRA Project targets the poorest and most vulnerable villages in the 14 selected districts of the three provinces. These villages were selected using the following six criteria:

- Topography and elevation (that is, upland areas);
- More than 75 per cent rainfed;
- High incidence of poverty (measured by proxy indicators, e.g., few television sets);
- High number of women-headed households;
- Non-availability of village infrastructure (particularly, roads and water systems; and

- High incidence of out-migration of residents, e.g., to other villages, urban areas, or even abroad.

The original project design targeted a total of 500 villages, broken down as follows: East Java, 225 villages; NTB, 75 villages and NTT, 200 villages. This target has now been reduced by 50 per cent to 237 villages as follows: East Java, 99 villages; NTB, 44 villages; and NTT, 94 villages.

A baseline study of 112 villages in 14 districts in three provinces targeted in 2003 was conducted by PT. Alpindo Arga Cipta-Jakarta from July to November 2003. Following are the major findings of the survey:

- Asphalt roads have reached the capital of the sub district but the roads to the targeted villages are still earthen roads that are passable by motorcycles and cars. Clean water facilities are available in the targeted villages but these are limited, especially in the dry seasons. Most of the villages in East Java have electricity but not in NTB and NTT;
- There are more women than men in East Java villages but the population of men and women in NTB and NTT are equal;
- Poor households average about 66 per cent of the population in the target villages. Average poverty incidence is highest in NTT at 84 per cent while in East Java and NTB, poverty incidence is 48 per cent and 66 per cent, respectively. Poverty incidence is lowest in the Lumajang district of East Java at 26 per cent and highest in the Alor district of NTT at 95.7 per cent;

- The age of respondents in East Java ranges from 30 to 40 years old and in NTT, from 30 to 40 years. In NTB, most of the respondents were over 50 years old;
- Most of the respondents are elementary graduates. In several locations, dropouts of elementary schools are high and it is not uncommon to find that some respondents have never had formal education. The percentage of the latter is 29 per cent in Tulungagung (East Java), 29 per cent in Bima (NTB), and 50 per cent in TTU (NTT);
- The dominant source of income in the community is farming (agriculture and livestock). Farmers also engage in part-time work as traders, carpenters, factory labor, estate labor, etc.;
- In East Java (66 to 82 per cent) and NTT (66 to 82 per cent), respondents' houses have earthen floors; in NTB (66 to 82 per cent) have floors made of wood or bamboo as they live in stage houses;
- The type of food that the poor usually eat is cassava (East Java), rice (NTB) and maize (NTT);
- The agriculture land condition is dominated by dry and with rainfed paddy field and dry farm lands;
- Average wage per eight-hour day is as follows: East Java, IDR 8,000-20,000; NTT, IDR 5,000-10,000; NTB, IDR 10,000-20,000 for men and IDR 2,500-20,000 for women;
- In East Java and NTB, the prevailing daily wage rate is higher than the minimum wage set at the province and district but in NTT targeted

villages, the prevailing wage is lower than the legislated wage rate.

PROJECT STATUS

PIDRA is being implemented over an eight-year period in two phases, with the first phase from 2001-2004, and the second phase from 2005-2008.

According to the PIDRA design, the following conditions must be achieved in order to move the Project from Phase 1 to Phase 2:

- The equivalent of SDR5,370,000 shall have been disbursed by IFAD from the loan account;
- 75 per cent of SHGs formed by the project shall have been assessed as sustainable in an independent study undertaken by a university agreed to by the Borrower and IFAD;
- All progress reports shall have been submitted on a timely basis to IFAD;
- IFAD shall have determined, based on criteria set forth in the MOU and after consultation with the Borrower, that satisfactory partnerships shall have been established by the Lead Programme Agency with each of the Lead NGOs and District NGOs; and Implementation Agreements, approved by the fund, shall have been entered into by the Lead Programme Agency and said NGOs in respect of Phase 2 activities;
- Micro watershed management systems shall have been adopted by at least 25 per cent of the villages targeted for Programme intervention; and





- The Borrower and IFAD shall have agreed to any adjustments to Programme activities and modalities recommended by the Mid Term Review, and, if requested by IFAD or the Borrower, the Loan Documents shall have been amended accordingly.

Phase 2 shall focus on the economic development of the SHGs (in particular, microfinance development and linking SHG enterprises with markets) and infrastructure development for the villages.

Phase 1 ended in 2004. Protracted negotiations between the Ministry of Agriculture and IFAD are nearing completion and Phase 2 is expected to be on stream by the second quarter of 2005.

IMPLEMENTATION ARRANGEMENTS

The Agency of Community Empowerment and Food Security of the Ministry of Agriculture is responsible for the implementation of PIDRA. At the national level, a National Programme Office, headed by the National Coordinator, assumes responsibility for overall coordination, monitoring and evaluation, training and advice to provincial and district management, administration of the national-level budget, and liaison with IFAD and reporting. The national office is also responsible for the formulation and planning of policy for the approval of the Project Steering Committee (PSC).

The Provincial Government has established and maintains a Provincial Coordination Office (PCO) in each of the three target

provinces. The PCO coordinates Project implementation among the districts of the province, prepares and administers the provincial budget, monitors and evaluates provincial implementation and prepares implementation and financial reports for the National Programme Office. The PCO is also expected to analyze data, and provide feedback and direction to district management.

According to the draft Medium-Term Review (MTR) report, the performance of the three PCOs in this area is mixed, with NTB falling far short of expectations. The MTR report also noted that the PCOs need to upgrade their training capacity in gender, watershed management and M&E.

Project operations at the district (“kabupaten”) level are the responsibility of a District Management Office (DMO), which was established by the District government and is headed by a District Manager. The DMO is responsible for the management of all PIDRA activities within the district, contracting of Implementing Agencies, coordination of all Implementing Agencies (including district implementing NGOs), preparation of the district Annual Workplan and Budget (based on the SHG plans and VADPS received from the target villages), and disbursement of funds to the SHGs and villages. The District Management Office also supervises the government field extension workers and FEW coordinators who provide technical assistance to the target villages and groups.

The draft MTR report noted that the skills of DMO staff need to be upgraded to cope with the increasing requirements of PIDRA,

particularly in data analysis. Many DMO staff members also perform other jobs that reduce their time for visits to the villages where decisions are taken. There is also a serious lack of technical support for construction activities in the watershed areas and for infrastructure subprojects. DMOs also do not provide adequate support to Implementing NGOs, e.g., in providing vehicles for NGO staff and funds for training of village institutions.

NGOs are involved extensively in PIDRA with three NGOs – Bina Swadaya, PPSW and Annisa – actually involved in the design of the Project. A Lead NGO, operating at the provincial level, is responsible for the coordination of district NGO operations and provision of community development advice. In PIDRA Phase 1, the three provincial lead NGOs were: PPSW (Center for the Development of Women’s Awareness) for East Java, YSM (Center for the Self-Reliance of the Community) for NTB and Bina Swadaya for NTT. All three were selected through an open bidding process.

There were 14 Implementing NGOs contracted for Phase 1, one each for the 14 target districts of PIDRA. Implementing NGOs were chosen by a Selection Committee whose members included the Provincial Coordinator, District Manager and the Provincial Lead NGO. The most important criteria for the selection of Implementing NGOs were experience and expertise in community development and gender. Each Implementing NGO has an NGO Coordinator assigned at each district to supervise the work of NGO facilitators in the villages. NGO facilitators, working with government FEWs, have a workload

of 20 SHGs (10 per village), two WMAs and two VIDAs.


Both Provincial Lead NGOs and Implementing NGOs were awarded multi-year contracts for the entire duration of Phase 1. The performance of the contracted NGOs has been mixed. The draft Medium Term Review (MTR) report stated that only the Lead NGO in East Java performed creditably, with the Lead NGOs in NTT and NTB performing below expectations. While all Implementing NGOs in East Java were rated as either good or average, this was not the case in NTT and NTB.

One contentious issue was the ascension of NGO leaders into government positions. In NTB province, for example, PIDRA project performance declined in the districts where such initiatives of NGO leaders occurred. The draft MTR recommended the need for PIDRA to take a policy decision on this issue.

Other NGO weaknesses cited by the East Java provincial office involve the limited NGO understanding of the internal financial management of PIDRA and the difficulties faced by Implementing NGOs in following prescribed PIDRA formats. To address this problem, PIDRA recruited an external auditor to audit the performance of the NGOs, including their financial management practices.

The guidelines for selection of Provincial and Implementing NGOs in Phase 2 are still being finalized; however, it is clear that NGO selection shall be done in accordance with existing government procurement rules and regulations. Given the poor performance of Lead NGOs in Phase 1, questions have





been raised whether the Lead NGO mechanism shall continue to be a feature of PIDRA Phase 2. On the other hand, the District NGO mechanism shall continue to be a feature of Phase 2 but the focus of their work will shift from organizational capacity building to provision of technical assistance in microfinance and microenterprise. For this reason, there may be a new set of District NGOs hired in Phase 2. It should be remembered that, in Phase 1, District NGOs were selected because of their community development and gender expertise, and not for their microfinance and microenterprise skills.

FORMATION OF RURAL POOR ORGANIZATIONS/COALITIONS

ORGANIZATIONS TO BE FORMED

The original PIDRA design envisioned the establishment of four village institutions, i.e., SHGs, VIDAs, and WMAs. The fourth institution is the Federation of SHGs, which may involve the SHGs within a village or among a number of villages.

