

Ansøgningskema – Større kapacitetsudviklingsinitiativer

Initiativets titel:	Fra bondegrupper til bondeforeninger - kapacitetsudvikling af danske civilsamfundsorganisationers arbejde med udvikling og konsolidering af bondeforeninger ¹
Juridisk og økonomisk ansvarlig organisation ('lead organisation'):	Organisationens navn: Caritas Danmark Adr: Gammel Kongevej 15,3, 1610 København V Kontaktperson/ankerpersn: Peter Blum Samuelson Tlf: 38180002; E-mail: pbs@caritas.dk
Øvrige ansøgende organisationer (Bilag 1: 'Ansøgerforpligtelse' for samtlige ansøgende organisationer skal vedlægges):	<ol style="list-style-type: none"> 1. Danmission: Helena B. Christensen, hbc@danmission.dk 2. Dansk Ugandisk Venskabsforening: Karen Ingrid Schultz, kareningrid@stickhill.dk 3. Aktion Børnehjælp: Andreas Aae, andreas.aae@gmail.com 4. Dansk Missionsråds Udviklingsafdeling: Kristine Kaaber Pors, kkp@dmr.org 5. Økologisk Landsforening: Kristina Groosman Due, birkris@aol.com 6. Danish Forestry Extension: Josipa Bicanic, jos@df-extension.dk
Ansøgt støtteperiode: min. 12 måneder – max 36. måneder:	Fra: 1. januar 2016 til 31. juni 2017 (18 antal mdr. i alt)
Ansøgt beløb fra Globalt Fokus (min. 75.000 kr. – max. 400.000 kr):	kr. 400.000
Hvis relevant: medfinansiering af betydning for gennemførelse af initiativet i form af anden donor finansiering, deltagerbetaling etc.	Forberedelsen til dette initiativ ligger i stor udstrækning i læringsstudiet, der kostede ca. kr. 400.000 finansieret af Danmission og Caritas. Samtlige ansøgende organisationer har bidraget med en betydelig mængde intern arbejdskraft, hvilket betragtes som en høj grad af egenfinansiering til initiativet.
Eventuelt tidligere bevillinger til beslægtede initiativer gennemført af ansøgergruppen eller lead organisation (navn, j.nr., implementeringsperiode, afslutningsdato og beløb):	Tidligere netværksbevillinger administreret af Caritas: <ul style="list-style-type: none"> • Dansk Forum for Mikrofinans, NF 121, 1.1.10 – 31.3.13, DKK 1.620.915

¹ Vi anvender termonologien bondeforeninger primært forstået som sammenslutninger af grupper på landet, men termen rummer også f.eks. kooperativer. I studiet som Danmission og Caritas Danmark har udført som en del af deres aktiviteter under rammen i 2014, anvendes termen Democratic Rural Organisations (DRO). Vi anser bondeforeninger og lokalsamfundsorganisationer/CBOs for at være et udtryk for målgruppens egen organisering, medens CSOs forstås som professionelle NGO'er, der har en medlemskare, som ikke nødvendigvis består af målgruppen de hjælper.

	<p>Bevillinger som de fleste af de ansøgende organisationer har været med i gennem Dansk Forum for Mikrofinans:</p> <ul style="list-style-type: none">• DFM - Udvikling af mikrovirksomhed, NF 140, 1.7.13 – 28.2.14, DKK 199.234• DFM - Udvikling af mikrovirksomhed, NF 147, 20.2. – 31.01.15, DKK 199.716• DFM - Udvikling af mikrovirksomhed, NF 153, 1.8. – 31.01.15, DKK 99.724
<p>Resumé (max. 15 linjer):</p> <p>I 2014 gennemførte Caritas Danmark og Danmission et læringsstudie, der fokuserede på udfordringer og udviklingsforløb for sammenslutninger af bondegrupper i form af bondeforeninger. Referencegruppen for studiet, som også er blandt ansøgerne til dette studie, ønsker nu at gå videre med undersøgelsen, så den ikke bare ender som en rapport på reolen, men i stedet bidrager til udvikling af konkrete redskaber og strategier i organisationerne. De deltagende organisationer ønsker at styrke deres arbejde med udvikling af bondeforeninger i Syd, så de udvikles til demokratiske og bæredygtige civilsamfundsaktører, der kan sikre medlemmernes adgang til basale rettigheder. Det er afgørende at bøndernes organisering bevæger sig fra gruppe til foreningsniveau, hvis bæredygtigheden skal sikres. Initiativet vil perspektivere til CBOs mere generelt. Målet for projektet er derfor, at de deltagende organisationer tilegner sig øget institutionel kapacitet, der kan sikre bedre resultater i arbejdet med udvikling af bondeforeninger. Konkret vil de deltagende organisationer gennemgå en læringsproces, hvor de især vil få mulighed for at arbejde med indikatorudvikling i deres egen organisation. Initiativet er centralt for Civilsamfundspolitikken, da danske civilsamfunds-organisationer hele tiden må være på forkant med, hvad forudsætningerne er for at skabe et stærkt forankret og bæredygtigt civilsamfund, der rækker ud over det helt nære niveau.</p>	

1. Forberedelse (max. 1 side)

I 2014 gennemførte Caritas Danmark og Danmission et læringsstudie, som en del af deres aktiviteter under deres UM rammebevillinger. Læringsstudiet blev ledet af forsker Esbern Friis-Hansen. Studiet, der fokuserede på udfordringer og udviklingsforløb for sammenslutninger af bondegrupper i Uganda, Indien, Cambodia og Bangladesh, skulle give et overblik over de erfaringer, der er gjort med at hjælpe bønder med at overkomme de udfordringer, der er forbundet med udvikling af sammenslutninger af grupper (se bilag 4).

Læringsstudiet blev ledet af en referencegruppe bestående af danske NGOer som også har erfaringer med denne problemstilling og ønsker den nærmere undersøgt. Referencegruppen bestod ud over Danmission og Caritas Danmark også af Nordeco, Dansk Ugandisk Venskabsforening, Dansk Missionsråds Udviklingsafdeling og Økologisk Landsforening. Referencegruppen ønsker nu at gå videre med undersøgelsen, så den ikke bare ender som en rapport på reolen, men i stedet bidrager til udvikling af konkrete redskaber og strategier i organisationerne.

Processen, der har ført organisationerne hertil, er for det første den løbende involvering og kommentering på studiet under dets udførelse. Flere møder, hvor gruppen diskuterede resultater, og hvad de skulle føre til og kunne få af betydning i organisationerne. Senere lancerede Caritas og Danmission studiet, som blev præsenteret af forsker Esbern Friis Hansen og hans kollegaer fra Uganda og Indien. Generalsekretæren for Caritas var oplægsholder og ordstyrer, og udviklingschefen for Danmission stod for introduktionen og afslutningen af mødet. Over 30 deltagere fra bl.a. UM, CISU, Bestseller Fonden, konsulenthuse, og NGOer kom med input og gav udtryk for temaets betydning. I august gik CISU og Dansk Forum for Mikrofinans sammen og inviterede til endnu et møde om studiet, hvor også CISUs erfaringer blev præsenteret og diskuteret. Dette fyraftensmøde, som havde 30 deltagere, var en opfølgning på et fyraftensmøde med over 40 deltagere afholdt af DFM i maj. Her holdt tre repræsentanter fra bondeforeninger i syd oplæg om deres udfordringer med afsætning af landbrugsprodukter. Et oplæg har også ligget på Globalt Fokus Puljebørs, så andre kan komme med.

Som resultat af denne møderække, er det blevet meget tydeligt, at udvikling af bondeforeninger og særligt sammenslutninger af grupper er et yderst komplekst og vanskeligt område, som har meget stor interesse i NGO miljøet i Danmark og som ligger dybt i hele udmøntningen af Civilsamfundspolitikken, da danske civilsamfunds-organisationer hele tiden må være på forkant med, hvad forudsætningerne er for at skabe et stærkt forankret og bæredygtigt civilsamfund, der rækker ud over det helt nære niveau. Det er derfor intentionen med læringsforløbet, at ny viden og kompetence skal blive stillet til rådighed for mange aktører, selvom det i første omgang udspringer af et mindre antal ansøgende organisationer. Efter lanceringen er der blevet afholdt adskillige møder med fokus på opfølgning efter studiet og udformningen af en ansøgning til Globalt Fokus pulje.

2. Faglig/metodisk fokus og kapacitetsmæssige behov (max. 2 sider)

Grupper og deres sammenslutninger er generelt anerkendt som en stærk drivkraft for udvikling på landet og udgangspunkt for fortalervirksomhed. Samarbejde og andelstanken sætter fattige på landet i stand til at skabe deres egen udvikling, fødevarerikkerhed og øge udbyttet af markedstransaktioner etc. Disse bondeforeninger /CBOs er centralt placeret ift. den danske civilsamfundspolitik og i den forandringstrekant, som CISU og andre ledende aktører bruger som forandringsteori. Bondeforeninger er i sig selv et udtryk for organisering og udgør derudover grundlaget for planlægning og implementering af strategiske serviceydelser samt fortalervirksomhed og rettighedsbaseret arbejde.

Målet for rigtig mange danske CSOer, er at bidrage til at Bondeforeninger i syd er i stand til at indgå i udviklingsarbejde på en måde, hvor de kan tage ejerskab og kan bære indsatsen videre både på kort sigt (spredningseffekt) og på langt sigt (bæredygtighed). Bondeforeninger fokuserer typisk på empowerment, mikrofinans, livelihoods, afsætning og har stor betydning for bæredygtighed og fortalervirksomhed. Fortalervirksomhed er derfor et centralt tema i denne ansøgning og skal også ses ift. ressourceallokering, hvor bondeforeninger skaffer adgang til lokale tilskud og lånekapital. Men der er også mange eksempler på mislykkede og fejlslagne sammenslutninger af grupper og kooperativer med deraf følgende socioøkonomiske konsekvenser, tab af tillid og politisk indflydelse.

R rigtig mange danske og internationale NGOer har vanskeligt ved at lykkes med udvikling af bondeforeninger, og der findes ikke meget vejledende materiale eller klare modeller. De deltagende organisationer oplever følgende problemstillinger som ligger til grund for deres deltagelse i initiativet:

- Fortalervirksomhed: Usikkerhed og manglende viden ift. sammenslutninger og deres rolle over for myndighederne. Hvordan sikrer vi, at organisationerne bliver bæredygtige og effektive fortalere for rettigheder? Vores manglende viden om den vanskelige overgang fra grupper til foreninger, som kan medføre at bønder kan miste ressourcer, tid, tillid og relationen til eksterne stakeholders.
- Foreningernes ydelser: Hvordan bevæge sig fra det simple i grupper og deres indtægtskabende aktiviteter til organisering og kommerciel aktivitet på federationsniveau. Balanceringen af disse to dagsordner. Medlemmernes forventninger til kooperativet, som både skal give en god service og samtidig dække sine udgifter. Nogle gange kan medlemmerne foretrække et projekt i stedet. Det er vanskeligt at booste organisationsudvikling bottom-up og skabe udvikling i levevilkår og landbrug. Organisationsudvikling bliver ofte glemt til fordel for tematisk fokus.
- Ledelse og demokrati: Ledelsen af kooperativer kan have vanskeligt ved at overskue økonomiske beslutninger, og mangler den ledelsesmæssige kapacitet. Ansvarlighed og transparens i forhold til grupperne (downward accountability), som kooperativet skal levere, er vanskeligt pga. mange nye grupper.
- Bæredygtighed: Vanskeligt at sikre institutionel bæredygtighed både vertikalt og horisontalt. Det gælder f.eks. den løbende forankring og integrering af nye medlemsgrupper i en stor national paraplyorganisation. Sammenslutninger af bondegrupper og bondeforeninger på højere niveau er en stærk strategi for bæredygtighed, men de er i sig selv svære at gøre bæredygtige og partnerne mangler kapacitet.
- Viden og monitorering: Vi har problemer med at både monitorere og rådgive partnerne angående udvikling af CBOs. Der mangler sammenhæng mellem partnernes redskaber/standarder og de indikatorer vi bruger. Vi mangler indikatorer der kan hjælpe partnerne og os til at måle på de processer som bondeforeningerne gennemgår, så vi derigennem kan rådgive og støtte dem bedre.

Studiet, som Caritas og Danmission fik udført i 2014 er et pilotstudie, som begyndte at undersøge problemstillingerne, for at give et indblik i nogle af erfaringer, der er gjort med at hjælpe bønder med at overkomme de udfordringer, der er forbundet med udvikling af bondeforeninger, og hvad NGOer specifikt kan gøre for at sikre udvikling af foreninger på landet. Undersøgelsen identificerede nogle overordnede barrierer for udviklingen af foreninger og kom også med nogle generelle anbefalinger for, hvordan NGOer kan styrke udviklingen af disse Bondeforeninger i udviklingslandene.

Et mindre antal ansøgende organisationer, som enten har været med i studiet eller som arbejder i lignende lande/har erfaringer på lignende områder, ønsker nu at komme yderligere i dybden med og

identificere de mest afgørende parametre for udvikling af sammenslutninger af grupper i netop deres projekter, og at udvikle kontekstspecifikke indikatorer, der kan hjælpe med at kvantificere og analysere forskellige stadier af foreningernes udvikling i den lokale sammenhæng. Indikatorer for Bondeforeninger er meget omdiskuteret og ofte forbundet med store begrænsninger, og er ikke altid relevante ift. de konkrete projekter. For det andet, vil projektet udvikle indikatorer, der kan anvendes mere generelt og på tværs af organisationerne og at stille disse til rådighed for organisationer med mindre erfaring på området. Det forventes, at der vil være en perspektivering omkring mobilisering af fattige grupper mere generelt, nogle af de samme problemstillinger formodentlig eksisterer for urbant baserede gruppe- og foreningsdannelser.

