

SUMMARY of Three IFAD Project Experiences in Asia in Building Organizations of the Rural Poor and their Coalitions/Federations¹¹⁴

To illustrate more concretely the institution building processes involved in the IFAD projects, three project case studies have been included in this review. These projects are the Maharashtra Rural Credit Project (MRCP) in India, the Post-Crisis Programme for Participatory Integrated Development in Rainfed Areas (PIDRA) in Indonesia, and the Western Mindanao Community Initiatives Project (WMCIP) in the Philippines. The MRCP ended several years ago; the WMCIP has just recently finished, while PIDRA is ongoing.

These projects offer successful experiences in building organizations of the rural poor. They describe in detail the methods and approaches to building RPOs and focus on factors that facilitate or constrain the progress of the RPOs towards achieving self-reliance and sustainability. They also document the gains that have been made in moving towards the next step of forming RPO coalitions and federations.

This summary brings together the key findings and recommendations arising from the case studies. Part 1 describes briefly the nature and objectives of the projects. Part 2 synthesizes the observations and assessments of different elements and components of the projects, particularly as these relate to building RPOs/coalitions and federations. Part 3 presents the conclusions and recommendations, specific to the three cases, which are addressed to IFAD.

PART I. OVERVIEW OF THE THREE PROJECTS: THEIR AIMS AND OBJECTIVES

PIDRA

The Participatory Integrated Development in Rainfed Areas (PIDRA) is a project that focuses on poor communities in rainfed agricultural areas with the goal of “sustained improvement of living conditions, food and income security for an estimated 100,000 low income households in the project area”. The goal is to be achieved through four major objectives:

- 1) Development of sustainable institutions of the poor – which includes (a) establishing and strengthening sustainable Self-Help Groups (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 (b) establishing federations of SHGs at village and inter-village levels. The original target was to establish 5,000 SHGs but this has since been reduced by 50 percent.
- 2) Strengthening of livelihood strategies of the poor;
- 3) Availment and sustainable co-management by the poor of basic infrastructure and natural resources within their watershed. This involves (a) establishing Wa-

¹¹⁴ Prepared by Cristina M. Liamzon, ANGOC.

tershed Management Associations (WMAs) to manage natural resources in an equitable and sustainable manner; (b) establishing Village Infrastructure Development Associations (VIDAs) with members from SHGs assigned to manage, supervise and maintain village infrastructures; and (c) improved access of the poor to drinking water facilities, health education, and market centers.

- 4) Development of a project support structure that is geared towards achievement of impact.

MRCP

The Maharashtra Rural Credit Project (MRCP) in India aimed to link micro-credit with the organization of rural poor into groups that are able to generate funds from their own savings to partly finance enterprises which they could operate using skills they already had or could acquire with the help of other stakeholders, like banks, and rural development agencies of both government and NGOs.

The project objectives were:

- 1) improved supply of rural financial services;
- 2) promotion of savings mobilization through SHGs as the basis of credit linkages; and,
- 3) improved incomes among rural poor households through support for enterprise development.

WMCIP

The goal of the Western Mindanao Community Initiatives Project (WMCIP) consisted of “increased subsistence, higher incomes, better standard of living and greater resilience of livelihoods for up to 16,000 farm and fishing households in selected areas of Western Mindanao in the Philippines”.

The project has four major objectives to reach this goal:

- 1) 80 local communities acquire the capacity to plan, prepare, finance and manage development activities and enterprises;
- 2) about 1,650 coastal and 4,200 upland and indigenous families assume responsibility for technically and financially sound and ecologically sensitive resource management;
- 3) some 1,600 households obtain credit funds to establish small enterprises based on farm, fishery and related activities totaling some 36,000 loans for diverse economic activities; and,
- 4) project implementing agencies demonstrate innovative and cost-effective approaches and efficient management capability required for effective implementation of the project.


All three projects explicitly included the building of RPOs and strengthening their capacities among their goals and objectives.