A proposed modification to be introduced in Phase 2 is the merger of the VIDA and WMA into one institution (the Village Development Association, or VDA). This will reduce the number of village-level institutions to two: the SHG federation and the merged VDA.

FORMATION PROCESS OF SELF-HELP GROUPS AND FEDERATIONS

The formation of SHGs and Federations in PIDRA is expected to take place in three phases over a 36-month period.

Phase 1: Tumbuh (Growth) - 12 months

SHGs are formed on the basis of *affinity*, the traditional social and institutional capital of the villagers. Membership in an SHG is also limited to villagers with the same level of poverty. Initial activities of SHGs include training on the conduct of meetings and group planning, holding of reflection sessions to enable the members to recognize their strengths and weaknesses, holding of regular meetings, and the start of a savings program.

SHGs are expected to achieve the following during Phase 1: (a) fixed membership; (b) group name; (c) regular meetings; (d) engage in a savings program; (e) maintain organizational books (attendance book, minutes of meetings book and savings book) and (f) have a set of leaders who understand their roles and responsibilities.

Phase 2: Kembang (Expansion) – 12 months

In this phase, the group continues its savings program and begins a credit program to disburse loans to members in need. Members are expected to comply with the group's rules and regulations on credit. Sanctions are imposed on erring members.

Group meetings are held regularly, e.g., once a week. Leaders are encouraged to start sharing their knowledge to other members as rotation and election of new leaders is expected to take place.

Group booklets – membership, minutes, savings, credit, passbooks of individual members and cash book – are updated by leaders assisted by literate members.

Functional literacy training may be initiated for illiterate members during group meetings. Gender training will also be provided to all members in order to address gender problems. If necessary, PIDRA village facilitators will make home visits to members of the women's groups whose husbands are not happy with their wives joining the groups and explain the benefits to the family if the wives join the groups.

The group may also initiate collective works to clean or improve public facilities in the village, e.g., drainage, access road, etc. Groups may also decide to address their environment problems, e.g., by managing their watershed, replanting more trees, etc.

Twelve months after its formation and every six months thereafter, an SHG is assessed to determine whether its performance merits the receipt of a matching grant from PIDRA. The matching grant shall be in proportion to the common funds of the SHG, which includes savings, interest from loans, voluntary contributions, fines and external donations.

According to the original PIDRA design, the amount of matching funds is calculated as a multiple of the group common fund, which consists of voluntary and compulsory savings, interest income from internal loans, fines, contributions from members and profit gained through group activities. Budget constraints, however, forced the Project to limit the amount of matching funds to a 2-3-3 formula, that is, a maximum of IDR 2-million for the first round of matching funds, IDR 3-million for the second round and IDR 3-million for the third round. There are also

slight variations in the amount of matching funds across provinces and (even) districts.

SHGs are expected to achieve the following during the course of Phase II:

- Group is able to manage its savings, credit disbursement and credit repayment
- Group common fund increased because of members' participation in savings and credit activities
- Credit repayment is at 95 per cent
- Attendance at group meetings is not less than 80 per cent;
- Members are more skillful at holding group meetings and solving problems, including internal conflicts. Functional literacy classes are being held for illiterate members;
- Group members are more confident in joining public activities, including helping to resolve conflicts in the village;
- Group has come in contact with government and other institutions;
- Group has started to contact banks or other financial institutions to get group loans;
- Women-members are able to participate in public activities in the village;
- Some members of the group are given internship training in preparation for taking over SHG leadership when rotation takes place.

Phase 3: Penyapihan (Self-Reliance or Graduation) - 12 months

Phase 3 focuses on upscaling microfinance and micro enterprise activities. A major





emphasis is the provision of quality assurance and market linking services for villagers' products. Training in off-farm livelihoods shall be provided by facilitators, consultants or skilled community members.

PIDRA will evaluate the capacities of the SHGs to determine which of these can already be linked to banks or other financial institutions. Other SHGs with capacities that are below expectations shall be provided with further training. It is expected that all SHGs will eventually be linked to banks or other financial institutions for their credit needs.

In Phase 3, SHGs shall also be encouraged to form associations or federations. These federations can either be: (a) within one village, e.g., 10 groups in a village come together for bulk buying of raw materials or marketing of their products; (b) involve a number of villages, e.g., SHGs from different villages coming together.

Role of the Facilitator Team. The PIDRA design envisioned that the facilitator team would play a dominant role in Phase 1. During the course of Phase 2, the facilitator-team would slowly reduce its involvement, particularly with the recruitment and deployment of Volunteer Community Organizers (VCOs) from among the residents of the village. By the end of Phase 3, the facilitator-team was expected to withdraw completely; at that time, its role in assisting the SHGs would be taken over by the VCOs and the SHG federation that would have been organized.

THE PROVISION OF MATCHING GRANTS AND SHG ASSESSMENT

Improvements in SHG performance are rewarded by the provision of annual grants to augment the group common fund. In Phase 1, matching funds were provided after the first 12 months of operation of an SHG and every six months thereafter. SHGs formed in 2001 have already received three matching grants.

According to the original PIDRA design, the amount of matching funds is calculated as a multiple of the group common fund, which consists of voluntary and compulsory savings, interest income from internal loans, fines, contributions from members and profit gained through group activities. Budget constraints, however, forced the Project to limit the amount of matching funds to a 2-3-3 formula, that is, a maximum of IDR 2-million for the first round of matching funds, IDR 3-million for the second round and IDR 3-million for the third round. There are also slight variations in the amount of matching funds across provinces and (even) districts.

The provision of matching funds is preceded by an assessment, which is undertaken jointly by the SHG and Implementing NGO using the following 16 criteria:

- Vision and Mission;
- Economic Status of Members;
- Meeting Frequency, Time and Place;
- Members' Attendance at Meetings;
- Participation of Members in Sharing Responsibilities;
- Rules and Regulations;
- Savings;
- Sanctioning of Loans;
- Loan Repayment;

- Rotation of Common Fund, Cash Handling and Idle Funds;
- Resource Mobilization;
- Bookkeeping, Audit and Documentation;
- Training Programs;
- Planning, Implementation, Monitoring and Evaluation (PIME);
- Participation in Decision Making;
- Credit Plus Activities.

The performance of an SHG for each criterion is given one of three grades: 3(Good), 2(Average) and 1(Poor). The highest possible score is 48 (16x3), which is equivalent to 100 per cent.

If an SHG receives an overall score of 80-100 per cent, it is given a rating of *Good*. If the score is between 50-79 per cent, the SHG receives a rating of *Average*. Finally, if the score is below 50 per cent, the SHG is given a rating of *Poor*. Only SHGs that receive ratings of good and average are provided with matching grants.

There are ongoing attempts to improve the community-based monitoring system of the Project. Through workshops and field tests, PIDRA management has worked with some SHGs in the formulation of PSME (Participatory Self-Monitoring and Evaluation) tools. PSME-1, which is the most widely utilized tool at present, is used to assess the SHG for the matching grant. PSME-2 is used to monitor the financial performance of the SHG, in particular the income and expenses of its common fund. Finally, PSME-3 is used to determine changes in members' welfare conducted by SHGs. The second and third tools are not yet being used extensively in the field, especially in East Java, which uses its own tools.

ASSESSMENT PROCESS FOR WMA AND VIDA

In East Java, Watershed Management Associations (WMAs) are assessed in a similar way, using a slightly different set of 11 criteria. These criteria are as follows:

- Clarity among the members on the purpose of forming the WMA;
- Membership – representing SHGs, women, local government and local leaders;
- Meeting frequency;
- Attendance of the members in meetings;
- Rules and regulations;
- Participatory decision making in planning and implementation;
- Bookkeeping – attendance register, minute book and cash book;
- Availability of base data on the watershed (treatment plan, watershed area map and cadastral map);
- People's contribution towards the program;
- Training program;
- Quantum of funds received from PIDRA, community and others.

The performance of an SHG for each criterion is given one of four grades: 4(Good), 3(Average), 2(Poor) and 1(Very Poor). The highest possible score is 44 (11x4), which is equivalent to 100 per cent.

If a WMA receives an overall score of 80-100 per cent, it is given a rating of *Good*. If the score is between 50-79 per cent, the WMA receives a rating of *Average*. If the score is between 30-49 per cent, the SHG receives a rating of *Poor*. Finally, if the score is below 29 per cent, the WMA is given a rating of *Very Poor*.





Village Infrastructure Development Associations (VIDA) are also assessed, although they are not graded. VIDAs are assessed in the following 15 areas:

- Purpose;
- Membership (men, women, SHG and WMA);
- Meeting frequency;
- Attendance;
- Participation in Village Development Plan (who and how);
- Decision making and conflict resolution process (who and how);
- Implementation (who and how);
- Mode of payment (who makes payment);
- Fund flow process to VIDA to final beneficiary;
- Books and documentation (types of books and persons responsible);
- Roles and responsibilities of members, representatives and signatories;
- Linkage/Mobilization (what and whom);
- Rules and Regulations (what and how);
- Training (what);
- Systems evolved for management of structures.