3. Mål og forventede forandringer (max. 1 side)

Projektets overordnede mål er som følger: De deltagende organisationer ønsker at styrke deres arbejde med udvikling af bondeforeninger i Syd, så de udvikles til demokratiske og bæredygtige civilsamfundsaktører, der kan sikre medlemmernes adgang til basale rettigheder. Målet for projektet er, at de deltagende organisationer tilegner sig øget institutionel kapacitet, der kan sikre bedre resultater i arbejdet med udvikling af bondeforeninger. Dette mål søges opnået gennem 3 konkrete resultater/delmål:

1. Et mindre antal ansøgende organisationer, som enten har været med i studiet eller som arbejder i lignende lande/har erfaringer på lignende områder, vil komme yderligere i dybden med og identificere de mest afgørende parametre for udvikling af sammenslutninger af grupper i netop deres projekter, og vil udvikle kontekstspecifikke indikatorer, der kan hjælpe med at kvantificere og analysere forskellige stadier af foreningernes udvikling i den lokale sammenhæng.
Indikator/ succeskriterie: Et mindre antal erfarne organisationer har lavet og anvender efter projektperioden fortsat to interne dokumenter: en undersøgelse af deres særlige problemstillinger ift. Bondeforeninger og nogle dertil knyttede indikatorer
2. Udvikling af et set tværgående/generiske indikatorer via en analyse af de projektspecifikke indikatorer og erfaringerne med dem (delmål 1). Guiden vil indeholde forslag til indsatser, som kan styrke organisationernes arbejde med Bondeforeninger.
Indikatorer / succeskriterie: Udvikling af konkrete redskaber/ ressourcer, som distribueres til de deltagende organisationer og de organisationer, som yderligere deltager i delmål 3.
3. Et større antal mindre erfarne organisationer vil få praktisk undervisning på et todelt kursus i et set generiske indikatorer og tilknyttede retningslinjer.
Indikator / succeskriterie: Et større antal organisationer med mindre erfaring kan dokumentere, at de har anvendt et sæt tværgående/generiske indikatorer med tilknyttede retningslinjer i deres organisation, og at de har lavet en plan for, hvordan de vil anvende systemet efter afslutningen af forløbet.

4. Strategi og metoder til kapacitetsudvikling (max. 3 1/2 side)

Den metodiske tilgang bag projektdesignet: Projektet vil understøtte og katalysere den ovenstående forandringsproces ud fra en teori om, at individer og organisationer er nødt til at gennemgå en løbende forandringsproces for at komme fra viden til ny adfærd. Denne forandringsproces kan illustreres som vist i den klassiske KASAB model, som Dansk Forum for Mikrofinans har haft gode erfaringer med at anvende til kapacitetsopbygning. Modellen understreger, at ny viden ikke automatisk resulterer i ny organisatorisk adfærd i både nord og syd, og at målet med processen er at se forandringer i organisationernes handlinger.

Figur 1.: The KASAB model

Knowledge:	Conceptual understanding of information, theories, principles and research
Attitude:	Beliefs about the value of particular information or strategies
Skill:	The ability to use strategies and processes to apply knowledge
Aspiration:	Desires, or internal motivation, to engage in a particular practice
Behaviour:	Consistent application of knowledge and skills

Projektet vil understøtte de ansøgende og deltagende organisationers forandringsproces, der befinder sig forskellige stadier i KASAB modellen/ processen afhængig af de enkelte organisationers erfaring og kapacitet på området. Der er tale om to målgrupper som har hver deres behov for input til at understøtte en udviklingsproces fra viden til adfærd jfr. KASAB modellen:

- Ansøgende organisationer: Et mindre antal ansøgende organisationer, som enten har været med i studiet eller som arbejder i lignende lande/har erfaringer på lignende områder. Denne gruppe har viden og holdninger, men mangler at komme ordentligt ned i materien i form af konkret kapacitet og anvendelsen heraf, således at viden for alvor forandres til ny forandret adfærd.
- Mindre erfarne organisationer: De fleste danske udviklingsorganisationer arbejder med grupper, og mange er endnu ikke i gang med foreningsniveauet, men ønsker at styrke fortalervirksomhed og bæredygtighed i deres arbejde. Derfor forventer vi at kunne tiltrække en stor gruppe af CSO'er som ikke kender til området og i første omgang skal opdage det og få en aha oplevelse. Det er planen, at denne gruppe, takketvære forarbejdet under delmål 1 og 2, vil kunne få ny viden, holdning og adgang til redskaber, som hører til den første del af KASAB modellen. Ved afslutningen af kurset skal deltagerne lave konkrete planer for deres anvendelse af redskaberne, og det er målet, at det vil føre til reel adfærdsændring på et senere tidspunkt jfr. KASAB modellens sidste led.

Strategi for læringsforløb

Projektet startes ud med et kick off arrangement som skal konsolidere og udfolde det nødvendige ejerskab og ledelsesmæssig opbakning til projektet. Desuden skal arrangementet skabe synlighed og kendskab omkring projektet især i forhold til interessen i at deltage i de to kurser (delmål 3). Derefter påbegyndes et forløb med fokus på enkelte ansøgende organisationer, hvor de for mulighed for at gå i dybden med og identificere (1) nogle projektspecifikke problemstillinger, (2) indikatorer på succes og (3) de tiltag, som vil være hensigtsmæssige hvis indikatorerne ikke er opfyldt. Herefter starter et mere åbent forløb, der søger at skabe en fællesnævner for de forskellige indikatorer og på det grundlag viderebringe denne læring til andre organisationer, som måske ikke har arbejdet så meget med sammenslutninger. Der er altså tale om to målgrupper og et sammenhængende aktivitetsforløb:

Delmål 1: Identificere projektspecifikke problemer og indikatorer blandt enkelte organisationer

Aktivitet 1.1: Med baggrund i det udførte pilotstudie, vil en facilitator sammen med nogle få organisationer gå i dybden med og identificere de konkrete udfordringer som bondeforeningerne står i. Det vil ske gennem individuelle besøg hos organisationerne og gennem møder på tværs. Det handler her om at komme mere ned i materien og diskutere konkrete tendenser i implementeringen som f.eks. sammenhæng mellem den landbrugsfaglige indsats, marketing og så mobilisering af nye medlemmer, herunder inkludering af sårbare grupper og ligestillings spørgsmål, netværk og fortalervirksomhed ift. lokale myndigheder, mellemhandlere, opkøbere etc.

Aktivitet 1.2: På dette grundlag og med inspiration heri udvikler/videreudvikler de deltagende organisationer med hjælp fra en facilitator nogle konkrete succeskriterier / indikatorer for deres respektive udviklingsprogrammer i Syd. Det skal være indikatorer, der kan hjælpe med at identificere og kvantificere hvor stærk / svag en CBO er på nogle bestemte kritiske områder og som kan relateres til nogle konkrete tiltag, der kan styrke udviklingen af en CBO. Der er altså tale om relaterede konkrete anbefalinger til hvordan disse indikatorer kan opnås, hvis de ikke allerede er opnåede.

Delmål 2: Udvikle fælles indikatorer og regningslinjer til gavn for en bredere målgruppe

Aktivitet 2.1: Med baggrund i ovenstående proces, vil en facilitator sammen med de deltagende organisationer søge at identificere mulige fælles indikatorer og forbedringstiltag, så vi på det grundlag kan udvikle et redskab der kan være til gavn for miljøet mere bredt. Formålet vil bl.a. være at man internt i organisationerne vil kunne analysere, hvordan Bondeforeninger kan vurderes på forskellige stadier. Dette er bl.a. med inspiration fra Indien, hvor man har fælles indikatorer for selvhjælpsgrupper og deres føderationer, og hvor man på nationalt plan på det grundlag er i stand til at lave større kvantitativt baserede studier af sektorens udvikling. Der vil derudover blive udarbejdet en perspektivering, hvor mulig generaliseret læring for gruppe- og foreningsdannelse eksempelvis i sårbare byområder identificeres.

Delmål 3: Afholde kursus så mindre erfarne kan få adgang til ny viden og redskaber

Aktivitet 3.1: Afslutningsvis vil projektet afholde to kurser af to dages varighed. På det første kursus vil der blive gået i dybden med participation-begrebet i samarbejde med relevante forskere, det nye redskab vil blive introduceret og deltagerne vil have mulighed for at arbejde i nogle grupper med nogle case historier fra de organisationer, som har deltaget i aktiviteterne under mål 1. For at sikre at organisationerne virkelig får anvendt og institutionaliseret redskabet, vil vi tre måneder senere afholde et opfølgingskursus, hvor organisationerne i samarbejde med deres lokale partnere skal have lavet deres egen undersøgelse af foreningernes status og de tiltag, som vil være nødvendige. Når deltagerne har præsenteret deres resultater og forslag til tiltag, vil der være mulighed for at de bliver diskuteret og der vil blive givet input fra de andre deltagere. De ansøgende organisationer vil også have gavn at deltage i de to kurser, da de vil have et mere generelt tilsnit og fungere som en opsummering og perspektivering af processen under aktivitet 1 og 2. De ansøgende organisationer vil også bidrage med cases som vil blive brugt i undervisningen og give anledning til spørgsmål og feedback.

De ansøgende organisationer er interesserede i at arbejde videre med dette område efter dette projekt, og ønsker på sigt også at udvikle et aggregeringsinstrument eller database, som kan sammenholde og præsentere organisationernes status på systematisk vis. Det vil gøre det muligt at lave en komparativ analyse, der synliggør på hvilket stadie de forskellige foreninger befinder sig på, og hvordan organisationer kan lære af hinanden.

Refleksionsspør: Sideløbende med det ovenstående forløb, vil der køre et refleksionsspør, som forankres med en referencegruppe. Referencegruppen etableres, så snart projektet er godkendt. Gruppen vil bestå af en repræsentant af hver ansøgergruppe og vil sammen tage stilling til den løbende udvikling og justering i aktiviteter og læring. Det handler f.eks. om forventningsafstemning, løbende evaluering, succes/problemer i projektet, konkret organisatorisk udvikling. Referencegruppen vil også spille en stor rolle angående udvikling af dokumentation, som omtales i næste afsnit.

Forudsætninger og ressourcer: Den omtalte facilitator vil være en erfaren proceskonsulent med indsigt inden for området, og det er indtil videre aftalt at Kristine Kaaber Pors fra DMRU vil varetage denne rolle. Kristine har i 2011 skrevet en guide for DFM baseret på danske civilorganisationers erfaringer med social, politisk og økonomisk empowerment i spare-lånegrupper, og har således en del erfaring på området. Kristine deltager også sammen med folk fra Caritas og andre i Globalt Fokus læringsforløb om organisatorisk læring. Dette frikøb vil spare projektet for udelukkende at tilkøbe dyre eksterne konsulenter. Proceskonsulenten vil dog løbende involvere en række specialister og eksterne konsulenter i udførelsen af arbejdet afhængig af de konkrete behov hos de forskellige organisationer. Konkrete konsulenter kunne være Steffen Johnsen fra Nordeco, som har været med i læringsforløbet og skrev TOR for DRO studiet. Desuden forsker Esbern Friis Hansen, som sammen med sit forsker team skrev DRO rapporten for Danmission og Caritas. Det er en forudsætning for gennemførelsen af projektet at de eksterne eksperter kan identificeres. Det er også en forudsætning, at de deltagende organisationer vil være i stand til at kommunikere effektivt med deres partnere under aktivitet 1.1. og 2.2. Det vil være afgørende, at det er muligt, at identificere fælles indikatorer med mening så processen kan bevæge sig fra delmål 1 til delmål 2. Endelig er der det nødvendige ejerskab og den ledelsesmæssige involvering i processen, og det forventes, at de organisationer, som deltager i den sidste mere åbne del af processen, vil inddrage ledelsen i det stykke forberedelsesarbejde, der ligger mellem de to kurser.

5. Læring, dokumentation og vidensdeling (max. 1 side)

Læring: Som det fremgår ovenfor, er der indlagt møder i referencegruppen med det formål løbende at monitorere projektet i forhold til den forventede forandringsproces. Projektet vil blive udført i en iterativ proces mellem implementering af aktiviteter, feedback fra deltagere og projektledelse til referencegruppen, og derfra eventuel justering af de efterfølgende læringsaktiviteter. Det forventes, at Globalt Fokus vil bidrage til faciliteringen af det første og det sidste referencegruppemøde og på denne måde bidrage til den nødvendige lærings- og refleksionsproces.

Dokumentation: Udvikling af konkrete produkter som nævnt under indikatorer i det tidligere afsnit vil være en afgørende del af projektets aktiviteter og vil dokumentere projektets resultater. Afsluttende ønsker de ansøgende organisationer med hjælp fra Globalt Fokus at afholde en erfaringsudvekslingsdag, hvor både deltagere og ledelsen fra de aktivt involverede organisationer vil have mulighed for at forholde sig kritisk til processen. Til det formål vil referencegruppen bede de involverede organisationer om at udforme forandringshistorier, som de vil præsentere ved mødet. Det skal her afklares og dokumenteres i hvilken udstrækning og hvordan projektet har resulteret i kompetenceudvikling og institutionelle redskaber, systemer og strategier i de ansøgende organisationer og hos deres partnere / lokalkontorer i syd. Referencegruppen vil også opmuntre de aktivt involverede organisationer til at deltage i den fælles årlige erfaringsudveksling (markedsplads), som Globalt Fokus afholder, og hvor organisationer fra forskellige initiativer vil præsentere konkrete resultater og udveksle erfaringer.

Vidensdeling: Projektet har indlagt adskillige elementer af vidensdeling – både internt i gruppen af ansøgende organisationer, men også et set af indikatorer og redskaber, der via et kursus vil blive stillet til rådighed for organisationer, virksomheder og interessenter uden for den aktivt implementerende projektgruppe. Disse ressourcer vil også blive gjort tilgængeligt gennem Globalt Fokus samarbejdsplatform, PODIO, og på Caritas' hjemmeside samt på hjemmesiderne for forskellige netværk så som CISU, Dansk Forum for Mikrofinans og andre netværk.

6. Organisatorisk set-up, forpligtelse og ejerskab (max. 1 side)

Organisatorisk set-up: Det overordnede ansvar for projektets effektive gennemførelse, rapportering og finansielle styring ligger hos lead-organisationen. Projektet er planlagt, designet og forberedt i fællesskab og ønskes i videst muligt omfang løftet af den fælles referencegruppe gennem hele implementeringen. Dog er der samtidig behov for at én organisation har det endelige ansvar for den løbende planlægning og gennemførelse af projektet herunder det logistisk omkring koordineringen af projektets aktiviteter, sammenskrive rapporter og sikrer jævnlige muligheder for refleksion over projektets udvikling. Projektlederen vil blive *suppleret* af referencegruppen, som beskrevet i afsnit 4 under "refleksionsspor".

Lead-organisation: Caritas Danmark er valgt som projektets lead organisation og tager dermed ansvaret for den løbende planlægning og gennemførelse af projektet, ligesom Caritas Danmark har ansvaret for den finansielle og indholdsmæssige afrapportering på projektet til Globalt Fokus. Caritas har tidligere huset og været værter for lignende initiativer i form af Dansk Forum for Mikrofinans.