PART II. COMPARISON OF PROGRAM ELEMENTS AMONG THE THREE PROJECTS

ORGANIZING STRATEGY AND INSTITUTIONAL ENVIRONMENT

The strategy that PIDRA used in its organizing work with target villages involved a phased approach both to entering the villages as well as to the formation of the SHGs. This mode of organization has resulted in a staggered evolution and development of the various SHGs. In 2004, village-level federations of SHGs were organized in 18 villages in the East Java province. Following the organizing framework of PIDRA, these four-year old SHGs should have reached a level of sustainability that would allow the phase-out of facilitator-teams. How-





ever, this did not happen. A large number of the SHGs continued to need external assistance in their organizational processes. To ensure the continuity of the social mobilization and organizational development processes, volunteer COs (VCOs) from the villages are now being trained to replace the facilitator-teams upon the completion of the project.

The MRCP provided for the establishment of VDCs, which would help federate the SHGs in each village. As it turned out, however, this role tended to overlap with a similar function traditionally held by the village *panchayat*, rendering the VDC redundant in the process. On the other hand, in areas where the two village institutions have been well integrated, a focus on gender and poverty concerns has been more apparent. The case study also highlighted the importance of SHG federations in improving and scaling up the SHGs' marketing efforts.

The WMCIP design was basically process-oriented, focusing on participatory planning and implementation, community development and institutional strengthening. The project attempted to combine the development framework of the government while facilitating NGO assistance in developing the capacity of the local communities through organizing and strengthening of different village-level sectoral associations. It did not promote the building of coalitions and federations of RPOs as part of its organizing strategy, but this took place anyway.

In terms of the political and legal environment for forming and developing RPOs and coalitions or federations of these RPOs in the three countries in which the projects operated, the Philippines is regarded as having the most open and supportive policies. India follows closely, although the legal frame-

work is described more as regulative—with more policies and regulations to guide the formation and operations of CSOs/NGOs, including RPOs, compared to the Philippines. The MRCP case also notes that the policy environment in India has been highly conducive for poverty sector lending through community institutions of the SHGs and that this has greatly aided the considerable expansion and replication of SHGs. Of the three countries, Indonesia has the most restrictive legal and policy framework vis-à-vis CSOs/NGOs, as evidenced by its greater monitoring of RPO programs and activities.

CATEGORIES AND TYPES OF RURAL PEOPLE'S ORGANIZATIONS/VILLAGE INSTITUTIONS

The review of IFAD projects done under SCOPE showed that many IFAD projects assisted in forming and developing a wide variety of RPOs, or community- or village-based organizations as part of the project design. The most common RPOs set up are the SHGs, which are linked to the credit component of the projects. Majority of these RPOs have many characteristics and features in common.

For all three projects, SHGs were the common organizations formed. In the WMCIP however, a more varied group of RPOs was either helped to be set up or strengthened, if already existing prior to the project. There were farmers' associations, women's groups, youth groups, religious groups, users' associations, cooperatives, etc.

FORMATION AND INSTITUTION BUILDING PROCESS OF RPOs/VILLAGE INSTITUTIONS

The formation of SHGs and SHG federations can take place over a few years or longer as

the SHG undergoes different phases of growth and development. In the PIDRA Project in Indonesia, three phases have been identified over a three-year period. Phase I is the Growth Phase, where the SHG, after conducting its initial training, reflection sessions, regular meetings and the initiation of a savings program, is expected to achieve or possess the following: (a) a fixed membership; (b) a group name; (c) regular meetings; (d) engagement in a savings program; (e) maintenance of organizational books, e.g., attendance book, minutes of meetings book, and savings book; and (f) election of a set of leaders who understand their roles and responsibilities in the group.

At the next stage, or the Expansion Phase, which usually takes up to 12 months, the group continues its savings program and begins a credit program for members in need. Member compliance with the group's rules and regulations on credit is expected and sanctions are imposed on delinquent members. Groups hold regular meetings, usually weekly, and leadership is rotated among the members.

Leaders update group books and records concerning membership, minutes, savings, credit, as well as cash books and passbooks of individual members. The group undertakes various types of training and capacity-building for members and leaders, such as functional literacy and gender training. The group may also collectively act to improve village infrastructure and facilities, e.g., drainage, access road, etc., as well as to address environmental problems, e.g., through tree planting.