PROGRESS IN THE DEVELOPMENT OF SHGs

PIDRA has employed a phased strategy in working with its target villages. In East Java, for example, Project entry into the 99 target villages was implemented according to the following schedule: 18 villages in 2001, 42 villages in 2002 and 39 villages in 2003. Organization of the 10 target SHGs within

the village was also conducted on a phased basis, that is, four SHGs are organized in the first year, four SHGs in the second year and two SHGs in the third year. Because of this mode of implementation, the SHGs that have been organized by the PIDRA project have different years of existence and are in different stages of organizational development.

In 2004, village federations of SHGs were organized in the 18 East Java villages first targeted by the Project in 2001. In this aspect, PIDRA implementation in East Java is slightly ahead of the two other provinces; NTT and NTB have not yet established SHG federations in their respective first sets of targeted villages.

The experiences of these first 18 villages in East Java are instructive as they may forecast what is likely to occur in the other 219 villages targeted by the Project. It is important to note that, according to the organizing framework of PIDRA, these SHGs should already have achieved sustainability and the facilitator-teams can now phase out as they are now in their fourth year of existence.

The experience and current status of this first set of villages and SHGs is summed up as follows:

Strengths. The development of the SHGs has been impressive. Their strengths include:

- A self-help culture prevails among SHGs because of the strong commitment and sense of ownership among members;

- There is strong affinity among SHG members as evidenced by the low fall-out rate: only 10-15 per cent of members have left SHGs;
- Group meetings are held on a regular basis, either weekly or twice a month;
- Meetings are well-attended with members' attendance ranging from 82-98 per cent;
- The SHGs already possess many characteristics of a functioning institution – articulated goals, plans, activities, operating systems, etc.;
- Gender awareness is high. There is a trend towards women becoming more involved in village meetings, planning and leadership positions, although the percentage is still small. There has also been some progress in husband-wife sharing of household decision-making and work;
- A strong savings culture has been implanted;
- Loan repayments are at a satisfactory level. In one East Java SHG, only IDR2.7-million was delinquent out of a current loan portfolio of IDR18-million, for an 85 per cent repayment rate;
- A satisfactory mechanism for the assessment of SHG progress is already in place, although improvements can still be made and the SHGs still need assistance in the use of the assessment tool;
- The livelihood activities of the members appear to be generating income for the households; and
- The common funds of the SHGs are increasing. One East Java SHG, which has 29 members, has already accumulated a common fund of

IDR19.5-million, which translates into over IDR670,000 (US\$74) per member. This represents a significant amount of savings in a country like Indonesia where the average monthly wage of a factory worker is only IDR750,000.

Areas Needing Improvement. On the other hand, the assessment results of a sample of SHGs in East Java identified the following areas needing improvement:

- To date, none of the SHGs has managed to access loan funds from banks or financial institutions. PIDRA remains the only funder of SHGs. Accessing credit for SHGs from banks and other financial institutions is a major thrust of PIDRA Phase II;
- Most SHGs still need to improve their internal audit systems, particularly in three major areas: (a) changes in members' welfare; (b) monitoring of the SHG common fund; and (c) determining the profits from group businesses. PIDRA will install an external audit mechanism to assist SHGs in Phase II;
- The quality of bookkeeping in many SHGs remains poor. Part of the problem is that SHGs need to maintain many books, in some cases, as many as 10 in NTT, 7-nine in NTB and 12 to 18 in East Java; and
- Certain aspects of the loan program need to be fine-tuned, in particular, loan interest rates and loan repayment periods. At the minimum, loan interest rates should be higher than bank rates; also, loan repayment periods should be related to the cycle of the debtor's microenterprise. Some SHGs have not





incorporated these rules in their credit policies.

- Some linkages have been established with the local government, particularly, village government leaders. However, more effort is required in building linkages with the higher levels of local government, that is, sub-district, district and province. Again, this is expected to be a major thrust in PIDRA Phase II.
- A final issue is leadership succession. Many SHGs still prefer to rotate leaders to different positions instead of effecting a real change in leadership.

Prospects for Sustainability. Because of the different stages of organizational development of the SHGs, there is wide disparity in their sustainability levels. However, there seems to be agreement among different stakeholders (SHGs included) that few, if any, SHGs are prepared for phase-out of facilitator assistance. For example, one East Java SHG, which has made significant progress in many of the abovementioned criteria, stated that it will require the assistance of the facilitator team for another two to three years in order to address its current weaknesses.

Since the facilitator-team shall terminate its assistance to the SHGs after three years, PIDRA has recruited and deployed VCOs to work with the facilitator-team and eventually replace the latter in its facilitation role. At present, the capacity of the VCOs is still inadequate but PIDRA hopes that on-the-job training will build the capacity of the VCOs to acceptable levels.

SHG federations were organized in 2004 in the first 18 villages of East Java. Over time, these federations are also expected to perform a facilitation role, e.g., facilitating the sharing of experiences and expertise among member-SHGs. At this time, however, these federations are just starting up. One federation has begun a group activity of distributing fertilizers and selling the agricultural products of its members but most of the others are still formulating their plans. In fact, the federations themselves will likely require various forms of technical assistance from PIDRA before they are in a position to assist in strengthening their member-SHGs.

PROGRESS IN THE DEVELOPMENT OF WMA AND VIDA

Watershed Management Associations.

Adoption of micro watershed management systems by at least 25 per cent of the PIDRA villages is a precedent condition for Phase 2 of the Project. Hence, this target was reviewed in detail by the MTR team. The MTR reported that, while WMAs have been formed in over 80 per cent of the target villages, they still have a long way to go before they can play an effective role in watershed management. The activities implemented to date are those that will have an impact on the livelihood base of the people, e.g., planting of trees that yield candle nut, tamarind and fruit trees as well as of fruit trees that will have an impact on the natural resource base due to the increased tree cover, which reduces erosion and increases percolation. The MTR team felt that, based on the experience of other countries, this is a normal reaction, i.e., that it takes time for people to develop an

integrated vision of watershed management and expand their efforts to common lands and waste lands in the upper levels of the watershed.

Village Infrastructure Development Association. The Supervision Mission in 2003 had reported that: (a) villagers are not aware of the functions of a VIDA; (b) where VIDAs are formed, many are controlled by village authorities; and (c) PIDRA's infrastructure investments are substituting the government's own resources.

The MTR team had a similar negative view, citing the following deficiencies in the performance of the VIDAs:

- They consider their main function to be the implementation of the PIDRA Infrastructure component. There is no long-term vision and, related to this, no plans for maintenance of the infrastructure (with the exception in two or three cases of drinking water supply projects);
- VIDAs continue to be dominated by village elites and it is unlikely that this situation will change in two to three years;
- Minutes and cash books are not maintained properly and the book writers in each VIDA have not been trained properly; and
- The village plan made by the VIDA with PIDRA support has been done independently of the official village plan and has therefore not been incorporated into the District Plan.

Because of the above, the MTR recommended that Project Management revisit the relevance of the VIDA as an institutional component of the PIDRA design.

The MTR team also recommended that, during Phase 2, PIDRA should shift its focus to the village institutions that actually prepare the village official plans so that these will reflect the priorities of the women and the poor. To achieve this objective, there should only be one planning exercise involving all village families as well as the government staff who provide technical support.

KEY FACTORS IN BUILDING ORGANIZATIONS/COALITIONS

WITHIN PIDRA PROJECT

Organizing Strategy. In retrospect, the original organizing strategy of PIDRA may have been overly ambitious, particularly in its expectations regarding SHG sustainability and facilitator phase-out after three years.

It is possible, of course, that the experience of the Project in the first 18 villages represents its learning curve and that there now exists some potential to accelerate the process. When asked if he would do anything differently, given the benefit of experience and hindsight, the East Java Provincial Coordinator proposed the following modifications: (a) that facilitators be required to live in the villages for more timely response to problems; (b) that SHG meetings be held weekly; (c) that training programs be provided, not on the basis of a sequenced curriculum, but on the actual needs of the target audience. *(Note: In Phase 1, all capacity-building training was completed first before technical training was conducted.)*





It is possible that the above measures may accelerate the capacity-building process. It remains to be seen, however, whether these modifications will actually result in facilitator phase-out after a three-year period. The end-result, after all, depends not only on the quality of the interventions of the facilitator team but also (and perhaps more important) the absorptive capacity of the recipients, which, in this case, are rural communities consisting of the poorest and most vulnerable households.

It is also important to note, as stated in the draft MTR report, that “to be effective and sustainable, the SHG strategy needs to be supported by good governance and official policies and practices that enable the SHGs to establish direct linkages with financial institutions on their own terms and relations with the private and public sectors that provide support services, including information and marketing”.

Resources for Capacity-Building of Village Institutions. The PIDRA budget has allocated funds to cover the costs of facilitator teams for three years. Since SHGs are unlikely to be ready for facilitator phase-out after this period, PIDRA will need to identify resources to continue facilitator support to the SHGs in the coming years.

Fortunately, it is likely that the same operating mode – that is, the use of NGO facilitators and government FEWs to provide assistance to SHGs - will be adopted in Phase 2. Even if the bulk of this assistance will now be focused on microfinance and microenterprise, the facilitator teams can continue to assist SHGs to address their identified weaknesses in organizational

capacity, e.g., inadequate internal audit systems, poor bookkeeping, leadership development, etc.

It may also be possible for PIDRA to shift some resources that are meant for microfinance and microenterprise development to address the capacity-building of the SHGs.