Ejerskab: Ejerskabet i forhold til at justere undervejs og sørge for at refleksionsmøderne bliver aktive og faktisk tjener som monitoreringsinstrument, ligger hos hele referencegruppen. Alle ansøgende organisationer påtager sig med denne ansøgning ansvaret for at gøre deres yderste til at sikre den organisatoriske forankring i egen organisation og at bidrage med engagement til det fælles læringsprojekt. Det er hensigten at et kick off arrangement målrettet ledelsen blandt organisationerne skal bidrage til ejerskab og ledelsesmæssig opbakning til projektet.

Som ansøgningsforpligtelserne dokumenterer, har hver af de ansøgende organisationer analyseret, hvordan de bedst forankrer indholdet af dette projekt organisatorisk og sikrer en kapacitetsudvikling til følge. Alle har involveret, diskuteret og fået opbakning til dette initiativ hos centralt placerede ledere.

7. Bilag

Bilags oversigt

Bilagsnr.	Bilagstitel:
Bilag 1	Ansøgerforpligtelser for 7 deltagende organisationer
Bilag 2	Budget og finansierings plan
Bilag 3	Implementeringsplan med tidsramme for initiativets aktiviteter og refleksionsmøder, ansvarsfordeling og evt. med tilknyttede delmål.
Bilag 4	Thresholds in the evolution of Democratic Rural Organizations: Markets, Credit and Voice - Lessons from India, Bangladesh, Cambodia and Uganda

GLOBALT FOKUS

Ansøgningssekema - Større kapacitetsudviklingsinitiativer

Bilag 2: Budget

Oprettet 09.2014, rev.06.2015

OBS: Udfyldes i næste faneblad: Overordnede bemærkninger om omkostningseffektivitet samt budgetnoter for hver budgetpost

Initiativ for udvikling af lokalsamfundsorganisationer

BUDGET - beløb mellem 75.000 kr. og 400.000 kr.		
	Globalt Fokus	Eventuel suppler
1. Workshops, seminarer, konferencer o.lign.	8.500	0
1.1 Kick off arrangement	8.500	
2. Procesforløb/længerevarende læringsforløb.	-	0
3. Tværgående undersøgelser, studier o.lign.	-	0
4. Faglig formidling, vidensdeling o.lign	19.000	0
4.1. Kursus 1: lokaleleje, forplejning, annoncering, rejser for konsulenten	7.000	
4.2. Kursus 2: lokaleleje, forplejning, annoncering, rejser for konsulenten	7.000	
4.3. Rejsekompensation for deltagere, som kommer fra f.eks. Jylland	5.000	
5. Andre aktiviteter/udgifter	-	0
6. Støtte til implementering - frikøb eller tilkøb	304.975	0
6.1 Tilkøb: Identificering af udviklingsproblemer i udvalgte organisationer	39.800	
6.2 Tilkøb: Identificering af indikatorer i udvalgte organisaitoner	39.800	
6.3 Tilkøb: Udvikling af fælles indikatorer og forbedringstiltag	49.750	
6.4 Tilkøb: Ekspert til to kurser af to dage	34.825	
6.5 Frikøb: Proceskonsulent til hele forløbet	57.200	
6.6 Frikøb: Indsamling og editering af forandringshistorier	8.800	
6.7 Frikøb: Tematiske og metodefaglige ressourcer	39.600	
6.8 Frikøb: Projektledelse	35.200	
7. Budgetmargin (10% af pkt 1-6)	33.248	0
8. Udgifter i alt	365.723	0
9. Revision	8.000	
10.Subtotal	373.723	0
11. Administration (max 7 % af pkt 10)	26.161	0
12. Total (pkt. 10+11)	399.883	0
13. Total pkt. 12 rundet op til næste hele 500	400.000	0

* Der er ingen krav om supplerende finansiering og der er ingen krav om at en eventuel supplerende finansiering indgår som en del af regnskabsrevisionen.

Bilag 3: Implementeringsplan, januar 2016 - juli 2017

Aktiviteter	KASAB process / forankring	Jan-mar	apr-jun	jul-sep	okt-dec	jan-mar	apr-jun
1. Referencegruppen mødes med Globalt Fokus og forbereder procesforløbet og kick off arrangement som faciliteres af lead organisation	Knowledge and Attitude: Ledelsen i erfarne og mindre erfarne organisationer får kendskab og ændrer holdning til mulighederne i værdikædearbejde						
2. Referencegruppen planlægger identifikationsproces. Proceskonsulent faciliterer identificering af dybereliggende kontekst-specifikke problemer og kritiske faktorer	Knowledge and Attitude: Deltagerne laver en undersøgelse og identificerer de mest afgørende parametre for udvikling af sammenslutninger af grupper i netop deres projekter						
3. Referencegruppen evaluerer og planlægger arbejde for indikatorudvikling. Proceskonsulent faciliterer kontekstspecifik indikatorudvikling	Skills, Aspiration, Behaviour: Organisationerne udvikler kontekstspecifikke indikatorer, som testes og anvendes i samarbejde med Syd						
4. Referencegruppen evaluerer og planlægger arbejde for fælles indikatorudvikling. Proceskonsulent faciliterer udvikling af tværgående indikatorer og en praktisk guide	Skills: Proceskonsulenten, eksperter og organisationer udvikler tværgående indikatorer og guide til at kvantificere og analysere forskellige stadier af foreningers udvikling						
5. Referencegruppe evaluerer og planlægger kurser. Proceskonsulent og ekspert afholder to kurser. Indimellem får deltagerne hjælp til at undersøge egne foreninger.	Knowledge, Attitude, Skills: Organisationer lære om indikatorer og afprøver dem mellem de to kurser, og de laver en plan for, hvordan de vil anvende systemet.						
6. Lead organisation faciliterer indsamling af forandrings-historier og referencegruppe deltager i Globalt Fokus markeds-pladsevent samt planlægger opfølgning og disseminering.	Aspiration and Behavior: Erfarne organisationer anvender interne redskaber og guides medens mindre erfarne har testet og planlagt anvendelsen af generiske indikatorer						



Thresholds in the evolution of Democratic Rural Organizations: Markets, Credit and Voice

Lessons from India, Bangladesh, Cambodia and Uganda

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INTRODUCTION TO THE PILOT STUDY

STUDY FOCUS

Working towards equitable and sustainable development, rural people often organize themselves in groups or associations for collective action and voice. Groups or associations are widely recognized as a positive force for rural development. Getting together enables rural people to empower themselves and to increase benefits from market transactions. Getting together with others also can allow individuals to better cope with risk, particularly when neither the private sector nor the government provides any safety nets or insurance against risk. Some of these democratic rural organizations (DROs) have emerged by peoples' own initiative or are, as is the case for developing countries, frequently initiated or promoted by support from national or international NGO's.

Some DROs are engaged in the provision of various development services like microfinance, income generation programs, non-formal education, women's empowerment programs, watershed management, environment conservation and so on. Then there are those engaged in the pursuit of a broader political change and social transformation agenda for the creation of an emancipated and egalitarian society by fighting for human rights and social justice. Thirdly, there are member-based organizations like cooperatives and community-based organizations that provide specific services to members. Not only do these organizations differ prima facie in their goals but these differences have implications for their organizational actions. For instance, accountability towards members is likely to be of paramount importance in member-based organizations as compared to the other types of NGOs. Therefore the kind of NGO or DRO that the donor chooses to support or create depends on the orientation of the donor and its own understanding of the development pathway and its conception of what constitutes development.

DROs may successfully establish themselves and grow over long periods into larger and more complex bodies (federations, apex associations, cooperatives or others). In cases of success, such organizations contribute significantly to improvement of material living conditions, democratic participation and empowerment of rural people. However, they may also fail somewhere along the way for a multitude of reasons. Failure of such democratic organizations has profound negative socio-economic effects on their members and leads to loss of trust and political influence.

Caritas DK and Danmission commissioned this pilot study to provide an overview of the experience with assisting small-scale rural people in overcoming these challenges and effectively participating in and influencing modern market chains and trade¹. The results of the

¹The study was carried out in 2014 by a team of researchers from India, Uganda and Denmark as a joint effort. The Asian team was headed by Professor Janki Andharia, the Ugandan team was headed by Dr. Godfrey Suubi, while the study was coordinated from Denmark by Dr. Esbern Friis-Hansen. In alphabetical order the study team members include: Charles Aben, Jonas Gillett, Udeet Meethaka,

pilot study will provide information to facilitate the successful establishment and operation of DROs to support collective action among small-scale rural people. This pilot study focuses specifically on the development of DROs, and identifies common development pathways and points of qualitative change along those pathways found in the growth and strengthening of DROs by drawing on experience from agriculture sector. It is hoped that the lessons learned from these experiences will have wider relevance for other rural organizations. Variations in the contexts, across countries and regions, which differ in traditions of political and social organization, are sought to be contained in models and approaches conceived by donors. Comparing the literature on NGOs across regions: Latin America is dense in agricultural cooperatives, Bangladesh has a tradition of local welfare organizations and then NGOs playing an important role (Ahmed & Potter 2006, p. 131; Bano 2008), India has a vibrant democracy that infuses local NGO-sponsored initiatives (Jalali 1993, 2012; Rao & Sanyal 2010), and African communities have traditions of village mutual assistance which NGOs try to convert into formal community-based organizations, home-based care groups, or orphan care groups (Michael 2004). Even though experiences with DROs have been mixed, recent experience shows that collective action can yield a number of positive benefits. For example, the organization of farmers into rural organizations can (i) facilitate the certification of groups as opposed to individuals, benefitting farmers through economies of scale related to bulk purchasing of inputs and services and collective processing and marketing, (ii) support communication, extension training and technology dissemination, and (iii) lead to effective management through collective implementation of better management practices.

Programs designed in the Global North must pass through a complex chain of ever smaller, less rationalized, less formally structured organizations if they are to reach the poor in the Global South. Development aid also makes available new cosmopolitan vocabularies that interact in varied ways with globally standardized NGO models. This pilot study therefore explores the experience of both successful and failed rural organizations on the ground, looking at a range of farmer organizations (such as farmer societies, cooperatives and community-based organizations) and their business models, and highlights potential opportunities for success. The study is not an evaluation and its aim is limited to identifying and understanding some of the factors associated with the success or failure of rural organizations development and highlighting some guiding principles for Caritas DK and Danmission and other development organizations that wish to support rural organizations in developing countries.

Harmonizing understanding of TOR: At the inception of the consultancy, the client (Caritas DK and Danmission) and the consultant held a meeting to harmonize expectations and agree on the interpretation on the Terms of Reference and EOI, including the content and deadlines

Einhard Mwanyika, Isaac Nakendo and Jyotirmay. Caritas Denmark and Danmission's national NGO partners gave invaluable support to the study team. Maj Forum and Helena Christensen gave valuable comments on the draft report.

for submission of the deliverables. The main tasks for the consultancy outlined in the TOR are to:

- i. Identify common or typical development pathways and points of qualitative change along those pathways found in growth and strengthening of DROs and businesses.
- ii. Draw indicative lessons (and identify critical additional points for analysis/decision) for the rural organizations themselves, as well as for national and international NGO's, which aim at supporting them (i.e. provide ways (tools, indicators, description of typical points of change) for practical application by national and international NGO's, in order for them to identify critical decision points ahead of time and better advise their partners before and during the transitions).
- iii. Provide recommendations for Caritas and Danmission and their national partners for adjustments in ongoing programmes (i.e. to answer the question: What can be done differently in order to guide the DROs in the right direction?)

METHODOLOGY

The analytical framework is guided by the literature review and the objective of the study: to analyse typical development points that provide good and bad examples of development of DROs and businesses and to identify factors of successes and failures. These factors have been framed through critical thresholds which are the practical stages in the development pathway of DROs that are particularly important in influencing success or failure of the DROs. This is a pilot study that is based on a short period of qualitative fieldwork that limits its general explanatory power. However, before discussing the tools needed for data collection, it is necessary to clarify what is meant by *success*. The success of DROs is defined on the basis of achieving the objectives agreed upon by members: retain or expand their membership; progress towards financial and managerial self-reliance and sustainability, inspiring members to maintain their equity stake in the organization; achieve strong and functional DROs; and improve self-esteem, the economic and social well-being of members, claim political voice and articulate informed demands for public services. Some of the case studies are likely to be neither clear successes nor clear failures but something in-between. For example, a DRO may successfully transform from individual SHG to a federation, however, at a certain stage the federation may become stuck and continue to operate below its full potential.

The indicators for success, failure and sub-optimal performance have been developed and adjusted in this study and have been used to evaluate the typical development points for successful and failed DROs and contribute to the development of recommendations for Caritas DK and Danmission and their national partners for application in the design of future development projects. The indicators and the development pathways have been developed through a literature review (which consists of a review of the different development pathways of Africa and Asia, each of the involved countries' development trajectory and the different

	Services provided for SHG by federating	Processing	Market	Capacity building	Saving and credit	Links to financial institution	Voice	Downward accountability	Staff	Consumer Coop	Form of federation
India	Tezpur (TSSS)										Cooperative
	Pratigya (TSSS)										Cooperative
	Nijora (TSSS)										Cooperative
	NERM										
Bangladesh	Trinamool (SUPOTH)										Association
	Sidi (SUPOTH)										Association
	Somota (SUPOTH)										Association
	Jankalyan (SUPOTH)										Association
Cambodia	Chhed (CCFC)										Association
	Samraong (CCFC)										Association
	Thnong (PAECE)										Association
	Kdam puk (PAECE)										Association
	KampongBassei(PNK S)										Association
	Svai Cha (PNKS)										Association
Uganda	Kabonera (NUCAFE)										Cooperative
	Ochuloi VSLA (CARE)										Association
	Tubur (CIDI)										Association
	Kasanaensis (CAPCA)										Association
	Arapai (NAADS)										Cooperative
	Iganga (UNFFE)										Association
	Buluguyi (EADEN)										Association
	Gweri (NAADS)										Cooperative

Country	National NGO/GO	2 nd tier DROs	DRO groups
Uganda	7	21	6
India	2	3	22
Bangladesh	1	4	2
Cambodia	3	0	8
Total	13	27	38

types of DROs identified) and through observations in the field, whereas the thresholds have been theoretically informed but practically applied.

Three data collection tools have been used:

- (i) Literature review
- (ii) Interviews with key informants
- (iii) Interviews with leaders and members of DROs

Interviews with key informants

Interviews with key informants are the main source of empirical evidence for this study. The key informants for this study are Caritas/Danmission national partners and other organizations that nurture the development and scaling-up of DROs and understand the mechanisms of DRO facilitation. A checklist for collection of detailed information from partner organizations and other organizations supporting / strengthening/ involved in developing DROs is shown in the Annexes along with semi-structured interview guides for key informants.