The third phase of SHG formation aims to build the group's self-reliance and to wean it from external support, and to scale up its microfinance and micro enterprise activities.

It also includes working to achieve quality assurance and market linkage for villagers' products. Training in off-farm livelihoods is also provided at this time by facilitators, consultants, or skilled community members.

It is likewise at this stage that SHGs are encouraged to form associations or federations which may consist of SHGs from a single village, or of SHGs from different villages.


STATUS OF RPOs/COALITIONS/ FEDERATIONS IN DIFFERENT COUNTRIES; PROBLEMS AND ISSUES

MRCP

The Maharashtra Rural Credit Project (MRCP) case study described the experiences of several SHGs which have reached remarkable levels of development, as demonstrated by their ability to process and handle loans, to access loans directly from banks, and to move towards micro-enterprise development, when other SHGs had been hard put just to survive. The MRCP ended a number of years ago, yet many of the SHGs formed in the course of the project have continued to grow and have even paved the way for the development of more SHGs. The VDCs however tell a different story. These village institutions were formed to help federate SHGs in each village. As it turned out, however, this role tended to overlap with a similar function traditionally held by the village *panchayat*, rendering the VDC redundant in the process. These VDCs have also subsequently become mostly dysfunctional.

The MRCP case study highlighted the learning that the federation of SHGs does not happen spontaneously, but requires some degree of support to bring about and to sus-





tain it. For instance, provisions for the creation of such federations must be made in the budget of local government units that have committed to supporting them. SHGs need to be given appropriate skills and knowledge to prepare them for federation-building. Rules and systems, such as a constitution and by-laws, which provide the governance mechanisms for the federation must be formulated. A system to wean away the federation from financial dependence on external agents, such as collecting membership dues from primary organizations, must be put in place. Registration by the federation under the Indian Societies Act 1860 is likewise required. The case also noted that the absence of organized marketing networks or federations has proved to be the biggest constraint to the growth of most SHGs.

PIDRA

A key lesson from IFAD's project in Indonesia is that farmers' groups have been used primarily as tools or mechanisms to deliver project outputs and the result has been the limited sustainability of project benefits after the closure of projects. Another lesson cited is that village institutions need to be strengthened to empower the local communities involved in the projects to access resources and assistance from external institutions.

However, two projects—the Income-Generating Project for Marginal Farmers and Landless (P4K/III) and the Post-Crisis Programme for Participatory Integrated Development in Rainfed Areas (PIDRA)—both of which strongly emphasized the building of people's institutions and strengthening the capacity of the poor through their organizations, have seen significant progress

in promoting people's empowerment and in building social capital in the local communities. In PIDRA, the SHGs are generally functioning well and "coalitions of the poor" or SHGs are emerging as a result of the maturing capacities of these groups. The PIDRA case showcased the impressive development of SHGs as well as the widespread consensus (i.e., among different stakeholders in the project) that regardless of their prospects for sustainability, SHGs are unwilling or ill-prepared to let go of external financial assistance. Vis-à-vis the VIDAs, progress has been less remarkable. The VIDAs were regarded as lacking a long-term vision and inadequate as an institutional mechanism for the project. The WMAs on the other hand were thought to require more improvements if they are to play an effective role in watershed management.

The PIDRA project in Indonesia, on the other hand, organized SHG federations in 2004 in the 18 villages where the project was initially implemented. A role that the federation was expected to take is to facilitate exchanges of expertise and experiences among the member-SHGs. Even at the early stage of federation-building, the case study contended that the federations will need various types of technical assistance from the project to be able to undertake the role of facilitating the strengthening of the member-SHGs.