WITHIN IFAD ADMINISTRATIVE SET-UP

IFAD monitors PIDRA primarily through regular supervision missions (three missions since start-up) undertaken by teams made up of IFAD staff and consultants that come from both outside and within Indonesia. Visits by the IFAD CPM to the Project are done on an as-needed basis.

Supervision missions are useful in identifying and focusing on key implementation issues. It is also possible that, in some instances, Central Project Offices use supervision missions as a means of getting more objective data than can be obtained from the project’s own internal reporting and monitoring system.

At the same time, however, because of the community-driven nature of PIDRA, IFAD should consider establishing an in-country presence for more intensive monitoring and supervision of the Project.

Community-driven development (CDD) projects, such as PIDRA, present special challenges for donor supervision. First, while they share many design features, CDD projects are not homogenous. Rather, they comprise a range of projects with different institutional arrangements, methodologies

and rules. Second, CDD projects typically finance large numbers of subprojects located in geographically-dispersed communities, many in remote areas that have poor access and communications. Third, unlike traditional investment operations that typically consist of a much smaller number (but larger-value) of financial transactions, CDD operations involve literally thousands of small value transactions.

Fourth, CDD operations involve many actors: the beneficiary communities which themselves actively plan and execute the subprojects for their benefit; government agencies at central and sub-national/local levels, village-level institutions such as political and administrative committees, NGOs, and the private sector.

Fifth, unlike traditional investment operations that have specific, well-defined activities and relatively fixed implementation plans, CDD operations are typically demand-driven with “menus” of eligible activities, and where learning and continuous adaptation are essential elements of project design.

For the above reasons, CDD projects require intensive and continuous supervision, especially during those periods when community mobilization and capacity building activities are at a maximum. An in-country mechanism is the most cost-effective way for a donor to undertake continuous supervision.

Another set of issues in CDD projects involve the performance and capacity-building of key government implementing agencies at various levels. Performance monitoring requires agreement and compliance

between implementing and cooperating agencies on various service standards or benchmarks for various operational activities (e.g., processing and approval of subprojects, release of funds, provision of technical assistance, etc.). Assessment of performance against these benchmarks has been helpful in focusing attention on key bottlenecks and stimulating the search for solutions. An IFAD in-country supervision mechanism can play a key role in performance assessment and resolution.

CHALLENGES FOR THE PIDRA PROJECT

As it enters Phase 2, the PIDRA Project faces a number of important challenges.

MANAGING THE DEVELOPMENT OF VILLAGE INSTITUTIONS

There are two important challenges facing PIDRA as it manages the further growth and development of village institutions.

The first major challenge is to address two issues of SHG sustainability and facilitator phase-out. The two issues are so intimately linked that they may be considered as mirror images. In other words, an SHG (and SHG federation) sustainability plan (which is prepared from the perspective of the SHG) is the basis of a facilitator phase-out plan (which is, in turn, prepared from the perspective of PIDRA).

Formulating the SHG sustainability plan (and facilitator phase-out plan) should be the result of a *negotiated process* between the





concerned SHGs and facilitator teams. It must be pointed out that a meaningful negotiation between the SHGs and facilitator is possible only now because the SHGs have already achieved a certain level of organizational maturity. It was certainly not possible in 2001 when the SHGs had not even been formed.

The first step in this negotiation is to define the specific indicators for SHG sustainability. To ensure commitment from the SHG members, these indicators must be drawn from the Vision and Mission statement of each SHG.

The PSME-3 tool, which was developed to evaluate the achievement of SHGs, is a good starting point. However, the indicators listed in this tool must be re-worded to reflect the vision and mission as articulated by the SHG.

For example, *Figure 1* (see next page) is the graphic representation of the vision and mission of an East Java SHG. Put in words, the vision and mission of the SHG is as follows:

- Our members are mostly farmers. We want our farms to be productive;
- We want our members to engage in livestock raising (goats, sheep, chicken and cattle);
- We want a good road in our village so that transportation is improved;
- We want to form a cooperative so that we can access resources from higher institutions and find good markets for our products;
- We want to establish communication facilities so that we can sell our products to other villages and towns; and

- We want our families to be healthy and to live in nice houses.

Many of these aspirations can be found in the indicators listed in the PSME-3 tool, particularly in Sections 2 (Economic Performance), 3 (Technical Operation and Management) and 4 (Financial Operation and Management). The negotiating process can broaden the vision and mission to include indicators from the other sections of PSME-3. In fact, there is need to develop new indicators for: (a) the sustainability of the SHG's microfinance operations; and (b) the sustainability of the SHG federation. After all, the federation itself must be sustainable if it is to replace the facilitator team in providing technical assistance to the SHGs.

It must be emphasized, however, that the vision and mission must be expressed in words and pictures that the SHG members can identify with and are rooted in their experience. Otherwise, there may be no buy-in and commitment to the vision.

Once the SHG and facilitator-team have agreed on the vision and mission of the SHG, the next step would be to develop a plan of action to achieve this vision. Progress towards this vision could then be assessed on a regular basis.

The SHG sustainability plan would then be the basis for the phase-out plan of the facilitator team.

It is important to document the process and results of the negotiations between this first set of SHGs and the facilitator teams. These can serve as models in later negotiations between other SHGs and the PIDRA Project.

Figure 1. Vision and Mission Statement of the Taruma Bati Sejahtera SHG



The second major challenge involves managing the relationship between the proposed VDA (the merged organization of the VIDA and WMA) and the SHG federation. While it is true that the two organizations will have different mandates, the fact that they will both operate at the village level may give rise to overlaps in function and possible tensions related to “turfing” issues and personality conflicts.

Still and all, reducing the number of village organizations from three to two, i.e., the SHG federation and the VDA, should be seen as a positive development as it will reduce the potential for overlaps and conflicts between organizations.

PIDRA may wish to consider the possibility of merging the WMA with the SHG federation. After all, both the SHG and WMA

share a common function of credit and there are known overlaps at the membership level. There is less common ground between the WMA and the VIDA, since the main concern of the latter is infrastructure development and maintenance.

LINKING SHGs WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

It is unlikely that private Indonesian banks will be interested to provide funds to the SHGs. The only likely candidate for linkage is the government’s Bank Rakyat Indonesia (BRI). To access funds from BRI, however, SHGs will need to register themselves as cooperatives. If this option is taken, a major issue will be the type of cooperative to be organized among the SHGs.





For example, should the SHG become a *primary* cooperative while the SHG federation becomes a *secondary* cooperative? Asian experience suggests that primary cooperatives with small memberships (an SHG has between 15 and 25 members) have poor prospects for long-term survival.

Or should the SHG federation transform itself into a primary cooperative whose member-households are all the members of the SHGs? If this option is taken, how can the affinity bond between members of the individual SHGs be maintained?

Another option being considered by PIDRA is for the SHGs/federations to establish their own bank. This is a growing trend among microfinance institutions in Asia, in large part because of the inspiring success of the Grameen Bank. A comprehensive feasibility study will need to be undertaken if this option is chosen by PIDRA.

Another challenge is building up the capacity of PIDRA in microfinance and micro enterprise. It should be remembered that the primary criterion in the selection of Implementing NGOs was their experience and expertise in community development and gender relations, not microfinance. Should PIDRA procure microfinance expertise separately from the Implementing NGOs? Where can this expertise be found?

LINKING WITH THE PRIVATE SECTOR FOR PRODUCT AND MARKET DEVELOPMENT

Since there are few NGOs with business expertise, PIDRA should consider linking directly with the private sector to facilitate

product and market development for SHG entrepreneurs. With the advent of “corporate social responsibility”, a number of viable partnership models have emerged between progressive business entities and rural and urban poor producer groups. The partnerships between business entities and small producer groups (who act as their suppliers) are based on principles of fair trade and equity. The challenge to PIDRA is how to replicate these experiences at the local level, between the SHGs in the villages and private businesses operating in these local areas.

ENSURING COMMON UNDERSTANDING AND APPRECIATION OF PIDRA’S KEY PRINCIPLES AND STRATEGIES AMONG ALL PROJECT STAKEHOLDERS

Given the possibility of changes in Implementing NGOs (and even government officials) in Phase 2, PIDRA must develop a mechanism to ensure that all project stakeholders have a common understanding and appreciation of PIDRA – its key principles, goals, objectives and operating strategies.

In this regard, the plan of the East Java Project Office to hold regular stakeholder meetings at the village, sub-district, district and provincial levels should be encouraged and supported. The plan should also be adopted in the NTT and NTB operations of PIDRA.

These stakeholder meetings will serve as venues for the sharing of experiences and lessons learned among SHG representatives, facilitator teams (NGO and government) and staff of the PIDRA project offices at the district and provincial levels. In particular,

stakeholders will be able to do joint analysis and document reasons why particular approaches work, or do not work, in various contexts.

PIDRA may also wish to consider holding one national learning meeting in each of the remaining years of the Project. The aim of this national meeting shall be to synthesize findings and summarize key lessons, including successes and failures and the general and specific applicability and limits of particular approaches. Since PIDRA already holds annual national meetings, e.g., the National Technical Planning Meeting and the Steering Committee Meeting, it may simply be a matter of expanding the membership of these meetings to include community representatives and other stakeholders.