Interviews with leaders and members of DROs

Through individual and group interviews, the national consultant teams have interviewed leaders and members of selected DROs. Information obtained directly from DROs is used in two ways: (i) to assess the current situation and performance of DROs; and (ii) to triangulate/verify the understanding gained from interviewing the key informants.

Key focus areas for understanding DROs:

- i. Internal organization:** *Homogeneity achieved within the DROs with regards to size, choice of services, commercial activities, self-reliance and autonomy, finance, skills and education, participation, organizational structure and governance, legislation, and focus.*
- ii. Role of supporting organizations:** *Independent capacity achieved to promote independence, prioritize business objectives, promote long-term sustainability, adopt a coordinated approach, take a long-term approach, set realistic expectations, understand the market system, and allow failure.*
- iii. Enabling environment:** *Relationship achieved with political, administrative and market institutions, levels of support from NGOs.*

The empirical data-gathering process has been influenced by the socio-economic conditions at the places of collection, meaning that at some locations more comprehensive data could be collected, as compared to others, as more DROs and NGOs were available for interview. The

box below shows how many national organizations, federations and groups and DROs the study has analysed.

A checklist for the semi-structured interviews with the DROs is shown in the Annexes.

Data Analysis. All data has been cross-checked for completeness, validity, consistency and accuracy. Content analysis has been applied to analyse the qualitative data on the basis of emerging themes and sub-themes in line with the assignment objectives. This qualitative data has been analysed by formulating tentative themes and sub-themes, which have continuously been analysed before, during and after data collection. The major issues regarding functionality of farmer organizations have been identified and addressed to development pathways. This has also facilitated comparisons and contrasts of participants' views within and among the different sites.

CONCEPTUAL FRAMEWORK

The overriding reason why members form and join DROs is to *enhance economic and social wellbeing*. By organizing in DROs, members seek to overcome two fundamental constraints; to escape their disadvantaged starting point, being poor farmers living in marginal areas; and to address market failures in terms of access to profitable markets for their product, access to financial services and access to political influence. DROs are often formed to address one specific aim. When they expand from the level of first-tier (group/primary society) to second-tier associations or third tier or even multi-tier (higher level APEX) organizations, the DROs often add new aims.

One can identify three main categories of aims among DROs. The first set of aims is concerned with gaining economies of scale with regards to value added processing and marketing of joint production. Collective action within the DRO is used to improve product quality and consistency and volumes of delivery which, combined with collective bargaining power, allows farmers to gain access to more profitable markets. This is the oldest set of aims, with a two century long history of cooperatives in Europe. In Africa, strong producer cooperatives emerged during the post-independence era of the 1960s. Unfortunately, these were all subject to political elite capture during the 1970s, as they were seen as a political threat to the one-party states' monopoly of power. The consequence was a widespread collapse of the cooperative sector, which became dormant for the next 30 years, leaving small scale farmers vulnerable to the market failure first of monopoly parastatal marketing organizations and later of under liberalised markets. In spite of being associated with deep distrust among farmers, producer cooperatives have been slowly re-emerging in Africa during the past decade.

The second set of aims is concerned with *access to finance*. These aims address the challenge of inadequate access to credit in the context of the market-failure of financial institutions in servicing poor people living in marginal rural areas. During the 1970's and 1980s national credit programmes provided credit to individual farmers in the form of predetermined

packages of agricultural inputs. These programmes collapsed in the early 1990's because of catastrophic low repayment rates. Over the past 25 years a wide variety of group-based loan and saving programmes associated with DROs has emerged in Asia and Africa (see Annex 2 for an overview of credit DRO approaches). Common for these models of credit DROs is their use of Saving and Loan first-tier DROs as their basic organizing unit which at the next stage of DRO, are linked to outside credit institutions.

The third set of aims relates to political voice. In one sense this is the oldest and most fundamental aim of organising into DROs. However, in its most recent form, DROs have been organised with the aim of engaging in advocacy activities. The driving force behind this aim is largely the international NGOs and links to a wider international discourse known as the Human Rights Based Approach. This approach represents a relatively new (since end of 1990), but increasingly promoted development intervention model, the overall aim of which is to ensure that development processes and outcomes comply with human rights standards and principles. A human rights perspective places values and politics at the centre of the development agenda, thus drawing development assistance towards transforming unequal power relations so as to secure equal rights for all human beings (Friis-Hansen and Kyed 2009). For a brief overview, see Annex 3.

In practice, how the focus of advocacy has been operationalized varies greatly depending on the socio-economic and political context. In NE India DRO members can claim access rights and services that reflect actual acts of parliament and government policies; while no such rights exist in Uganda. The advocacy of DROs in Cambodia is focused on defending rural communities against what is perceived as unjust actions by outside agents (e.g. displacing rural people without compensation because of infrastructure programmes); while advocacy in Bangladesh is focused on landless farmers claiming rights to government owned land.

Our conceptual framework for analysing the DRO development pathway comprises four parts: exploring DRO success criteria; identifying development pathways for DROs; unpacking participation; and identifying DRO thresholds.

CRITERIA FOR SUCCESS AND FAILURE

Successful DROs can be understood as farmer organizations that: achieve the objectives agreed upon by members; retain or expand their membership; progress towards financial and managerial self-reliance and sustainability, inspire members to participate in governance and maintain their equity stake in the organization; and improve self-esteem, and the economic and social well-being of members. The democratic element of DROs can be understood as: members participating in electing leadership and keeping leaders accountable and contributing actively to deciding the content and activities of the organization.

In the following section we explore four components of the above definition of successful DROs; (i) ownership; (ii) financial self-reliance and sustainability; (iii) managerial self-reliance and sustainability; and (iv) democratic election of leaders and social accountability mechanisms. As indicated in the table above, ownership is not limited to formal ownership of equity shares or contribution to co-funding. Ownership as a DRO success criterion should be understood in a wider sense and include members' perception that they have a voice in DRO governance. Members' perception of ownership is also closely related to their active participation in DRO activities.

We have included the extent to which members perceive that the aim of the DRO reflects their own aspirations as an indicator of ownership. An organization or an institutional arrangement is successful if it serves its members or clients and if those are actively committed to the joint achievement of agreed objectives (Rondot and Collion, 2001). Enhanced wellbeing is likely to

DRO Success criteria: Ownership	
Indicators of ownership	Comments
Aim reflect aspiration of members	Aim of DROs often predetermined by development agent. Invited space for members to participate does not necessarily include defining aim of DRO
Co-funding/equity share	Demand for co-funding widely used as conditionality by development agents and standard approach to ensure ownership
Members agree and follow formal and informal rules	A concrete example is that members do not side-sell to private traders, but sell to cooperative, even when cooperative cannot pay cash for produce
Participation of members in governance and perception of voice	Members are active in participatory monitoring activities

be the overall aim for all members and the aims of access to finance and collective processing/marketing are likely to satisfy most members' aspirations.

As membership of credit and marketing DROs grows the DROs are taken more seriously by external economic and political actors and can potentially use their new status to influence policies that affect their livelihood, e.g. service delivery, market policy, subsidies and taxation concerns, etc. However, this

opportunity is far from fully used. When DROs are vocal the issues taken up are often defined by the development NGO and thus reflect a wider civil society agenda that may not be of direct concern to the DRO members.

There may be a perennial conflict between locally-familiar management and 'ownership', on the one hand, and the benefits of being part of a more distant large-scale, professionally-run institution, on the other hand. As DRO's become more prosperous they will almost certainly have to sacrifice some of the benefits of local control in order to obtain the broader range of services they will need. The question then is how to minimize the disadvantages in terms of ownership.

It is challenging for DROs to achieve *financial self-reliance and sustainability*. Therefore the costs of creating and maintaining links to second-tier DROs should be less than the benefits

DRO success criteria: Economic sustainability		
Aim	First-tier DRO =>	Second tier DRO
Processing and marketing	Production	Processing
Processing and marketing	Production	Marketing
Processing and marketing	Subsistence	Farming as a business
Finance	Own savings	External finance
Finance	Individual liability	Collective liability
Finance	Flexible rules for loan and repayment, e.g. emergencies	Standard rules, e.g. business plans
Voice	Livelihood	Society
Voice	Local community	Wider society
Voice	Local knowledge system	Donor/government knowledge system

that these links provide. Making profit from commercial farming requires that the DRO compete with other commercial entities and that members have sufficient discipline to adhere to quality standards and production contracts, etc.

Obtaining economic sustainability for the DROs is an important matter, particularly as many of the NGOs will leave the setup due to locked timeframes. Several aspects are important to recognize. One is that DROs are often geographically scattered with long distances between them. Interactions between first-tier DROs can be very time consuming

and difficult, especially during the rainy season where some rural villages can be almost inaccessible. Because interaction and regular visits between the different first-tier DROs are very important and because levels of technology are generally low, transaction costs related to travel can be very high. Because most DROs are initiated through NGOs, it is the NGO, and not the rural population, that decides where to establish community DROs. These decisions are often guided by religious beliefs with little recognition for how the different communities can interact after the NGO leaves the setup.

To reach economic sustainability it is likewise critical that the DROs gain access to markets and are able to link to value chains, thereby ensuring a stable flow of income as they have a guaranteed buyer for their produce and an adequate payment. However, throughout the 1980s and 1990s where structural adjustment programs very much failed as a method to boost the economy of developing countries, particularly for smallholders in remote rural areas, and in the 2000s, where increased consumer-focus on product- and process standards has been manifest through increased degrees of vertical integration and coordination among lead firms, smallholders found it more difficult to gain access to markets (Friis-Hansen 2000, Giovanucci & Purcell, 2008). This is due to lack of finance and economies of scale often leading to inability to produce to the strict process and product standards that consumers demand. Increased lead firm coordination and control has consolidated the market and placed mounting pressure on smallholders (Dolan & Humphrey, 2004). The policy restructuring of the 1990s also promoted a drop-off in prices and an increase in the cost of production inputs. This situation and the increased difficulty of establishing sustained market-linkages, provides an unstable socio-economic environment for both smallholders and DROs. This unstable environment is a threat

DRO success criteria: Managerial sustainability	
First-tier DRO =>	Second tier DRO
Trust-based	Legal/rule based
Voluntary	Paid employees
Group dynamics	Interaction with external business partners
Local knowledge system	Interaction with employed professional
Local knowledge system	Accessing expert advice
Charisma, dedication	Ability to learn new skills

to DROs as they will have a difficult time achieving economic sustainability. Likewise, internal conflicts, within DROs can mount as problems with side-selling increases. This is particularly visible in periods with unstable market relations.

Another important issue is the ability to minimize costs in terms of capital and time.

Monetary cost to members can be understood as the sum of financial costs, transaction costs, and potential losses due to fraud, theft or mismanagement. DROs that are dependent on external NGO support during their establishment may not have the momentum to rid themselves of costly operational patterns. Another cost increasing structural legacy of NGO support is the increased transaction costs caused by the NGO's original selection criteria resulting in DROs who are members of the second-tier or higher DROs being spatially scattered. An example of selection criteria that results in scattered DRO is when faith-based organizations use their local affiliated churches as organizational points of departure for organizing rural citizens. Finally, participating in well managed democratic governance of DROs can be time consuming, particularly so if all DROs are active in governance processes, including participatory monitoring.

While the driving force for organizing in DROs is a perception that benefits will outweigh costs and that federating is a pathway to enhanced wellbeing for many rural poor living in marginal areas, the opportunity cost of not organizing in DROs is high and the alternative is market failure.

A key challenge to *managerial self-reliance and sustainability of DROs* is the flexibility required when transforming governance at the first-tier level to governance at the second-tier level. First-tier and second-tier and higher tier DROs each have their well-defined forms of governance and accountability. First-tier DROs that regularly disburse their funds retain accountability in the hands of members. Transactions are kept simple, are trust-based and use witness-style governance, local norms for organizing and sometimes oral bookkeeping. On the other hand, large second, third and multi- tier DROs, such as associations, networks or cooperatives, have professional staff and are able make audits in response to demands for upwards accountability. The challenge is how to manage the gradual transformation from one system to another.

DRO success criteria: Democratic structures		
Type of accountability	First-tier DRO =>	Second tier DRO
Political	Periodical elections	Periodical elections
Political	Direct participation	Oral reporting from meetings to First-tier DRO
Downwards	Book keeping	Participatory monitoring of activities, resources and services to members
Downwards	Book keeping	Community information centre
Upwards	Book keeping	Audits, elaborate accounting requirements from donors

Literature indicates that it is the complexity of aims and products that generates more complex governance structures. *“The complexity of products affects the complexity of governance. More*

products or more sophisticated products require more complex systems and professionally-trained management that in turn, make member oversight more challenging”. (Hirschland, 2008: p.2). Many DROs postpone employing professional staff as this is both costly and poses a new challenge for management who are likely to be less educated and skilled than the new staff. *“Skilled and honest managers are hard to recruit and retain because members are reluctant to pay their employees more than they earn themselves, and because the managers lack the personal stake which drives individual enterprise”*, (Harper, 2008: p.18).

The democratic DRO success criteria are concerned with three different forms of accountability and reflect relationships between members and leaders within the DRO. Political accountability takes the form of periodic election for office. If leaders have done a good job, they are likely to be re-elected and if they have failed, it is assumed that another member will take over their office. Downwards accountability is how leaders are kept accountable to their members in-between elections. Downwards accountability can act as a source of countervailing power, giving members a direct voice in the formulation and implementation of activities. Downwards accountability can be institutionalized, for example in the form of participatory monitoring by members of activities and flow of resources, and is likely to involve the active participation of members themselves. Such downwards accountability mechanisms are often part of broader efforts to deepen democracy and can contribute to the perception of ownership among members. Downwards accountability mechanisms can also play a crucial role in lowering the risks associated with elite capture or economic leakage.

At the first-tier DRO level, downwards accountability takes place informally and directly. However, if downwards accountability mechanisms are not established during the process of federation, there is a risk that it will be replaced by political accountability and upwards accountability.

Engagement with outside donors is very demanding in terms of skills of upwards accountability reporting. Especially when DROs receive financial support from more than one external development agent, the administrative challenge of upwards accountability can be very demanding and can overshadow efforts to establish a downwards accountability mechanism.

DEVELOPMENT PATHWAYS

The three common pathways in which DROs link with second-tier organizations are informal associations, formal associations and cooperatives. See box below.