WMCIP

The Western Mindanao Community Initiatives Project (WMCIP) called for alternative mechanisms to sustain the activities of RPOs that were formed through the project. For WMCIP in the Philippines, the design of the project did not make explicit provisions for

forming coalitions or federations of RPOs despite its emphasis on community organizing and strengthening of sectoral groups at the village level. The WMCIP case study argued that, if the project had integrated the concept of federation building into the design, the federations would have been able to address the problem of lack of capital. Communities could have pooled together their savings and resources as equity for their micro-enterprises. Federation- or coalition-building could also have facilitated the mobilization of a mass base to undertake com-

mon activities, including claims-making or advocacy work. Nevertheless, the WMCIP case study in the Philippines reported that with the help of several NGOs and government agencies, federation-building did take place anyway, as did extensive linkaging and networking. Such RPO federation-building at the village and inter-village level (multi-sectoral groups) has had very promising consequences in expanding the voice and power of these RPOs vis-à-vis government, etc., and in improving the chances of sustaining the benefits obtained from the project.

Table 2. Summary of Problems and Issues Concerning RPOs in the Three Projects

PROJECT	ISSUES AND PROBLEMS
MRCP <i>India</i>	<ul style="list-style-type: none"> ➤ No training given to prepare agencies for field work. ➤ Need to define roles as there is overlap of roles between the Village Development Councils and Village Panchayat—VDCs have subsequently become defunct. ➤ Need for continuing and adequate training (esp off-farm). ➤ Need to develop SHGs into clusters and federations that could assist especially in marketing. ➤ Distribution of funds weighted heavily for formal financial services, not the informal credit sources for the poor.
PIDRA <i>Indonesia</i>	<ul style="list-style-type: none"> ➤ Lack of access to financial institutions other than the project. ➤ Institutional strengthening needed, especially of internal audit systems. ➤ Quality of bookkeeping wanting; need for fine-tuning of loan program. ➤ Over-ambitious strategy in SHG sustainability and facilitator phase-out. ➤ Need for building linkages with higher levels of local government. ➤ Leadership succession is not effective.
WMCIP <i>Philippines</i>	<ul style="list-style-type: none"> ➤ CO component had very tight timeframe which was unrealistic. ➤ Expectations on credit funds were too high and so could not be met. ➤ Credit/enterprise provision did not work out well due to reliance on outside financial sources. ➤ Lack of monitoring and evaluation of project interventions. ➤ Absence of focus on network/federation-building among the RPOs that could have increased impact of project.

ENABLING FACTORS IN IFAD PROJECTS IN BUILDING RPOs AND CAPACITIES REQUIRED BY THE RPOs

Lessons drawn from the organizing strategy used by the PIDRA project have led to the following recommendations related to the strengthening of SHGs that had been formed:

- Facilitators should live in the villages so that they can respond in a more timely manner to the problems of the SHGs/RPOs;
- SHG meetings should be held regularly, e.g., weekly;
- Training programs and other forms of capacity-building should be provided on the basis of the actual needs of the target beneficiary groups rather than in accordance with a set and planned curriculum.

Vis-à-vis the IFAD administrative set-up, the PIDRA experience has demonstrated the need for more regular supervision missions and visits by the IFAD Country Programme Manager (CPM). A flexible lending mechanism, as exemplified by that set up by PIDRA, and which emphasizes a demand-driven strategy/approach, suggests the need to establish a more permanent and ongoing in-country presence that would allow a more intensive, continuous monitoring and supervision of the project, in place of the usual intermittent supervision missions. There are other reasons for needing closer monitoring of such types of projects. These include: the broad range of financial transactions and the demand-driven 'menus' of activities that could be undertaken by the communities; and the involvement of many actors, particularly the beneficiary groups, which actively plan and implement the projects.

The WMCIP case reported that the project's investment in the CO process using the par-

ticipatory CO and CD Simulation Framework has been instrumental in facilitating the strengthening of the local organizations and developing the Barangay (Village) Development Plans by the different communities. The project allocated generous support for activities needed to apply this framework. WMCIP's focus on the most disadvantaged groups in the communities and its sectoral approach assured the inclusion of the rural women, youth, marginal farmers, and the indigenous peoples (IPs).

The case likewise cited the engagement of NGOs in implementing the Community Institution Building component as an enabling factor for the growth and development of the RPOs. Training with direct application to their needs, such as enterprise development, was greatly appreciated by the communities.