DEVELOPING MODELS FOR GREATER LOCAL GOVERNMENT ENGAGEMENT

While formal village leaders have participated (the MTR report has used word “dominated”) in the village infrastructure component of PIDRA, more effort is required to link the village government to the Project. The MTR recommendation for PIDRA to collaborate with those village institutions that are actually responsible for preparing the official village development plan is a good first step. This may result in village plans that have been prepared in a participatory manner, reflect priority needs of vulnerable groups and are incorporated into sub-district and district development plans.

However, expectations of local government support of PIDRA infrastructure projects should be tempered. While the MTR has

pointed out that contributions from local governments to PIDRA are increasing, cash-strapped local government units (LGUs), aware of the funds available to PIDRA-supported villages, will always be tempted to bypass the VADPs of these villages in favor of other needy villages with no access to funding.

Local government decentralization in Indonesia is a fairly recent phenomenon, following a long tradition of authoritarian rule. At this stage of implementation of the autonomy law, it is likely that attempts at collaboration with LGUs will yield marginal results. However, since the long-term sustainability of the SHGs will depend, at least in part, on the effectiveness of their linkages with local government units, it may be worthwhile to exert some effort in this area.

One initial step could be the execution of a Memorandum of Understanding (MOU) between PIDRA and the concerned LGU (particularly, the district and provincial levels) that would specify the roles and responsibilities of the LGU in the implementation of the PIDRA Project within the locality. The MOU can build upon the commitment of support to PIDRA that had been made by the Heads (“Bupati”) of the 14 districts in 2003.

CHALLENGES FOR IFAD

One major challenge for IFAD in this project is to encourage shifts in the institutional paradigms of a traditionally top-down bureaucracy that has been given the responsibility of implementing a bottom-up, participatory program. Encouragement can take the form of : (a) re-defining stan-





dards for program performance to emphasize qualitative over quantitative targets; (b) cultivating “champions” of PIDRA at various levels of the agency bureaucracy and local and national government; (c) ensuring that standards of program performance are built into the key result areas (KRAs) of government bureaucrats involved in the program; and (d) removing perceived inequities in incentives between different project actors.

A second challenge involves building flexibility into the design of the PIDRA Project. Flexibility measures include: (a) allowing for longer time frames to build the capacity of rural poor organizations; (b) ensuring that decisions regarding program operations are decentralized to the lowest levels possible; and (c) ensuring that field lessons are utilized to make timely adjustments in implementation. This last requires the creation of a learning environment where mistakes or failures used as opportunities for learning among implementers, “best practices” are recognized for wider replication and project stakeholders are given ample opportunity for collective reflection on their experiences.

As mentioned earlier, these challenges are best served through the establishment of an in-country mechanism for IFAD supervision of PIDRA.

WESTERN MINDANAO COMMUNITY INITIATIVES PROJECT

BY RACHEL POLESTICO

The Western Mindanao Community Initiatives Project (WMCIP) (IFAD Loan No. 474 –PH, Grant No. 317-PH) was approved in April 1998 with a total budget of USD 18.15 million. It formally started in March 1999, was due to be completed by December 2004, and closed a year later, in December 2005. WMCIP was originally conceived as an NGO managed IFAD project, with a strong bias towards community organizing and supporting community initiatives but because of requirements of IFAD and the Philippine Government, the management of the project was left to the Government through the Department of Agrarian Reform (DAR) with the proviso that NGOs would be hired to do on-ground implementation.

WMCIP provides an interesting study in how organizations of the rural poor can be used as a vehicle for carrying out the initiatives of the community. The bias towards community institution-building, participation of the people especially of women and the most vulnerable groups, as well as linking of the communities to other resource structures are features that made this project consistent with the Philippines'/Mindanao's development agenda. However, while the

decision to invest in Mindanao was sound, given the high incidence of poverty there, the presence of ethnic upland communities, and the potential contribution to peace and development in the region, it also carried a number of risks and the challenges of working in very difficult and dangerous circumstances. Nevertheless, IFAD, the DAR, other Government Line Agencies, NGOs, and especially the communities, chose to take up the challenge.

PROJECT OVERVIEW

DESCRIPTION OF PROJECT OBJECTIVES, COVERAGE, TARGET GROUP/S, METHODOLOGY¹

The project's goal is "increased subsistence, higher incomes, better standard of living and greater resilience of livelihoods [for] up to [16,000] farm and fishing households in the selected areas of Western Mindanao." WMCIP aimed to improve material conditions (food security, income, assets and natural resources) and non-material conditions (social mobilization, partnership building, convergence of services, participation and empowerment) to improve the quality of life in the project area.

The major objectives that would contribute to the realization of this goal are:

¹ Summarized from the Supervision Mission Report comprising Subrahmanyam Ponthagunta, UNOPS Senior Portfolio Manager and Team Leader, Ms. Rachel Polestico, Community Mobilization/Participation Specialist and Eufemia Leopoldo, Micro finance Specialist. Mr. Sana Jatta, Country Portfolio Manager, IFAD joined the Mission from 9-12 October 03 and Eduardo Queblatin of ICRAF joined the Mission from 8-11 October 2003.





- Eighty local communities able to plan, prepare, finance, and manage development activities and enterprises, following capacity-building activities;
- About 1,650 coastal and 4,200 upland and indigenous families assuming responsibility for technically and financially sound and ecologically sensitive resource management, thus reversing the degradation caused by the present imprudent and exploitative use;
- Some 1,600 households having obtained funds to establish small enterprises based on farm, fishery and related activities, or a total of 36,000 loans for diverse economic activities; and
- Project implementing agencies demonstrating innovative and cost-effective approaches and efficient management capability required for effective implementation of the project.

The project was implemented in 81 *barangays* in 21 municipalities of Zamboanga del Norte, Zamboanga Sibugay, Zamboanga del Sur, and Basilan provinces of Region IX in the Philippines. The project area covered 21 agrarian reform communities (ARCs), five integrated social forestry projects (ISFPs), 19 community-based coastal resource management projects (CBRMPs), and 11 certified ancestral domain communities (CADCs). The intended beneficiaries of the project were indigenous people, upland poor, coastal fisher families, and agrarian reform beneficiaries, especially women. Majority of the beneficiaries were Christian settlers (52.7 per cent), and the

rest were Muslims (31 per cent), and Indigenous People (16.3 per cent).

The beneficiaries were found in different areas – 34.3 per cent in upland eco-systems, 21.7 per cent in lowlands, 19.8 per cent in coastal areas, while 11.8 per cent lived in Moro-dominated areas and 12.4 per cent belonged to the Subanen IP communities. The main source of income is farming (46.5 per cent), followed by fishing (16.4 per cent), livestock raising (7.8 per cent), and non-farm work (29.3 per cent).

The project with a total outlay of USD 18.15 million was financed by an IFAD loan of SDR 11 million and a grant of SDR 560,000. The GoP contributed 13 per cent of the project costs, while the beneficiary households financed 2 per cent of the project outlay. The grant component was meant to support applied research, focus studies and technical assistance to enhance the effectiveness of the above interventions.

The WMCIP was a process-oriented project. Its focus was on participatory planning and implementation, community development, including support for infrastructure, natural resource planning and institutional strengthening at the village and municipality levels. The project supported community and institutional development, natural resource (land, marine and water) management, small enterprise development, and credit and project management. The basic premise behind the participatory approach was that the poor are both willing and able to do much by themselves to overcome their poverty.

PROCESS OF FORMING AND SUSTAINING RURAL POOR ORGANIZATIONS/ COALITIONS

The WMCIP aimed to build up the capacities of the communities, local government units (LGUs) and other stakeholders for planning, implementing and managing the projects through participation in local planning and development. It sought to empower the rural communities to define their development priorities and negotiate and bargain with local governments, NGOs, the private sector and other development partners. The WMCIP model can be studied at the conceptual, program, and operational levels.

The *conceptual framework* of WMCIP's organizational model rested on the premise that as individual entities, poor people remain weak and are unable to benefit from public as well as private resources and services. However, if the poor were organized into multi-sectoral groups at the village level, their collective power and group strength, acquired through social mobilization and community empowerment, would help them loosen the bonds of poverty.

The *program package* of WMCIP included participatory rural development, organizing communities, enhancing the natural resource base and management capacities, facilitating the development of small enterprises and access to credit through targeted and holistic approaches.

The *operational systems* of WMCIP involved engagement with NGOs in order to deploy NGO point persons, community organizers and Field Extension Agents who were

charged with organizing, nurturing and promoting People's Organizations (POs). The project sought to involve multi-stakeholders and the line agencies more coherently towards the development of targeted communities. This operational package attempted to combine the framework of the government with the flexibility and outreach of the NGOs towards capacity development of, and service delivery for, the local communities.

WMCIP employed three types of entry points to reach communities. The first one was community mobilization and social preparation through NGO engagement to lay the foundation for sustainable participatory rural development. The second one was the use of economic incentives, specifically through infrastructure building and resource enhancement. The third one was transfer of knowledge and technology to raise productivity and expand livelihood options.

The design of the WMCIP program emphasized community organizing or the strengthening of different sectoral associations at the village level. There was no explicit provision for the formation of coalitions and federations in the village nor at higher levels as a way to strengthen rural organizations. However, in interviews with the assisting NGOs and with the servicing line agencies, it was found that some NGOs and line agencies tried to link the village organizations with municipal and sometimes provincial level agencies for easier access to markets, other resources and services, and for advocacy purposes.