Informal Organizations: Informal organizations are unregistered DROs that have no legal rights. This is how most DROs start. DROs will only register once the benefits of doing so outweigh the additional costs that come with registration. If they register they do so at the lowest appropriate authorities. Informal organizations tend to be broader in scope and bring together different groupings of people. Because of the broader scope, there is an increased likelihood of duplication, competition and antagonism as new DROs are formed. These DROs do not achieve maximum benefits for their members and constituents, as this would require local DROs to harmonize and streamline their roles, responsibilities and linkages.

Formal associations – These associations are membership-based organizations where members have access to particular services and benefits. They are legally registered as non-profit organizations. Association members can decide how to structure and manage their organization to suit their own requirements. The autonomy and flexibility of associations have big advantages; however, associations are not usually designed for business activities and so are not allowed to distribute profits to members, and members are personally liable for the association's debts. They are usually regarded as a transition to cooperatives.

Cooperatives – Cooperatives tend to be centred on certain enterprises, commodities or functions. The most common are savings and credit cooperatives. Cooperatives are controlled and owned by their members who have equal shares and who each have a say in the running of the cooperative through equal voting rights. The main purpose of cooperatives is to provide competitively priced services to their members and to make a profit from the sale of members' produce which is then usually distributed to members according to how much they use the cooperative's services. This is different from private companies where ownership, decision-making and profit distribution is proportional to each member's investment in the business.

Small DROs, particularly those operating in remote areas, may need to link with other institutions for financial intermediation or in order to obtain non-financial services such as advice or capacity building. Or, they may be compelled to link to 'higher' level institutions for regulatory purposes, or because they are a part of a multi-tier national cooperative structure (Harper, 2008).

The cooperative is the most common form of federating for processing and marketing. Primary cooperatives commonly link up with second or third-tier cooperatives. Some primary cooperatives, however, choose to link directly with traders or enter into contract farming arrangements with large processors, wholesalers or export companies.

An alternative development pathway (promoted by Caritas in India and Uganda) to forming cooperatives is to federate as associations and, as associations, to buy shares in a joint marketing company. In the Caritas model, the marketing company is created and jointly owned by the national NGOs supported by Caritas. The long term strategy is that all the local associations supported by the national NGOs (on behalf of Caritas DK) will buy shares and eventually take over ownership and manage the marketing company.

Associations are legally registered as companies limited by guarantee. This makes the association format of federating well-suited to loan and credit and advocacy activities. Associations are less attractive for processing and marketing activities as they are limited companies and are not permitted to act as wholesalers.

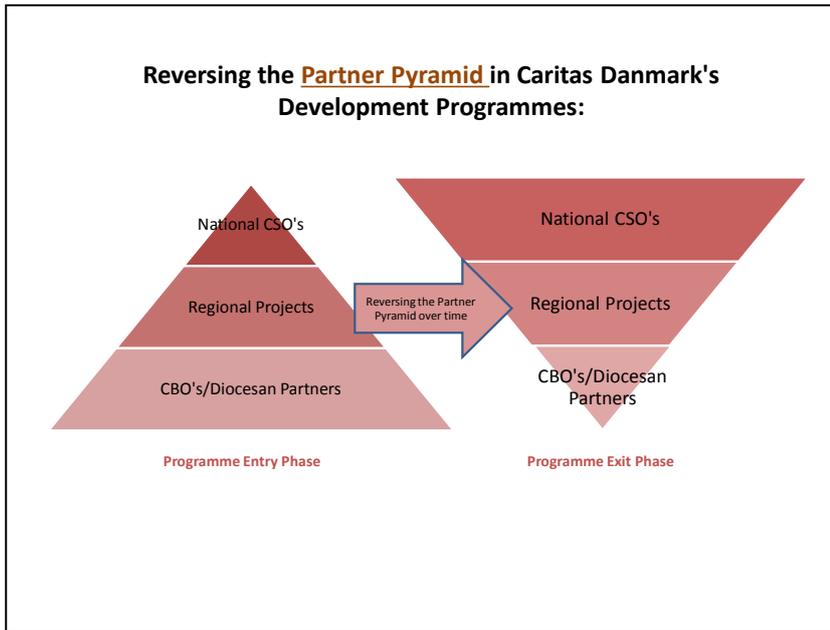
Yet another form of linking to second-tier organizations in addition to the three discussed above, is to form networks of first-tier DROs. A recent comparative study of credit DROs in Africa, Asia and Latin America, emphasizes networks of first-tier DROs as a model that gives members the benefit of accessing financial institutions, while avoiding the costs and risks associated with forming second-tier DROs (Hirschland, 2008).

UNPACKING PARTICIPATION

A robust democracy needs people's participation so that they can represent their interests and contribute to shaping the economic, social and political development of the society they are a part of. Principles of equality and social justice are to be upheld in political and economic decision-making processes at the national and local levels. Such participation is a fundamental democratic right of citizens. In order to be effective, participation must be firmly positioned within systems of decision making that demonstrate accountability.

This study examines experiences with how external actors stimulate the evolution of rural people's institutions from first-tier DROs to second and even multi-tier DROs. However, before describing the study, it is helpful to reflect on the fundamental premises of participation. How can external actors provide support that stimulates farmers to organize into DROs that are viewed by farmers as genuine and legitimate? The obvious challenge is that empowerment is an internal individual/collective process and not something that can be transferred from an outside development agency.

During European history DROs, in the form of cooperatives, were formed organically by farmers in response to needs and opportunities. The modus operandi of support for DROs today in Asia and Africa has been to establish relations of trust and cooperation between



agents of development and those individuals and groups, who have not otherwise been reached by previous projects and programs. Agents of development are commonly local NGOs (or local faith-based organizations in this study) who are supported by international NGOs (in this study Caritas and Danmission).

The overall strategy is to gradually shift power and control over decisions from the development agent to the

DRO. During the establishment of a DRO, the external development agent takes most decisions and carries out capacity development among the DRO's members. Gradually, as the DRO evolves through its development pathway, power and control over the decision making process and financial resources, shifts from the NGO to the DRO. See illustration below.

A recent body of literature seeks to unpack participation and the relationship between intended beneficiary and the development partner. In much current support for participatory governance, **participation** is framed narrowly as a methodology to improve project performance, rather than as a process of fostering critical consciousness and decision making, thereby nurturing inclusive citizenship (World Bank 2005). Rarely is participation implemented as a mutual decision-making process in which different actors share power and set agendas jointly. Participation, in this sense, involves conflict and demands a capacity to analyse, negotiate and alter unequal relations at all levels. In addition to understanding participation as a methodology and decision-making process, a critical analysis of different spaces of participation is becoming increasingly important (Brock, Cornwall and Gaventa 2001).

"participation represents an authentic attempt to include others in decision making. Beyond the intent of the exercise, or even the amount of 'real influence' that participants get to have over decisions made (see e.g. Lowndes and Sullivan, 2004, p. 64; Taylor, 2007, p. 302), the problem of participation runs deeper. It is created by a particular way of thinking about social change, one that is deeply embedded in how formal development organizations think about themselves (as change agents) and about development (as something that they do)"
(Eversole, 2010:3)

The problem with this approach is that it reflects a deeply embedded assumption, one that permeates the identities and practices of development organizations from the World Bank to

small local NGOs: that development is created by formal agencies of development, flowing from us to them in the binary, depending upon the knowledge, institutions and best practices of professionals.

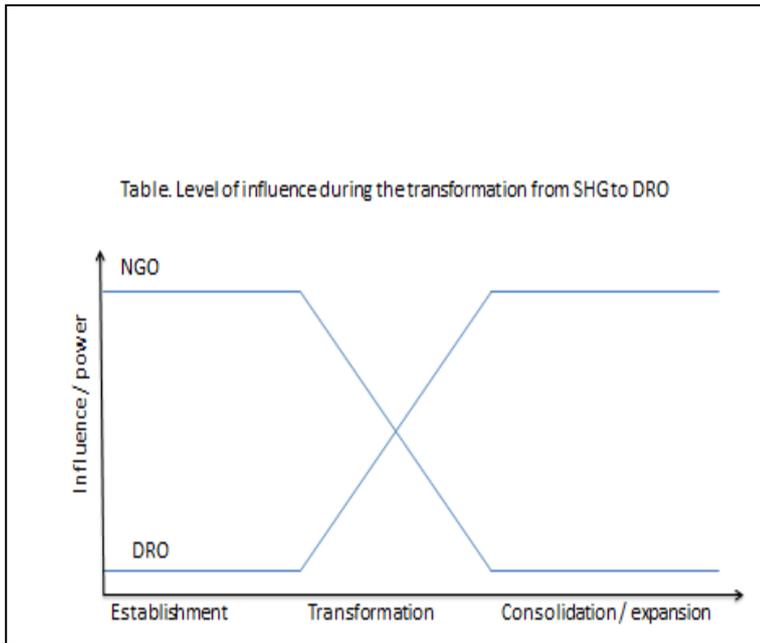
Andrea Cornwall aptly observes, "*the primary emphasis of institutions like the World Bank seems to be on relocating the poor within the prevailing order: bringing them in, finding them a place, lending them opportunities, inviting them to participate*" (Cornwall, 2005:78). Participation focuses on 'bringing in' people and communities into the formal processes and institutions of development: the project, the planning meeting, the advisory board, etc.

John Gaventa observes that there is a need to work on participation from "*both sides of the equation*" (Gaventa, 2005:27), that is, organizations that seeks to catalyse development through participation with (rather than against, or onto) communities, must also change themselves. In practical terms this could be understood in relation to Caritas reversed pyramid illustration, as a gradual change in the accountability relationship between the NGO and DRO over the course of the project period.

The Australian anthropologist Eversole (2010) identifies three challenges for making community development practice "*truly participatory*". The first challenge is how we think about knowledge. In our study this aspect relates to the process of mobilization: who sets the initial agenda and defines what challenge around which a community should organize into DROs. In most cases it is the outside experts that are seen as holding all the relevant knowledge for development. This assumption undermines a much needed dialogue between partners, each of which may hold complementary knowledge.

The second challenge concerns determining whose institutions to use. Institutions include not only the organizational structures but also "*rules of the game*" that guide human interactions (North, 1990). Development agencies are permeated by formal as well as informal institutions and communities, equally, have their institutions. The institutional challenge of participation arises when formal institutions of development dominate in the engagement with informal institutions of communities. Cornwall (2008) makes a useful distinction between different kinds of 'invited spaces'. She argues that, such invited political spaces are "*structured and owned by those who provide them*", as compared with "*spaces that people create for themselves*" Cornwall (2008: 275). It is important to acknowledge that even the best designed participatory programs are not likely to work through spaces that people create for themselves.

The response of communities to the invited political spaces determined by outside development agents (NGOs) requires community members to "*willingly learn their language, participate in their procedures, and acculturate themselves, bit by bit, to their institutions. These journeys into foreign institutional terrain are difficult but potentially valuable: those who*



can learn to translate their needs into the language of others may find valuable resources and support” (Eversole, 2010:35).

The third challenge for community development practice is to think about participation from the other direction: about how to become participants in other people’s processes. Participation as typically understood and practiced retains a legacy of a top-down view of social change: it invites ‘communities’ into development processes and development decision making, it

respects their voices and their presence, but asks them, in effect, to leave their knowledge and institutions at the door (Eversole, 2010).

IDENTIFYING THRESHOLDS

In this section we will move from the theoretical discussion of participation to explore practical points of transition in the process from first-tier DRO to second-tier or multi-tier DRO. The systems of governance are fundamentally different between the first-tier DRO (the group) and the second, third or multi-tier DRO (large scale federations), however, governance at both low and high scale DROs, each in their own way, can be characterized as good. The interesting question is how DROs can make the transition from one system to the other while growing in scale.

The following thresholds represent practical stages in the development pathway of DROs that are particularly important in influencing success or failure of the DROs. These thresholds can be understood as points of transition of e.g. authority or information flow.

There are three overall phases in the development pathways from first-tier DRO to second-tier DRO, each comprising several points of transition. These are: (i) establishment of DRO; (ii) transformation from first-tier to second-tier DRO; (iii) consolidation and expansion. This should not be seen as a linear process but rather as a circular process that can occur multiple times during the evolution from first-tier to second-tier DRO. The figure below illustrates the ideal shift in influence and power from the external NGO to the DRO.

Identification of thresholds		
	Threshold	Explanation
Establishment of first-tier DROs	Mobilization	Character of participation in formation of DRO. Identify aim of DRO, formation of membership in DRO, social and ethnic inclusion, decide on constitution and elect leaders of DRO.
	Fostering empowerment	Instrumental/transformational character of training; changes in household gender relations (decision making, division of labour, etc.); building trust within DROs; DROs as safe space for transformational learning.
	How to deal with challenges	Extent to which the DRO take its own decisions; Participatory character of space for dialogue with outside experts. Relationship between DRO and supportive NGO.
Transformation from first-tier to second -tier or multi-tier DROs	When to federate	The timing, nature and origins of linkages. Is decision to federate based on analysis of cost, benefits and risks for DRO members? Are members socially and institutionally ready to federate? Influence by supporting NGO in timing.
	How to federate	Analysis of different alternative forms of federation; association, cooperative or the cheaper alternative of a network of groups. Analysis of cost, benefit and risk. Joint marketing company, direct sale or contract farming. Influence by supporting NGO.
	Single to multi aim	Adaption of governance structure as DRO takes on more activities. Challenge as membership base becomes more heterogeneous. Some founding leaders may not be the best qualified for new management challenges.
	Simple to complex governance	Need for transparency in flow of information and services as operations become more complex. Participation enhances access to and quality of services provided to members. Challenge of gender representation with respect to membership and leadership.
	Trust to legal based governance	Transfer of trust-based governance from group to federation challenge downwards accountability and leave DRO vulnerable to elite capture and economic leakage.
	Own savings to external finance	Successful management of external finance requires strong governance and accountability as well as change in mind-set of members. Early access to external finance can lead to failure of DRO.
	Trust to formal accountability	Trust-based accountability at federation level can lead to failure of DRO. Institutionalized participatory monitoring mechanism is needed during transition. Upwards accountability mechanisms cannot replace downwards accountability.

FINDINGS: EMPIRICAL THRESHOLDS FOR DEMOCRATIC RURAL ORGANIZATIONS

The analysis of empirical experience with thresholds of Danmission and Caritas supported DROs provides practical lessons about what requires particular attention during the process of transformation from first-tier to second-tier DRO.