For MRCP, the case mentioned that the policy environment in India has been conducive to the growth and replication of SHGs for poverty reduction. The provision in the Indian Constitution reserving one-third of the seats in the Village Panchayats to women has also contributed to an expanded and empowered role for women in rural development. Changes in the mindset and approaches of financial institutions such as banks in lending to the poor have resulted in a widening of the clientele base of these institutions and in the building of partnerships among government, NGOs and participating banks.

ROLE OF EXTERNAL AGENTS IN THE SOCIAL MOBILIZATION PROCESS

Community Organizers and Social Mobilizers/Facilitators

Community organizers (COs), or social facilitators, organizers or mobilizers as they

are sometimes called, are key to building and strengthening RPOs. It is these COs that initiate the group processes that lead to group formation, such as drawing out the needs and expectations of villagers who are the target beneficiaries. Generally, COs or facilitators utilize a variety of participatory tools and approaches to drawing out inputs from beneficiaries. They help in the training and capacity-building of the beneficiaries in organizational as well as technical areas.

In projects such as PIDRA in Indonesia, COs are recruited from the villages covered by the project and are trained in social mobilization processes by external social facilitators, either government or NGO. Thus, it is not always the NGOs/CSOs nor project staff that provide the training for the social mobilization process.

While COs or social mobilizers/facilitators are critical to the institution-building of village organizations and institutions, it has been noted that in several projects, orientation, training and capacity-building of some of these staff were insufficient. This lack of proper orientation and training on how to approach the community, build rapport with community members, and form the RPOs in a systematic and effective manner has set back the building and development of RPOs and other village institutions.

NGOs/CSOs

In summary, NGOs have been tasked with the following specific roles and functions in helping to build and strengthen RPOs:

- assistance in identifying target beneficiaries;
- skills training, providing knowledge and information to groups;


- formation of RPOs;
- introduction of participatory processes to the project ;
- facilitating the social mobilization process;
- facilitating processes in the groups/communities;
- support to RPOs.

PIDRA engaged three local NGOs in the design of the project, and another three NGOs from the area were tasked with coordinating the project at the provincial level. For project implementation, 14 NGOs were contracted for Phase I based on their experience and expertise in gender and community development.

The PIDRA case reported mixed results from the involvement of NGOs. For one thing, many of the NGOs abandoned the project to take up government postings, thereby undermining their effectivity in their assigned roles. Another NGO weakness cited by the case had to do with their limited understanding of both the PIDRA formats and financial internal management systems, making it difficult for them to comply with these requirements. The next phase of the project will need a different set of skills from NGOs, or even a different group of NGOs, that would focus on the more technical concerns of the project, such as microfinance and micro-enterprises.

The WMCIP case also reported that not all of the NGOs contracted effectively delivered the services they were supposed to. NGOs in this project experienced many problems in their first year of engagement in the project, including fast turnover of staff, although implementation was ironed out later on in the project. On the other hand, the project credited the NGOs for linking up the RPOs and the target communities to relevant agencies to access needed resources.





In the MRCP, NGOs collaborated with participating banks to implement particular project components. Nevertheless, the Project Completion Review noted that the NGOs, not the banks, should have exercised a stronger role in the selection of target areas and beneficiaries in order to ensure that the focus remained on the poorest sectors.

PART III. RECOMMENDATIONS FOR IFAD

The following recommendations have emerged from the three case studies:

MRCP

- Provide models for village, district, and province level federations of SHGs, creating capacities and seed capital to ensure their sustainability.
- Ensure the judicious allocation of funds in favor of supporting and building capacities of the ground-level implementing agencies.

PIDRA

- Consider establishing an in-country presence for more intensive monitoring and supervision of the project, considering the specific nature of PIDRA.
- Encourage the adoption of a bottom-up participatory program, e.g., standards for program performance can emphasize qualitative, rather than quantitative, targets; cultivate champions of the project from within the bureaucracy at all levels, etc.
- Build more flexibility measures into the project, e.g., allowing for longer timeframes to build capacities among the RPOs.

WMCIP

- Increase recognition that coalitions and federations are the next steps for RPOs to increase their scale and effectiveness;
- As a result of this recognition, provide the necessary financial support to enable this to happen.

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