PROGRESS OF IMPLEMENTATION: ACCOMPLISHMENTS AND POSSIBLE IMPACT²

As of December 2004, WMCIP had covered 81 villages and 21 municipalities. It had formed 183 core groups, 81 *Barangay* (Village) Development Teams, 21 Municipal Development Teams, and established 183 POs people's organizations. It had trained 17 NGO point persons, 62 community organizers, 17 field extension agents, and 646 local participatory development cadres, and facilitated the profiling of 16,479 households. WMCIP had established the "Co-Initiative Training Consortium", facilitated the setting up of the DAR-IX Technical Advisory Group, and conducted five Training of Trainers (TOT) on Gender and Development in which about 250 people participated. Because of the program to link the barangay development plans with those of the municipal government and to get the commitments of the line agencies to support the community initiatives, WMCIP was able to mobilize 10 line agencies to work directly with the communities and to be involved in WMCIP-led activities.

The project has established 145 agriculture/aquaculture field extension clusters in 49 villages and trained 576 para-technicians (407 under land resource management and 69 under marine and water management). It has facilitated 17 cross-fertilization visits to ICRAF areas in Claveria Misamis Oriental

and Lantapan, Bukidnon, and to the Marine Resource Management Program in Dumaguete, Negros Oriental. It has organized 193 demonstration trials and identified 4,706 farming households and 691 fishing families as potential adoptors of improved technologies. It has covered 1,751 hectares in its soil and water conservation efforts, specifically through the use of natural vegetative strips (NVS) and other technologies, and put 132 hectares under marine reserves.

In Infrastructure and Resource Enhancement, it has constructed/rehabilitated farm-to-market roads with a length of 81.386 meters, bridges with a combined length of 177.5 meters, 97.2 square meters of wharf, 218 meter-long spillways for slope protection, 27 level II water systems, seven post-harvest infrastructure (storage and dryers), 17 storage/meeting halls, 6,913 meter-long farm protection/flood control facilities, and 290 hectares of rehabilitated irrigated areas. These infrastructure inputs were constructed based on the village development plans or natural resource management (NRM) farm plans of the communities.

WMCIP has involved 9,345 households in enterprise development, conducted 589 enterprise trainings, tested 17 products, and registered 19 enterprises. It has entered into a memorandum of agreement (MOA) with QUEDANCOR and established two pilot credit villages with eight self-reliant teams.

² Data and analysis from this section came from the Mid Term Evaluation Report done last July 2004 by Mr. Peter Situ, Portfolio Manager UNOPS, Mr. Clovis Ike J. Payumo- rural engineer and community development consultant, Mr. Jan Delbaere – natural resource management specialist and Mr. Gerda Heyde- economist and IFAD Mission leader and from the Impact Assessment Report done by RCED- BMFI in Cagayan de Oro City done last December 2004.

It has also conducted a microcredit capability study and prepared guidelines for poverty alleviation assistance. Out of the 9,345 families identified as eligible for credit, only 70 or 1 per cent were able to access credit. The incremental credit fund of US\$ 3.26 million, which was supposed to be managed by the Land Bank of the Philippines (LBP) through local credit conduits (LCCs) and LCPIs, was problematic for some time because the LCCs were required to borrow money at an interest rate of 8.75 per cent per annum, which was very high. The interest charge was brought down to 4.75 per cent in June 2004, thereby attracting downstream credit providers.

The project targeted poorer sections of the population and included villages that were very difficult to reach. Most of the beneficiaries (40.1 per cent) belonged to the “highly vulnerable” category (i.e., with incomes of PHP 3,000 and below). The “vulnerable” ones (i.e., with incomes in the PHP 3,001-3,500 range) made up 7.6 per cent of the beneficiaries, while those classified as poor (i.e., with incomes in the PHP 3,501-3,500 range) comprised 24.4 per cent of the total number. Some 27.9 per cent of the beneficiaries were regarded as “poor but not vulnerable”. Households earning less than PHP 51 per day, and were considered as “absolutely poor”, made up 9.1 per cent of beneficiary households, while 86.4 per cent were living below the poverty threshold set in 1997 at PHP 7,083 income per month.

The Impact Assessment conducted by the RCED compared the conditions of the project beneficiaries and the non-project beneficiaries. The data showed that over the last two to three years, a project beneficiary

households saved P6,000 per year compared to P3,000 savings per year of a non-beneficiary household. This shows that the WMCIP interventions have had a positive impact on household income. This increase in income could have been further improved if the credit program had started earlier on in the project.

The pace of project implementation gained momentum towards the last two years. However, fast turnover of the staff and the fragile peace and order situation in Mindanao posed problems to the fasttracking of project activities. The NGOs revealed that there were a lot of problems in the first year of NGO engagement. Since both parties – project authorities and NGOs – eventually learned from each other about their complementary roles and comparative advantages, the project implementation became smoother towards the end.

The Mid-Term Evaluation in July 2004 assessed the overall impact of WMCIP by saying that:

“[T]he increased capacity in terms of skills, understanding and experience of the Project Management Office/Site Office Unit, the Local Government Units and the Line Agencies, as well as the NGOs and POs at different levels is perhaps the most impressive achievement of the Project, and the presence of SOU and the barangay level key point persons guided in many cases by Project training and awareness building, has been the driving force behind the Project’s progress. Community development has been organized and consulted (sic)





through the completion of the Sustainable Barangay Development Plan, and no doubt improved the [...] access of the target population to the available social and economic [benefits], especially the [women] entrepreneurs, whose social status tends to be improved by their success in generating no-negligible (sic) income through production specialization and/or diversification. Field evidence encountered by the Mission does strongly suggest a rising trend in social status for women who have been involved in the Project. In terms of the Project activities, female managers and staff have demonstrated improved management competence and operational skills and gained increased respect from the community male leaders”³

SALIENT PROJECT FEATURES

DESCRIPTION AND ANALYSIS OF SHGs AND OTHER RURAL POOR ORGANIZATIONS ESTABLISHED

The NGOs implemented the Community and Institutional Development component of WMCIP following the Community Organizing and Community Development Simulation Framework developed by the stakeholders of WMCIP. In this framework, the CO initiates a series of participatory dialogues with village members to mobilize

them. This is followed by a series of training in Participatory Rural Appraisal (PRA), leadership training, participatory planning, exposure visits, and project implementation. These training activities are designed to capacitate the leaders and members in identifying the main issues in the community and to agree on the priority projects to be implemented and to be included in the village development plan.

In each barangay, there are typically a number of associations that had been formed earlier by other agencies. These are farmers’ associations, women’s groups, youth groups, religious groups, or users’ associations. The different government agencies would have also organized their own village level contacts. The DAR would have formed Agrarian Reform Beneficiary Communities (ARCs), the Department of Agriculture (DA), its Rural Improvement Clubs (RICs), the Department of Health (DOH), Barangay Health Workers (BHWs) and the Barangay Nutrition Scholars (BNS), the Department of Education (DECS), Parents Teachers Associations (PTAs), and the National Irrigation Administration (NIA), Irrigators Associations (IAs). The NGOs that had been operating in the area for some time may also have their own farmers’ associations, cooperatives, or women’s clubs. Some organizations are also organized along ethnic or religious lines.

³ Quoted from the Aide Memoire of the Mid-Term Review Cum Supervision Mission of the Western Mindanao Community Initiatives Project submitted last July 16, 2004 by Ms. Gerda Heyde, Peter Situ, et al.

Aside from civic, cultural, or technical groups, the village is necessarily organized according to the smaller geographical divisions of villages, or *puroks*. Each *purok* sends an elected representative to the village council that is headed by an elected village captain. The village council is the official representative of the village at the municipal and provincial levels, and at other government line agencies. Since there are usually many organizations in any one barangay, there have been attempts to form sectoral groups, either by conducting joint meetings with other organizations or by federating POs at the village level. An example is the Buluan Multi-sectoral Association (BUMSA) in Buluan, Zamboanga Sibugay. The representatives of BUMSA, who are in effect representatives of the different POs, were very active in the formulation of the village development plan and in other barangay level decision making.

In one barangay, there can be several POs that are covered by the Project. Thus, in the 81 villages served by WMCIP, 183 organizations were formed and strengthened. This is an average of two or three active organizations per barangay with membership of around 30 to 50 but counting only 10 to 15 very involved members/officers per organization. The different POs form the pool of civil society within one community and serve in the different functional special bodies for health, education, livelihood, peace and order and other functions mandated by the Local Government Code. The WMCIP Project invested funds, NGO facilitators, training opportunities for the barangays to make sure that the community is organized by

mobilizing these many sectors within the community. When a PO is well organized, it will have its own vision-mission-goal statements, set of officers, program of action, membership dues and other resource mobilization scheme, and advocates for what is good for its constituency and contributes to the community what the organization can offer. It will be easy to mobilize a PO for a barangay-wide concern or issue when it is united in that way.