MOBILIZATION (CHARACTER OF PARTICIPATION)

When mobilizing groups, particularly in settings with religious diversity and cultural differences between men and women, the manner in which the DROs are established and their composition represent a threshold. When outside development agents *a priori* decide the social and ethnic composition of a DRO without dialogue with the community it is likely to have consequences for member's sense of ownership and thereby the long term sustainability of the DRO. An assessment of cultural values and religious beliefs conducted prior to DRO formation at both the local and federal level is advisable.

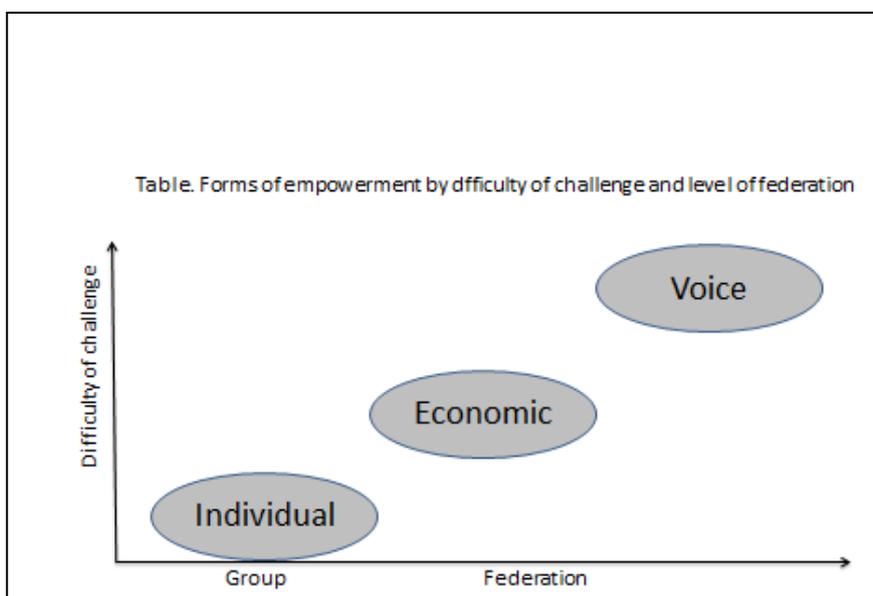
The study found a large variation in the approaches to DRO formation among federations interviewed. The decisions of how to approach mobilization of members is in practice done by the collaborating national NGOs. The study did not identify clear explicit theoretical or strategic considerations with respect to mobilization among any of the national NGOs interviewed. The choice of approach can best be described as trial-and-error. Problems and challenges related to mobilization of DROs are very much connected to the organizational approach of the NGO supporting a DRO which in turn shapes the nature and functioning of that particular DRO.

The Uganda case study identifies two different approaches on how mobilization to join the DRO is done with the aim of increasing value added processing and marketing. One approach is exemplified by the Caritas Denmark supported Katuka project where mobilization for the DRO took place in three phases. During the first phase the community was supported for the purpose of food security and the provision of technology options. During the second phase, those who were interested were encouraged to form DROs with the aim of formulating a collective response to processing and marketing challenges. During the third and current phase, the first-tier DROs are encouraged to form second-tier DROs at sub-county level and later federate into third/multi-tier level cooperatives. This approach, although likely to create a membership base that is more socially inclusive, leaves space for members to choose a diversity of enterprises that do not reach a more mature stage before confronted with the opportunity to federate into cooperatives.

NUCAFE, on the other hand, mobilizes farmers according to commodity. They mobilize around a specific crop and challenge: how coffee farmers can improve quality and access better market prices for their produce. The membership base resulting from this approach is comprised of farmers who have a high incentive to learn improved coffee management and are open for change. While more likely to succeed, the membership base is not likely to be socially inclusive.

FOSTERING EMPOWERMENT

Srilatha Batliwala's definition of empowerment suggests a process of transforming the power relationships between individuals and social groups, shifting social power by challenging the ideologies that justify social inequality (such as gender or caste); by changing prevailing patterns of access to and control over economic, natural and intellectual resources; and by transforming the institutions and structures that reinforce and sustain existing power structures (such as the family, state, market, education, and media). She argues that ideological and institutional changes are critical to sustaining empowerment and real social transformation. Several scholars and activists identify empowerment as a transformative process that challenges not only patriarchy but also the structures of class, race, and ethnicity, which determine the condition of women and men in society.



According to Batliwala, those who promote women's empowerment through integrated rural development programmes ascribe women's disempowerment to their lack of education, low economic status, lack of access to resources and low decision-making power; those who promote women's empowerment through economic interventions see women's

disempowerment as stemming from their low economic status (and consequent dependence) and their lack of decision-making power. The third approach is that of those who promote women's empowerment as stemming from a complex interplay of factors – historical, cultural, social, economic and political – and those who subscribe to "organizing" as a key strategy to counter institutional power relations.

The World Bank Sourcebook on Empowerment (Narayan, 2002) defines empowerment as the 'expansion of assets and capabilities of poor people to participate in, negotiate with, influence, control and hold accountable institutions that affect their lives'. According to Harris (2007), there are therefore four key elements in this definition – access to information, inclusion and participation, accountability, and local organizational capacity.

DROs have the potential to empower their members individually through their engagement in the DRO; economically through collective savings/credit and processing/marketing; and voice through collective engagement in invited and claimed political spaces. The table below

illustrates how these three different forms of empowerment could possibly correlate with the federation level of DROs and the difficulty of the challenge. At one end of the diagram is 'Individual empowerment' which is least challenging and happens when rural citizens organize in DROs. At the other end of the diagram is 'Voice', understood as real political influence, which requires well organized federations with a critical membership mass.

The study confirmed that *individual empowerment* takes place as a result of members' participation in the DRO. Indicators for individual empowerment include emancipation , enhanced confidence and agency, shift towards shared decision making between spouses, and a shift in how the individual member is perceived by the wider community. First-tier DROs can provide a much needed social and organizational 'safe-space' for marginalized groups, where they have the opportunity to voice their inquiries, engage in adult education and obtain a sense of dignity, all of which most marginalized groups are missing.

Economic empowerment can be achieved when the DRO has capacity to act collectively by collaborating in pursuit of a common goal. Collective action normally comes with economies of scale (achieving critical mass) for the DRO to be economically viable and attractive as a business partner for external commercial actors. DRO members interviewed indicated that they had been poorly prepared for the complexity of establishing and managing a federation especially in terms of length of time and amount of resources required achieving economic empowerment. One explanation given in this study was that the DRO faced difficulty in establishing relationships that encourage cooperation with commercial partners in the supply chain, especially in the case of established businesses with a significant bargaining advantage.

Many members of DROs we met expressed gross underestimation of each of these factors and some farmers became disillusioned as a result. The study found this to be the impression with DROs in Uganda supported by CAPCA, EADEN and CIDI Soroti (sponsored by Caritas Denmark). Here the agencies mobilized farmers to form first-tier DROs, sensitized them to work in groups, and educated them about the advantages of selling collectively. However, the DRO remained dependent on the outside agents (CAPCA, EADEN and CIDI Soroti) and made no significant progress on economic empowerment.

The critical literature on empowerment (which also includes ownership demonstrated by participation) shows that, in practice, 'Voice' (understood as altering structures of power or changing indigenous institutional patterns) turns out to be difficult or even impossible (Li 2007, Casey et al. 2011) and that what were meant to be empowering participatory structures are often subverted by elite capture (Platteau & Gaspart 2004, Thoms 2008, Friis-Hansen and Kyed 2008).

Becoming engaged at a local level is not always a risk-free undertaking for members of a local community. When the issue at stake involves acting against the interest of powerful local actors one should remember that the safety of those who question a status quo can be put at risk. People who live in poverty may not be keen to get involved in local activism unless it becomes explicitly clear that participation can reap real benefits to improve their livelihoods.

Participation in local government or politics is rarely a first priority for people living in poverty. The direct and indirect costs of travelling to meetings and the inability to take time out from routine income-generating activities means that poor people are often precluded from taking part. There are several good practices and various examples of local or political activism by and for poor people whose livelihoods were threatened. At times the initial involvement to save one's livelihood can lead to further local activism and greater empowerment.

WHEN AND HOW TO FEDERATE

The *timing* of when to federate is a critical threshold, as premature federation can have immense negative influence on the DROs. If the DROs are to be federated within a predefined timeframe (which could be the case as some NGOs have a limited timeframe working with the communities and use the introduction of second and third-tier DROs as an exist-strategy for their assistance) they run the risk of being federated before they are economically and socially ready.

NUCAFE is a classic example of a national apex organization which began as a grassroots group involving 20 coffee farmers. First, they developed bridging relations between grass-root DROs to improve on the profitability of coffee through selling FAQ coffee, good husbandry practices to increase yields and linkages to markets. As critical volumes were being realised, more first-tier DROs could be recruited that were later mobilised to form sub county level associations (second tier) after attaining critical volumes to sell collectively to the national markets. Today, NUCAFE is an integrated system with an innovative multi-tier DRO providing market linkages, credit linkages, training and technological innovation services to 155 DROs and over 150,000 coffee farming households in Uganda. The DRO has also played a valuable advocacy role in policy-making, defending and promoting the interests of coffee producers in the current national coffee policy. When the national apex organization (NUCAFE) was created in 2002, it helped strengthen the organizational, technical and financial capacity of constituent DROs, while assuring financial intermediation and representation.

In comparison, the Tubur Integrated Development Association is a DRO that has been federated with 15 first-tier DROs in 2010 with a membership of 85, 65 of whom are registered members. This number has remained stable since then. The story is similar with other Caritas Denmark supported DROs in Uganda; membership has either been static or declined and they are operating below capacity. One challenge for these DROs is that they made the transition to federation before they had adequate surplus production for federating to be economically viable.

Also *how* to federate is a critical threshold in the development pathway of DROs. As discussed in the conceptual framework, all DROs start out with rural citizens organizing into first-tier DROs and from there often organize into second-tier DROs. Credit associations thereafter

forge links to financial institutions, while processing and marketing associations commonly federate into cooperatives.

In addition to these options, Caritas has taken the innovative approach of establishing private companies as an alternative to cooperatives. This was first done in Uganda and is currently implemented in India. The strategy is that Caritas Denmark assists their national partner NGOs to establish limited companies for the purpose of processing and marketing. Thereafter, the national NGOs invite all the associations that they support to buy shares and use the marketing company as an alternative to forming cooperatives. While in theory, this is a great idea, it assumes that the company is professionally staffed and able to compete with established actors in the value chain. For various reasons, including economic leakage, the company option has never become successful in Uganda and processing and marketing investments are below capacity (see Uganda country report in the Annexes). This case illustrates the risks that DROs are exposed to as a result of how they federate. Federating has not been very lucrative for all Caritas Denmark's supported DROs, while other agencies like NUCAFE supported DROs have federated more successfully.

Kibinge Coffee Cooperative Society first registered as an association along with other NUCAFE supported DROs. However, the members were discontent with the conditions offered by the association; The association members were waiting 2-3 weeks before they could get paid for the coffee collected and this delay in payment meant that the association could not realise the critical volumes to independently undertake marketing of their coffee. Although the farmers were making profit, the association was stunted. The association therefore submitted a proposal seeking financial support from the United States Development Agency (USDAF) seeking crop financing to reduce the time lag between when farmers supply their coffee and when they get paid. USDAF made it a condition to accessing their funding that Kibinge first register as a cooperative. This was not successful for the NUCAFE umbrella apex organization. In 2009 the association had over 450 members. This dropped to 200 members when the association became a cooperative. As an association, the membership fee was UGX 450 with an annual subscription of UGX 2,000. As a cooperative, farmers had to top up to UGX 10,000 and buy shares. The result was a drastic drop from 450 members to 200 members. The drop was attributed to two basic reasons (i) a history of bad management of former cooperatives which made farmers sceptical about the whole scheme, and (ii) farmers claimed that they could not afford the payment. The membership numbers started increasing to the current 1,800 members after testimonies from farmers who had joined cooperatives and realised huge profits.

When given the opportunity to access the lucrative *fair trade market*, members of Kibinge Coffee Cooperative Society decided in 2009 to split with the other associations and go their own way. The first step was to comply with the conditions for the fair trade market, namely to change status and become a cooperative. The Kibinge Coffee Cooperative Society has since become highly successful and members have been able to improve crop husbandry and meet the quality standards of fair trade coffee.

FROM SINGLE-AIM TO MULTI-AIM

When evolving from a single-aim to a multi-aim DRO, leaders in particular experience a sharp learning curve as they adapt governance structures and more and more responsibilities are gradually transferred to them. Adding additional aims to a DRO often takes place when the DRO has been operating for several years. One scenario is when a group of 'early adopters' among the members has progressed faster than others and reaches a new level of development with a new set of challenges. While this is part of a natural and organic development pathway, it also poses governance challenges, as the membership-base becomes more heterogeneous.

The Uganda study team found that some DROs had formed with the primary objective of production and had advanced the objectives along the value chain, while other DROs had organized around production and marketing objectives and later brought in savings and credit objectives. In this process of adding more objectives, some DROs tended to lose focus on their primary objective. Caritas supported DROs were formed with a production and marketing aim and later added a saving and credit aim. The Uganda study team observed that for many groups, this secondary aim has now become the primary aim. Members express that they benefit more from savings and credit activities than from marketing coffee. There seem to be inadequate links between the two aims as the enhanced access to finance is not used for boosting coffee production and making better use of expensive coffee processing machinery or boosting production activities to achieve critical volumes to run the coffee factory.

To be economically successful while evolving from a single-aim to a multi-aim DRO, technical and business competence becomes increasingly important. The dependency of the DRO on one NGO for access to external expert advice can become a bottleneck and even cause it to fail. In Cambodia, some DROs felt that their supportive NGO was not adequate to teach them business oriented skills to facilitate access to more profitable markets. The study team was told by one group member that the group was economically unsuccessful because of inadequate technical advice from the supportive NGO, which again had caused suspicion and mistrust within the group leading it to slowly disintegrate. This is particularly evident in regard to process upgrading (the introduction of new advanced technology) and functional upgrading (moving into more value adding activities such as processing and marketing), as the NGOs focus and skill-sets are often aimed at social and community development and they rarely possess professional business skills.

Accessing external expert knowledge is an important element of changing from single-aim to multi-aim DRO. A measure to avoid such negative development is to institutionalize and fund a participatory technological dialogue mechanism that allows the DRO to choose a different source of expertise when required and thereby optimizing the transfer of knowledge to the DRO, preparing it for self-sustenance.

FROM SIMPLE TO COMPLEX GOVERNANCE

Moving from simple governance structures to more complex governance structures as the DRO is established and evolves entails several challenges that require new internal structures, including upwards and downwards accountability mechanisms. This shift constitutes a critical threshold, as DROs can become managerially unsustainable if the organizations fail to adapt suitable governance structures. Bangladesh provides an example of how accountability has become less transparent when governance becomes more complex as the DRO evolves into a federation (PI). At the first-tier level, governance processes are simple and straightforward. The DROs are managing well with help from SUPOTH's staff. At the federation level, accountability to first-tier level members is not necessarily observed, although governance structure allows it. Leaders tend to be more educated or a little wealthier and enjoy respectability either as male members or as elders. Members of the first-tier level DRO rarely demand explanation or question the actions of PIs. The social composition of federation management reflects how class and patriarchy operate in rural Bangladesh. Therefore, creating a platform that allows for natural discussions or democracy in practice needs facilitation by SUPOTH.

Apex producer organizations can enable small producers to build effective linkages with stakeholders that can help DROs to upgrade their commodities, functions, processes and even pursue an enabling policy environment for the betterment of members. The field visit reveals how some DROs have gone about overcoming challenges associated with transiting from simple to more complex structures.

Through their APEX body (NUCAFE) the DROs in Kabonera and Kibinge are now processing coffee into a final product with quality standards that allow it to be marketed to Uganda, the East African region, Europe, China and the United States. This business model illustrates how economies of scale can be achieved through the formation of cooperatives. By joining this cooperative, small producers receive 15 to 20 percent more for their products.

FROM TRUST-BASED TO LEGAL-BASED GOVERNANCE

The transition of the DRO from first-tier DRO to second and even multi-tier level requires a paradigmatic change in governance. The foundation of governance within first-tier DROs is largely based on trust and direct involvement of all members in all decisions. For continued commitment and participation towards collective action, mechanisms that enhance transparency and build trust are crucial. If such trust-based governance systems are allowed to continue during transition to federation, serious challenges and risks to the DRO may arise, including non-transparency of information, elite capture and economic leakage, loss of ownership among members and ultimately loss of members.

DROs in Bangladesh provide an example where the trust-based informal model is transferred and applied at the second-tier and multi-tier level. This leaves the DRO in a vulnerable position, as capital is handled through the trust-based model with little or no participatory

monitoring to safeguard the process. In societies where questions to and challenges of people occupying a higher social position is rare, the DROs will be particularly prone.

The argument for not instituting participatory monitoring are (i) that members genuinely trust their community leaders based on experience prior to the structural transformation; (ii) that involving members in monitoring requires investments in terms of time; and (iii) that challenging hierarchically more powerful individuals is not part of the cultural context. In societies where the capacity of people to challenge existing structures is limited and where the experience of exclusion based on economic hierarchies is acute, as in Bangladesh and Cambodia, the responsibility of ensuring high levels of upwards and downwards accountability through teaching and DRO formation should be taken by Danish NGOs, as they have the capacity to pierce these cultural borders.

There is a general fear of economic leakage among villagers in Cambodia where the concern is that funds allocated for village level development are being misappropriated by the commune and village leadership. People holding this position of power are usually politically connected, corrupt and more interested in amassing wealth at the cost of the villagers' development and basic needs.

Kabonera Coffee Farmers association and Kibinge coffee Farmer cooperative society demonstrate innovative ways to continuously build trust. The field team was told that, due to different husbandry practices, the coffee outturn is also different and at the same time factories cannot afford to hull individual farmers' coffee as most farmers have few kilograms and it is operationally costly to hull small quantities of coffee. So, to be sure of their outturn, farmers prefer not to bulk the coffee and to sell it directly un-hulled. The DROs instead get a small sample, for example one kilogram, from each individual farmers' delivery before hulling; determine moisture content and the proportionate screens (grades) and the farmer is told instantly how much to expect. If the outturn is low, the farmer is given instant advice on how to improve the outturn and screen size of the coffee. Farmers who are not able to wait after selling the FAQ coffee are paid instantly (as the DRO is in position to pay due to its credit facility) at the prevailing market prices and if the DRO gets a premium, this is distributed later to the farmer. The team was told that passing on of the premium, the transparency of coffee sample processing, and the instant advice based on outturn of the sample keep the farmers loyal and builds trust in the apex body. Some Caritas DROs involved in coffee processing and marketing are adopting this innovation however they told the study team that they plan to hull individual coffee at the factory which means that they run a risk of making hulling operationally expensive and repelling some farmers.

FROM INTERNAL SAVINGS TO LARGELY EXTERNAL FINANCE

Introducing external finance, to formerly internal financed DROs, is a significant shift in mind set for members. At this threshold, several internal structures within the DRO need to change.

This shift was identified as a key challenge in a recent global review of credit DROs (Hirschland, 2008). It is associated with considerable risk of failure if a DRO takes loans from external microfinance institutions without the capacity to manage the productive investment and subsequent repayment of the loan. A review of DROs in Africa by Overseas Development Institute identified too much financial support as one of the key reasons for failure.

Introducing external financing means structural changes within the DROs which inevitably will/should accompany the external financing such as (i) changes in the conduct of downwards and upwards accountability, (ii) less internal economic flexibility, (iii) the introduction of formal rules, (iv) new personnel, (v) the accumulation of new knowledge, (vi) increased possibility for elite capture and economic leakage, and (vii) increased transactional costs.

Both the DRO as a production unit and the DRO as a social unit should have the required capacity to handle the introduction of external finance. If one of these is absent, the results for the DRO can be serious. In order to avoid this it is important that the process is controlled and managed by the DRO and is not part of a project lock frame of a supporting NGO. Moreover, an internal participatory monitoring mechanism must be established to minimize the risk of financial leakage. The study team in Uganda found Caritas supported DROs which had opened bank accounts but were non-operational and participants in the study pointed out that it was operationally expensive to maintain the accounts citing long distance to the banks and bank charges.

There are multiple ways to strategically handle the finances. From the empirical case studies several methods can be identified. One is SOPOTH in Bangladesh, as illustrated in the box above, where a long term strategy of saving internally and spending very little on advanced production technology has been applied. This strategy implies a low risk factor as known production methods are used and no external loans are taken, however, there is also little likelihood of gaining substantial wealth within a short timeframe, as no significant product or process upgrading can be achieved. The perspectives of this will be further discussed in the conclusions.

In Uganda however, the opposite has occurred as some DROs have successfully invested in new technology funded by external financing at a relatively early stage in their development. The box below shows two empirical approaches from Uganda for how DROs can become 'bankable' and link with micro-finance institutions.

Joint savings as a platform for bankability. Care International is promoting VSLAs in collaboration with UWESO in the framework that links VSLA groups to the bank after one year of operation. The approach uses credit management as an entry point and training tool. Capacities are built among members to manage their own savings, thus giving a DRO the confidence that they can achieve their objectives provided they are willing to observe certain rules and create a culture that motivates people to support each other (rules like 80% attendance and loan portfolio recovery over 90% must be adhered to before linkages, less than 3% drop out rate, regular savings of their members). The DRO learns to set

priorities, take decisions and risks, draw up rules of behaviour, and resolve conflicts and apply effective sanctions for non-compliance. When a DRO is linked to the bank it becomes easier to follow bank rules and regulations.

Collective and bulk sell as a platform for bankability. Kabonera Farmers Association bulk and process their coffee as a collective effort. They sell their coffee to exporters who pay through the bank. The association encourages its members to open bank accounts through which they are paid. Confidence is built between the DRO and the bank due to repeated transactions. Thereafter, the association approached a micro-credit bank with a business plan that was backed by their history of bank transactions which proved their cash-flow. In 2011, Kabonera Farmer Association obtained a loan of 8,500\$, in 2012 it obtained 16,000\$, in 2013 it obtained 30,000\$ and in 2014 it obtained 40,000\$. The bulk production is used as collateral for loans in the banks. The DRO uses the loans to pay its members in cash when buying coffee, paying at the market price and thereby avoiding side selling. Later, when the coffee is sold at a premium for export and the loan is repaid, the DRO can make an additional payment to its members.

FROM TRUST-BASED TO INSTITUTIONALIZED ACCOUNTABILITY

First-tier DRO level accountability is trust-based, informal, downwards, immediate and direct. As part of the transition to federation level, DRO leaders is faced with new elaborate requirements for upwards accountability to donors, local government and businesses partners. This requires DRO leaders to learn new skills and the supporting NGO will often offer capacity development training programs.

Some DROs, but far from all, are also able to institutionalize downwards accountability to the increasing complexity of APEX level governance structures. In some case, simple measures go a long way, such as in Cambodia. See the box below.

The institutionalization of downwards accountability of DRO members in developing countries – simple example from Cambodia

Four of the appointed committee members would travel to the bank and deposit the savings collected for that month. Similarly, money for loans would be withdrawn from the bank by all the committee members. They agreed that other members can be taken along one at a time to expose them to the institutionalizing of finances and also to teach them the steps in the process of depositing and withdrawing money.

NUCAFE supported DROs Cooperative provides an example of more elaborate downwards accountability mechanisms and also illustrates the importance of transparency in trust building towards apex DROs.

Many DROs involved in coffee, including those supported by Caritas Denmark, told the study team that they are guided by formal rules to manage the quality of coffee. The DROs informed the study team that they have had to call on police to enforce rules regarding quality of coffee. This comes about because the failure to maintain quality affects the whole coffee growers' fraternity in Uganda.

PERSPECTIVES AND RECOMMENDATIONS

Guidelines for DRO and NGOs by thresholds		
	Threshold	Guidelines
Establishment of first tier DRO	Mobilization	<ul style="list-style-type: none"> *Social inclusive mobilization to joint first tier DROs requires NGO to be power-aware and use adequate time. * Quality of support for mobilization to joint first tier DROs can be enhanced by capacity development of supporting NGOs based on best practice. *Faith-based organizations have comparative advantage through their permanent presence in the community.
	Fostering empowerment	<ul style="list-style-type: none"> *Membership of groups is widely reported to stimulate individual empowerment. Groups can serve as 'safe-space' for learning and challenging norms by women and marginalized. *Economic empowerment required membership of second tier DRO involvement in key decisions and transparent high information level about business opportunities and risks. * DRO can successfully use its numbers to voice grievances, in particular when addressing immediate practical needs of members. Important that DRO advocacy address direct political and structural barriers for development and social services. *When the issue at stake involves acting against the interest of powerful local actors, it is morally important that the supporting NGOs are clearly aware of the safety of those individuals who challenge existing power structures.
Transformation from first tier to second tier or multi-tier DRO	How & When to federate	<ul style="list-style-type: none"> *NGO support shift first tier DRO to second and third tier DRO should not follow a fixed plan but only be done when the DRO is economically and socially ready. *The decision of how first tier DRO should federate, e.g. association or cooperative, should be taken by the DRO members, based on impartial information.
	Single to multi aim	<ul style="list-style-type: none"> * As DRO mature, additional aims are added to the agenda and membership become more heterogeneous. The governance challenge needs special attention. * When shifting to multiple aims, the DRO's need for technical and business competence increase. The DRO should be allowed to access such skills on the open market.
	Simple to complex governance	<ul style="list-style-type: none"> * Challenge posed by complex governance can be overcome through enhance membership participation in democratic structures.
	Trust to legal based governance	<ul style="list-style-type: none"> *Challenges associated with changing from a trust- to legal-based governance regime can be solved by gradual adaption of DRO constitution and structures when required.
	Own savings to external finance	<ul style="list-style-type: none"> *Decision about how, when and if links should be made to external financial institutions should well-evaluated and be made democratically, as loans from external microfinance institutions, without the capacity to manage the productive investment and subsequent repayment, are associated with considerable risk of failure.
	Trust to formal accountability	<ul style="list-style-type: none"> Clearly defined rights, responsibilities, mutual benefit, and transparency create trust and commitment in cooperative and commercial relationships, while reducing the chances of opportunistic behavior and long-term losses that may exceed short-term gains.

The last sections conclude the report by reflecting on the thresholds discussed above from the perspective of the supporting NGOs with a view of improving existing approaches to fostering and facilitating the evolution of DROs.

THRESHOLD #1: MOBILIZATION OF RURAL CITIZENS TO PARTICIPATE IN FIRST TIER DROS

The process of mobilization of rural citizens to organize in groups and form DROs is important, as it has consequences for inclusion/exclusion and for perception of ownership. The mobilization process is widely supported by national NGOs, who often decides how mobilization is approached. Developing strong and successful DROs require the supporting NGO to stimulate an *awareness* among rural people develop of their own realities (i.e. the challenges and opportunities in the context in which they exist). It will also involve getting the rural people to have an *understanding* of how they themselves might begin to take action and effect change in their own lives through group action generally and through the development and use of DROs' specifically. It is also crucial to secure commitment from DRO members and the study has established that commitment to own, control, and use the enterprises will only be possible if the benefits of working in a DRO are clear, immediate, and relevant.

Guidelines 1.1 Social inclusive mobilization to joint first tier DROs requires NGO to be 'power aware' and use adequate time.

Inclusive mobilization is a key challenge if DROs are to be successful as vehicles for social change. Those who are a little better off than others, for whatever reason, are more likely to be among those who are part of the church congregation and among those who are chosen to join the DRO. Social inclusion of the poorest *is* possible, but requires special attention from the supportive NGO. The study found that inadequate attention is given by supporting NGOs to the mobilization of rural citizens to form DROs. Selection of members is often done on a trial and error basis, without any systematic attempt to include the poorest segment of the community. Experience indicates that ensuring that those who join the DRO are committed, in some contexts can take up to 44 weeks.

Illustrative example: Care International in Uganda that invested considerable time and resources in facilitating rural people constituting their own DROs around the joint interest of savings and loans. This process allowed the DROs to form on their own terms, elect their own leaders and decide their own constitution. These DROs tend to be mixed gender and include very poor, poor and non-poor segments of the community.

International NGOs, such as Danmission and CARITAS, need to be 'power aware', and, where possible, foster power awareness within the NGOs and DROs. Use of local power analysis can strengthen the inclusiveness of empowerment initiatives at the local level (IFAD, 2008; 2009; Laberge, 2008; OECD, 2007; UNDP, 2008, 2009; World Bank, 2007). There are several examples of power analysis tools that can be used in a wide variety of contexts. The challenge is to bring together the results of assessments, studies and research and combine them with

available assessment tools and guidelines to inform about specific issues. The Nepal Gender and Social Exclusion audit (Gsea) (World Bank and DFID, 2006), is an example of good practice in this respect.

Guideline 1.2: Alternative ways of fostering ownership among DRO members should be sought when demands for co-financing is found to be socially exclusive.