Aside from strengthening the local organizations, WMCIP also invested in making the government agencies capable and responsive to the needs and demands of the communities. Thus WMCIP provided motorcycles, training facilities, technical and communication equipment, and linkages with the different communities to such line agencies as the Department of Agriculture, Department of Natural and Environmental Resources, Technical Education Skills and Development Agency, the Department of Trade and Industry, the National Commission for the Indigenous Peoples, etc. and made sure where possible for the inter-agency presence of these agencies in major activities in the community. In this way, the agencies know the community as well as the community members knowing who to contact in the agencies for the services that can be offered to respond to the needs of the community. The project conducted IFAD-DAR WMCIP regional and provincial consultations and established the "Co-Initiative Training Consortium" with 10 line agencies; facilitated setting up of the DAR-IX Technical Advisory Group that can continually provide Trainers' Training programme for the communities. As part of the program of mainstreaming the





Barangay Development Plans in the higher level, WMCIP facilitated conduct of Municipal Planning Meetings in all the 21 Municipalities and organized four Provincial level consultative workshops to evolve a provincial level partnership. It has facilitated formulation of municipal and provincial development plans. The LGU is an important partner of WMCIP. The entire rural infrastructure is handled by the LGUs.

The NGOs also link the communities to other agencies. The Mid-Term Evaluation Report highlights the role of the NGOs not only in strengthening the different organizations in the community but also in being able to link the POs to different groups or to other resource agencies. PhilNET in Zamboanga del Norte for instance, because of its strong advocacy for Masipag rice and sustainable agriculture in several occasions gathered the farmers from different WMCIP areas to attend a Masipag Rice campaign. The Kasangyangan Foundation, Inc. included the women beneficiaries in Basilan to participate in the microfinance program of the organization and therefore these women microfinance participants are able to meet and share with other micro-finance clients. COSED federated their WMCIP POs in municipal level and affiliated them in their existing Muslim-Christian Women's Farmers and Fisherfolk Multipurpose Cooperative and made them beneficiaries of their Christian Aid projects. The Xavier Agriculture Extension Service (XAES) was able to link

the farmers, women and fisherfolk of the WMCIP communities with the other farmers, women, and fisherfolk partners of XAES in other communities in Zamboanga Sibugay and enabled the WMCIP communities to also access water projects, marine technical support, membership to cooperatives that are available in the other XAES communities.⁴

A graphical way of illustrating the different linkages and support lifelines that a community has forged is through a Venn Diagram. The Venn Diagram shows the magnitude of support an organization has provided by putting an organization in a large (3), medium (2) and small (1) sizes of circles where the large circle signifies a relatively substantial contribution. It can also designate how frequent or close the organization is to the community by placing the organization in the inner concentric circle (3), middle concentric circle (2), and outer concentric circle (1) where the central placement has a higher value than the outer circle. The strength of the relationship of the different organizations can also be gauged by multiplying the magnitude of support with the frequency/closeness of the organization to the community. This gives a very good picture of the relationship of the community to the different organizations and the strength of the relationship is an indication of the possible sustainability of this relationship.⁵

⁴ Summarized from the interviews with PhilNET community organizer, XAES Executive Director- Nestor Carbonera, and KFI Executive Director – Bong Malonzo.

⁵ This method is adapted from the methodology used by MYRADA in the Participatory Impact Monitoring (PIM) of the different SHGs facilitated by MYRADA. The procedure how this is done is detailed in "Using PRA for Participatory Impact Monitoring: An Illustrative Example by Anke Schuermann, in *Enhancing Ownership and Sustainability: A Resource Book on Participation* published by IFAD, ANGOC, IIRR, CIRDAP, SEARSOLIN and MYRADA.

On the average, a WMCIP community is linked to 15-17 support organizations or agencies. The magnitude of support and the closeness of these organizations to the community vary. The Municipal LGU, the facilitating NGO, WMCIP/IFAD, the Church,

Typical Venn Diagram Assessment of Assisting Organizations in one Community⁶

NAME OF ORGANIZATION	MAGNITUDE OF SUPPORT	CLOSENESS TO THE COMMUNITY	MEASURE OF THE STRENGTH OF THE RELATIONSHIP
Department of Health	2	2	4
Municipal Local Government Unit	3	3	9
PhilNet/NGO	3	3	9
Department of Social Welfare and Development	2	3	6
National Commission for the Indigenous People	2	3	6
National Commission for the Indigenous People	2	3	6
Department of Education	2	1	2
Department of Interior and Local Government	2	2	4
Sangunihan ng Kabataan (Youth Council)	2	2	4
Department of Agrarian Reform	2	2	4
WMCIP	3	3	9
Church	3	3	9
Barangay LGU	2	2	4
TESDA	1	1	1
National Youth Commission	1	1	1
National Irrigation Administration	3	3	9
QUEDANCOR	1	1	1

⁶ Typical Venn Diagram results of the PIM Activities done in the communities of Sinuyak and Patik, Zamboanga del Norte last April 2005.





and where applicable the National Irrigation Administration are assessed as very strongly linked to the WMCIP communities.

The measurement used by WMCIP in determining the organizational maturity of the community is the Organizational Capacity Self Assessment (OCSA) tool. The highest score in OCSA is 4 and is used to rate different aspects of organizational capacity.

This score cannot be generalized for all the 81 barangays under the WMCIP program. The Mid-Term Review Team noted that of the barangays served by WMCIP, more than half scored between 3-4 (strong organization) in the overall OCSA assessments. This scoring pattern however indicates that there is still a lot of work to be done in terms of endowing financial and economic sustainability of the different organizations. This was due to the fact that the credit/enterprise component of the project did not take off until the very last months of the project. What would sustain the organizations would be the training

and capacities learned in managing their organizations and the extensive linkages that they have fostered during the WMCIP project life.

ENABLING FACTORS

As was observed in several Supervision Missions, the investment in community organizing using the participatory

Typical OCSA Scores of a WMCIP Barangay

ORGANIZATIONAL CAPACITIES	2004 OCSA
Governance	
1. Leadership	4
2. Vision/Mission/Goals	2
Management	
1. Organizational Structure	4
2. Planning, Monitoring and Evaluation	2
3. Project Development and Management	4
Financial Resources	
1. Financial Management	3
2. Financial Control	3
Service Delivery	
1. Technical Capability and Participation	3
2. Impact Assessment	4
External Relations	
1. With other agencies within and outside of the community	4
Sustainability	
1. Commitment to Sustainability and Self-Reliance	1
2. Enterprise Development and Management for Sustainability	1
3. Alternative Sources of Income for the Organizations	2
	67.31%
Average OCSA Score	2.69

Community Organizing and Community Development Simulation Framework was very instrumental in making the different communities strengthen their local organizations and develop the Barangay Development Plans. The Barangay Development Plans became the basis for the subsequent activities and in the community as well as entry point for different agencies and organizations can link with the community. The project was quite generous in its allocation towards the activities needed for the application of this framework.

The employment of NGOs in implementing the Community Institution Building component was also an enabling factor. It was noted by the Mid-Term Evaluation that there were NGOs that did not have the capacity to fulfill all the Terms of Reference of the NGO contract with WMCIP. The NGOs that were effective were those that had been functioning in the area for a long time and had the necessary linkages and technical skills not only to facilitate the organizing component but also to provide the Natural Resource Management technologies such as the Masipag Rice propagation, sustainable agriculture, the sloping agricultural land technology (SALT), food processing and enterprise development.

It was part of the design of WMCIP that the LGU, the line agencies and the technical services of the International Center for Agro-Forestry (ICRAF) would be involved in the program. Some support to the different line agencies went a long way in terms of their commitment to respond to the requests of the communities. The Venn Diagrams of the communities clearly show the extensive

linkages that the communities formed with these organizations. It remains to be seen whether the line agencies would still be available for the communities after the WMCIP program. The hope is that as long as the Barangay Development Plan is integrated in the Municipal/Provincial Development Plan, the line agencies are mandated to deliver the services needed.

What the community also appreciate are trainings that have direct applications to their lives. The training in planning for instance resulted in them formulating their Barangay Development Plans, they had a training in presenting this plan in the Municipal level and that resulted in some of their infrastructure projects like farm-to-market road, water systems, etc. to be implemented in their barangays. There were also training in enterprise development like sardines making, calamansi juice processing that not only provided for the payment of the resource person but also provided the equipment and initial ingredients for production. They were able to keep those training facilities for the continuing further improvement of their products.

The sectoral organizing of women, youth, the farmers, fishermen, the indigenous people, the vulnerable groups were also very important WMCIP is lauded for its focus of the most disadvantaged groups in the community. The sectoral approach in organizing made sure that the women, the IPs, the youth, the farmers are given the opportunity and the means to participate in the activities and thus benefit from the Program. The projects then became allocated to certain sectors – the NRM went to farmers, the enterprise and micro-finance went to





women's groups, the direct support like livestock, seeds went to the vulnerable groups, etc.

CONSTRAINING FACTORS

There was a complaint that kept recurring in the various FGDs conducted by RCED during the Impact Assessment sessions. The communities were not very happy with the way WMCIP promised the availability of about PHP 120 millions credit program from the Land Bank of the Philippines and the PHP 2 Million pesos infrastructure support for each of the barangays. These raised their hopes and when the credit program was not forthcoming until towards the end of the program and when infrastructure projects like roads, dryers, water system were bidden by LGUs to contractors using very little of community labor and inputs, many communities thought that WMCIP was a pie in the sky meant to raise and then frustrate their expectations. Because of this promise, they worked very hard and participated in meetings and trainings. Their benefits came in terms of capacity building and better plans for their communities, but they have their sights on the credit/enterprise package and the PHP 2 million infrastructure projects they would have wished were under their control. This was a disabling factor because it either motivated the communities the wrong way or increased their suspicions of how loaned money to be paid ultimately by the people are being utilized for political reasons.

It was cited in the Mid-Term Evaluation Report that not all of the NGOs selected and engaged were effective in the delivery of services to the target communities.

Community organizing with a very tight timeframe and with many reports and targets to meet become haphazard and at best superficial especially when dealing with the vulnerable, the Indigenous communities, and with very remote barangays. Community organizing against the clock is almost an oxymoron because it does not allow time to let the gains sink in before the community is ushered into another level of engagement. On the other hand, the Project does not have all the time to wait for the process to produce the results that time has a way of curing.

The component of WMCIP that did not work out so well is the credit/enterprise provision. This was because it was relying on resources from above and it was only late in the project time frame when the idea of exploring alternative modes of financing was tried. NGOs that have savings and credit networks like the Kasangyangan Foundation Inc. and the Xavier Agriculture Extension Service were able to provide credit and micro-enterprise services to the WMCIP beneficiaries. If the idea of linking or federating the different organizations has been integrated into the WMCIP design, it could have addressed the problem of the communities not having enough capital to put up as collateral to their loans because if the different communities can pool together their savings and resources, they could raise equity for their micro-enterprises.

The idea of federating and linking together different organizations or different sectors to generate a mass base for common activities and claim-making have not been incorporated in the WMCIP program. Although absent in the design, several NGOs

have been federating the different POs organized under WMCIP to advocate for certain issues. PhilNET for instance, gather together their POs when there is occasion to advocate for sustainable agriculture for the protection of natural resources. COSED has been grouping their different POs in order to advance a common stand for the protection of coastal and their land rights. The implementation of the Project-Unit Sustainable Integrated Area Development Plans (UP-SIAD Plans) requires a coalition and linking together of POs and sectors to work together in similar ecological zones and rally around similar issues. PU-SIAD Plans are already made but there is no strong push for the plans to be acted upon partly because the PO coalitions and federations that can anchor the initiative are not there yet.

CONCLUSIONS, RECOMMENDATIONS AND CHALLENGES FOR IFAD⁷

WMCIP has facilitated the formation and strengthening of 183 local organizations in 81 barangays. The level of organizational capacity vary among the different organizations but they have been provided with capacity building opportunities to enable them to participate in the formulation of their Barangay Development Plans and in the implementation of some of their programs. The deployment of NGOs to assist

in the Community Institution Building component of the project, the mobilization of the services of the line agencies and the LGU, the support for the NRM program, and attempts to champion some key enterprises were factors that contributed to the development of the communities and in effect in strengthening these rural organizations.

Although it is not in the design of the WMCIP program to promote coalitions and federations of rural poor organizations, these linkages inevitably evolved in some places. The opportunities of the community members to attend joint trainings, meetings, consultations with leaders from other barangays or other municipalities formed the informal basis of interaction for them to work together. There were some barangay level PO federations formes (e.g. BUMSA of Buluan), and there were NGOs that linked the WMCIP POs with the federations the NGOs were involved with such as the microfinance groups of the Kasangyangan Foundation Inc, the MASIPAG Rice Fair of PhilNET, the Cooperatives of the Xavier Agricultural Extension Services, and the Muslim-Christian Women's Farmers and Fisherfolk Multipurpose Cooperative of COSED.

There were initiatives of WMCIP that would have worked better if there was a conscious effort to harness the collective power of coalitions and federations. The credit and

⁷ The key ideas for this section have been gathered from the FGD session with community development volunteers from some villages, NGOs, the SOU, and PMO staff last April 15, 2005 in Dipolog City, Zamboanga del Norte, Philippines.





enterprise components of WMCIP would have operated much earlier and more successfully if there were attempts to link the different POs to pool together some capital to start their micro-enterprises instead of having to wait for the Land Bank of the Philippines to implement the credit program for the Project. The Project-Unit Sustainable Integrated Area Development Plans would have generated so much interest if there were PO federations that championed the concept.

WMCIP invested in the formation and strengthening of rural organizations. The next step could be taken to strengthen them further by facilitating the process of the formation of their federations across municipalities, across provinces, and in the regional level. In a way, WMCIP has sown the seeds and the elements to make this come about. There are already some successful examples in the WMCIP areas to make this an optimistic suggestion for strengthening and upscaling of rural organizations and the ensuring the sustainability of WMCIP projects.

The people have already experienced successes and improvements in their lives through trainings and seminars and have seen concrete projects (there are 105 infra projects in 81 barangays) like the NRM interventions, irrigation rehabilitations, animal dispersal, roads, post-harvest facilities, etc. In the coastal areas, there are marine sanctuaries, seaweeds and agar-agar enterprises, etc. This is not a joy only to the people but also to the NGOs who not only were able to fulfill the deliverables but also saw that they have assisted in the development of the community. WMCIP has

succeeded in empower the communities, especially the formation of new women leaders and entrepreneurs, so that they themselves can negotiate for their entitlements. When the NGOs and the WMCIP staff leave, the community development volunteers (CDVs) will continue the organizing work and the paratechs will continue the rehabilitation and protection of the natural resources, the different line and service agencies will continue delivering their services.

The work that is urgent is to advocate for the different plans to be supported by the LGUs and other agencies. There is a need to see that the Barangay Development Plans will be provided with the necessary allocation for the plans to be implemented. In addition, support has to be mobilized for the Municipal Development Plans and the Project-Unit SIAD Plans will also be given attention. For this kind of work, there is more need for a concerted effort and what better way to achieve this than by forming coalitions and federations to show a united force and will. Holding of a PO Assembly in the barangay, municipal, and provincial level will be some ways of starting the coalition effort and to harness the different upward linkages already formed with line agencies, civic groups, and NGOs.

Another area that needed upscaling is the enterprise component. WMCIP has prepared many business plans and has conducted the market research and feasibility studies for these businesses. Now that the credit facility with the Land Bank of the Philippines is operational, there is need to make enterprise linkages from the barangay to the municipal, provincial and regional level more

conducive to product flow. This is where new linkages with the business sector have to be strengthened and strengthened in such a way that in the business transaction, the communities get an equitable share of the profit. In negotiating for equitable shares, the strength in numbers is a good leverage.

It seems that the federation of POs in many levels is already in the mind of the Site Operations Unit and the Project Management Unit. There are plans to organize the multi-sectoral federations in the barangay level, gather together sectoral federations in the municipal and provincial level especially in advocating for the PU-SIAD Plans. The problem is WMCIP is already winding up its operation as this thought has gained urgency in the WMCIP program.

In WMCIP, there are examples of practices of federating POs but these have not been seen or noticed because it is not part of the program and the question of whether there are PO federations or coalitions of sectoral groups is not asked. It is a matter of recognizing that coalition and federating is the next step to community organizing to enable the communities to work for larger issues more effectively. The challenge of IFAD is to recognize this and to give it the necessary financial support to facilitate the process and make it more effective in servicing the objectives of IFAD-supported projects. For WMCIP in particular, IFAD can support a Phase II with the inclusion and financing of the formation of federations especially in advocating for the implementation of the Barangay, Municipal, Provincial Development Plans as well and

more urgently to the Project Unit-Sustainable Integrated Area Development Plans.





The International Fund for Agricultural Development (IFAD) is a specialized agency of the United Nations dedicated to enabling rural poor people to overcome poverty. It began operations in 1978 in response to a resolution adopted by the 1974 World Food Conference calling for the establishment of an international fund to finance agricultural development programmes and projects primarily in developing countries. IFAD provides financing and mobilizes additional resources for programmes and projects that promote the economic advancement of rural poor people. The organization's activities are guided by three strategic objectives: to strengthen the capacity of rural poor people and their organizations; to improve equitable access to productive natural resources and technologies; and to increase rural poor people's access to financial services and markets.



ANGOC is a regional association of 21 national and regional networks of non-government organizations (NGOs) from 11 Asian countries actively engaged in food security, agrarian reform, sustainable agriculture and rural development activities. Its member-networks have an effective reach of some 3,000 NGOs throughout the region. ANGOC was founded in Bangkok in February 1979, following a two-year series of village and national level consultations in 10 Asian countries, leading to the World Conference on Agrarian Reform and Rural Development (WCARRD), Rome, 1979.

The complexity of Asian realities and the diversity of NGOs highlight the need for development leadership to service the poor of Asia--providing a forum for articulating their needs and aspirations as well as expression as Asian values and perspectives. ANGOC seeks to address the key issues related to agrarian reform, sustainable agriculture and rural development in the region



CIRDAP is a regional inter-governmental body with 13 member-countries from the Asia region. Founded in 1979, it strives to assist and promote regional cooperation on rural development for the purpose of improving the production, incomes and living conditions of small-scale farmers and other rural poverty groups. CIRDAP's research studies have covered such areas as rural credit, rural industries, M&E of rural development programs, monitoring the impact of macroeconomic and structural adjustment policies on poverty, agricultural delivery systems for small farmers, and land tenure concerns. Other particular areas of focus have been on participatory approaches to employment-generation, credit, provision of infrastructure, and local resource mobilization. CIRDAP's member countries include Afghanistan, Bangladesh, India, Indonesia, Lao PDR, Malaysia, Myanmar, Nepal, Pakistan, the Philippines, Sri Lanka, Thailand and Vietnam. CIRDAP is located in Dhaka, Bangladesh.