The non-poor are also more likely to be able to co-finance membership in DROs and have the opportunity to prosper from the opportunity such membership provides. Indeed, field interviews in India, Cambodia and Uganda indicate that exclusion of the poorest took place during mobilization of the community to participate in DROs, as the poorest were unable to co-finance DRO membership and share capital and had difficulties in making time available for participating in DRO activities. In local contexts where requirement of co-finance is a constraint for social inclusion, supportive NGOs should consider alternative ways of fostering ownership.

Illustrative example: A recent global review of credit DROs found that willingness of DRO members to save is linked to flexibility in their access to and management of loans and competitiveness in terms of returns, including non-financial returns (community benefit). "Members did feel a strong sense of ownership when the institution was both in the community and benefited the community socially. But a sense of ownership did not ensure that members held each other and the institution accountable". (Hirschland 2008: P.2). Co-funding may therefore not necessarily be the best way to stimulate patronage and a perception of ownership among members. A recent review of Credit DROs by COADY International Institute (which Hirschland 2008 is part of) indicates that the perception of ownership is related to whether benefits and services from the DRO were sufficiently competitive or flexible.

Guideline 1.3: Quality of support for mobilization to joint first tier DROs can be enhanced by capacity development of supporting NGOS based on best practice.

To successfully facilitate mobilization of rural citizens to form DROs, NGOs need to be up to date about state of the art approaches by other NGOs within the country and the wider region. The study found that most national NGOs that support formation of DROs do so using a learning by doing approach, primarily learning from own mistakes. However, a considerable

There are good experiences with visits to existing best-practice NGOs engaged in similar programs. There are various ways in which local knowledge can be enhanced and there is room for coordination in the area of NGO capacity development. An additional way is to invite scholars or other resource persons who know the country well to the NGOs planning retreats and preparation for their country strategy, etc.

The study team, however, observed few and inadequate links between the NGO staff and national or regional best-practices civil society organizations within the development sector. National NGOs supporting DROs are therefore not up-to-date with a state-of-the-art development understanding on inclusive mobilization, or other relevant development issues such as mechanisms for facilitating downwards accountability and alternative ways of

stimulating ownership. Leading civil society organizations have experience with creating equal opportunities for all members of rural communities to join farmer groups.

Illustrative example: National NGOs can use organizations such as ANANDI (in India) as inspiration. In ANANDI, rural and illiterate women members/leaders are invited to take part of executive board meetings where key decisions are taken.

Guideline 1.4 Faith-based organizations have comparative advantage through their permanent presence in the community.

From the out-set, Faith-Based Organizations have a comparative advantage over most other NGOs in that they have a physical presence in the villages in the form of churches. The staff from the Christian faith-based national NGOs visited during the study all seemed honest and with well-meaning intentions and sought to facilitate the formation of DROs in the best way possible through a learning-by-doing approach. The way in which the local church is involved in DRO formation is an important and often inevitable factor in DRO formation and represents a threshold moving forward with the DROs.

Illustrative examples: The study found two contrasting examples on using local churches as hubs for mobilizing members for a DRO. In India, Caritas Denmark's national partner TSSS has used the Sunday mass at the church for mobilizing the catholic congregation to organize into DROs. This provides for fairly homogeneous women's groups. The act of coming together provides a highly beneficial platform to discuss problems facing women. In contrast, SUPOTH, Danmission's partner in Bangladesh, has emphasized religious diversity when groups were formed. DROs in Bangladesh are eclectic in composition, comprised of Hindus, Muslims, Christians and Adivasis. However, at the first-tier level, men and women are grouped separately, keeping the cultural context in mind. At the second-tier level, however, the DROs are heterogeneous – both in terms of gender and religion.

THRESHOLD #2: FOSTERING EMPOWERMENT OF RURAL CITIZENS THROUGH PARTICIPATION IN DRO

The study identify three forms of empowerment associated with rural citizens organization into DRO and their transition from first- to second-tier DROs, namely individual empowerment, economic empowerment and voice.

Guideline 2.1 Membership of groups is widely reported to stimulate individual empowerment. Groups can serve as 'safe-space' for learning and challenging norms by women and marginalized.

The study found processes of individual empowerment in all DROs visited. However, the national NGOs that facilitate the activities in the DRO could all gain from a more systematic and theoretically informed approach and by learning from 'best practices' within the development community.

Providing equal rights between men and women, by moving towards joint decision making and a more equal division of labour is essential for enhancement of household agency. One of the

indicators of such changes in gender relations is a decline in domestic violence and “less noise in the household”. Organizing in DROs seems to have a positive impact on gender relations, both when women organize on their own, as in India, or when DROs are mixed gender, as in Uganda.

Illustrative example: In Assam the study found that organizing in DROs facilitated by TSSS was leading to enhanced individual confidence, strong will by members to participation in collective action to challenge problems and enhanced recognition of the members as resource persons within the wider community. In Uganda, members of the Kabonera Coffee farmers association have succeeded in improving coffee quality through collective learning processes within the DRO. As a result they are able to sell the produce at premium prices to the market and consequently the DRO members are more respected by the urban-based business people.

“In the beginning we thought that the women would try to do the tasks that we did and give up at some point. To our surprise they found a way around obstacles and turned out to be a force to reckon with, taking on a large portion of the work without neglecting their home duties as well.” (Statement by a man from PNKS).

Guideline 2.2 Economic empowerment required membership of second tier DRO involvement in key decisions and transparent high information level about business opportunities and risks.

Cost-effective investments are critical if members of DROs are to achieve economic empowerment. However, cost effective management of investments has in practice proved to be a difficult challenge for DROs. *Economic empowerment* can be achieved through marketing of produce through second tier DRO. However for collective action of DRO to be economically viable it requires that members and leaders have a range of business skills and capabilities. The study indicates that support national NGOs to prepare DRO for the complexity of establishing and managing a second tier DRO has much room for improvement. The study reveals that a comment constraint facing second tier DROs is the capacity to establish profitable relations with commercial partners in the supply chain. However, failure of the DRO to have business mind-set and skills within its organization can result in stagnation of incomes. This situation can become critical when expenses rise due to expansion of DRO functions, e.g. employing technical staff or adding advanced technology to enhance quality and quantity or products.

Illustrative example: One example of an absence of business mind set among DRO members is the cooperative dairy processing plant in Gweri district, Uganda. At the time it was established in 2009, the Gweri dairy farmer association was a well-functioning DRO with an excellent track record for keeping dairy cows and producing milk. The association was given a dairy processing plant as a grant from NAADS. However the grant did not include an operating budget and the farmer association decided to operate the dairy processing plant without employing a professional technician and taking turns among members to work on the processing plant. Experience has shown that while the association functioned excellently when focusing on production, members did not have a processing and business mind set and the milk processing plant is now no longer operating.

The ability to link-up to the market demands distinct skills and a business mind set which most NGOs do not possess. Most NGOs are oriented towards equity and community development rather than trading for private gain. When the study team interviewed the NGO staff, in Cambodia for example, they expressed frustration over their professional shortcoming with regards to business-oriented skill and attitude. Similarly, the mind set of many members of DROs is focused on agricultural production rather than on processing and marketing.

Illustrative example: Best practice cases that other DROs can learn from in terms of business skills are DROs supported by Care International in Uganda, for example, Ochuloi Chami Kwok VSLA, Adamasiko United farmers and Awidiang Ajaasi VSLA. These DROs were formed in order to stabilize incomes and meet household needs. Members of the DROs were facilitated in identifying obstacles to securing income to address their immediate practical or survival needs. The agency facilitated the DRO members to take an initiative to resolve the issues themselves through collective action, mobilizing their own skills, experience and assets before securing outside resources. For example, they waited to access loans from the bank until one year after formation as they learned, through VSLA, the concepts of savings and handling of credit.

Guideline 2.3: DRO can successfully use its numbers to voice grievances, in particular when addressing immediate practical needs of members. Important that DRO advocacy address direct political and structural barriers for development and social services.

With numbers comes potential for influence. There are many examples of DROs that have grown into large membership organizations and become involved with local political activism. This is often done under the umbrella of a Human Rights Based Approach with support from an NGO. At times the initial involvement to defend challenges to one's livelihood can lead to further local activism and greater empowerment. However, people who live in poverty may not be keen to get involved in local activism unless it becomes explicitly clear that participation can reap real tangible benefits to improve their livelihoods. Participation in local government politics, or supporting a civil society political agenda, is rarely a high priority for people living in poverty. The direct and indirect costs of travelling to meetings and the inability to take time out from routine income-generating activities means that poor people are often precluded from taking part. The study team observed that the agenda chosen by DROs when seeking influence is often general and reflects the mainstream civil society agenda. It is rare for DROs to set their own agenda in relation to direct constraints to the improvement of their livelihood.

The organizational approach of national NGO to support the voice of DROs must take into account the institutional context in which the DRO is placed. Some social contexts are characterized by a struggle for social justice, others for legal rights, such as access to land, and yet others access to and sustained resource availability. This is visible in Cambodia where CCFC follows a rights based approach for social justice and focuses on mobilization of the rural poor to claim their rights and strives toward compelling local administration to follow rules of law.

Illustrative example: In Cambodia CCFC struggle to hold responsible government officials accountable for decisions threatening the livelihoods of the farmers, where one example is the check dam on rivers which limits the flow of water for farming activities. In Cambodia years of war and political turmoil have resulted in a focus on establishing and maintaining social justice and establishing basic social infrastructure such as healthcare centres, drainage, waste disposal systems, roads, and public transport etc. - elements which are lacking in most rural regions.

Guideline 2.4: When the issue at stake involves acting against the interest of powerful local actors, it is morally important that the supporting NGOs are clearly aware of the safety of those individuals who challenge existing power structures.

Leaders of DROs often enjoy strong and widespread popularity among the DRO members and within the wider community. They are thereby in an advantageous position if they choose to stand for political office. As DRO leaders, they gain local influence and power by being elected for local political offices. Depending on the political context, election of DRO leaders to political office can either be very helpful or cause great problems for the DRO. Becoming politically engaged is not a risk-free undertaking for DRO members.

Because of the unstable institutional environment that political involvement might bring to DROs, NGOs in Cambodia and Bangladesh have decided to ban any political activity among their members. In India however, they are permitted to join political parties and they have done so to a great extent. DRO members running for political office typically enjoy great success as they are generally well respected within local and regional communities and the example from India illustrates this.

Illustrative example: Among the DRO supported by TSSS in Assam, of the 225 members who ran for office in elections, 138 members won. Of these, 26 of them ran for the post of President, out of which 15 of them won. For the post of councillor, 22 members ran and as many as 50 percent won. For the post of ZPC, 6 out of 9 who ran for office won the election. Of the total number of contestants 52 percent were male and 48 percent were female.

The extent to which election of DRO leaders for political office will yield successful results depends on the political context. India is a mature democracy and while the political parties were skeptical of this new category of candidates, they quickly changed their mind and started embracing them, as they realized that they attracted large numbers of votes. Many DRO candidates do not have strong opinions about which party to belong to, but simply choose the one that can offer most benefits to their constituency. However, in a different political context that is less mature than India, DRO leaders standing for political office can be a highly risky strategy. Uganda is an example of this. Many of the DRO leaders of NAADS stood successfully for political office during the 2006 local government election. However, central government and the ruling NRM party have since reacted by reforming NAADS with a clear aim of disempowering local farmer institutions associated with NAADS. The development implications of this in Uganda have been negative.

THRESHOLD #3: HOW AND WHEN TO FEDERATE FIRST-TIER DROS IN TO SECOND- AND THIRD-TIER DROS

Guideline 3.1: NGO support shift first tier DRO to second and third tier DRO should only be done when the DRO are economically and socially ready.

The reason why timing of when to federate is critical is the risk associated with establishing second-tier before the participating first-tier DROs are socially and institutionally ready. The study found that the decision of transition from first- to second-tier sometimes is influenced by the exit strategy of the supporting NGO. Best-practice is to allow the timing of federation to reflect the economic and social capacity of the first-tier DROs.

Illustrative example: SUPOTH in Bangladesh encourage first-tier DROs to federate once they are stable and members have a steady savings and repayments track record. In Bangladesh this takes 2-5 years. Some of the members of the first-tier DROs also need to demonstrate a readiness to move to a higher level economic or social enterprise. The decision to federate is, in this case, not an exit-strategy by the NGOs but a show of collective strength.

The consequence of moving 'too fast', e.g. taking major investment decisions without adequate discussion and consultation among the DRO members, is that the DRO may be unprepared for taking responsibility for a given investment in processing equipment. As a result, the processing plant may end up operating far below full capacity for a variety of reasons, including inadequate technical capacity to operate the processing facility and inadequate financial capacity to establish and maintain the cost of the equipment. At the same time, the DRO members may not perceive ownership of the factory and engage in side-selling to middlemen instead of to the DRO.

Illustrative example: Arapai Farmers' Cooperative in Uganda is a DRO that received modern processing equipment but did not experience ownership of it because of a top down transfer of technology approach. It received 'modern' cassava processing equipment from a supporting NGO (World Vision). However, DRO members found the technology to be inappropriate and continued to peel their cassava manually. To solve the problem, Arapai Farmers' cooperative was approached by NARO (Uganda national Agricultural Research Organization) that created a *fora* for participatory technology dialogue. This enabled the DRO members to take charge of the development process and created a safe space in which the cooperative members were empowered to engage on equal terms in a dialogue with external technical experts. One striking outcome of this participatory dialogue was a focus on how to *reduce recurrent costs* (by avoiding the high electricity cost of operating an automatic peeler) which had not been anticipated by World Vision. Moreover, the cassava processing machinery was made in India and found to be inappropriate for peeling local varieties of cassava.

Guideline 3.2: The decision of how first tier DRO should federate should be taken democratically by the DRO members. More attention should be placed on cost of federating.

First-tier DROs organize into second-tier DROs in anticipation that the economic gain is greater than the transaction cost of organizing. Credit DROs federate into associations that forge links to financial institutions, while processing and marketing DROs federate in to associations or cooperatives. The study identified a third alternative form of federating, supported by Caritas Denmark in Uganda and India, namely a combination of associations and a jointly owned private limited marketing company. There is no a-priori best practice for how to federate, as it depends on the site-specific context.

The DRO's ability to take appropriate business decisions can be strengthened by access to an institutional space for dialogue with outside authorities that allows members to raise concerns, make demands, inquire about unfulfilled duties, and bring in transparency with regard to finances for development of the rural population.

A recent review of Credit DROs argues that closer attention should be given to how DROs federate (Harper, 2008) and in particular urges that the analysis of the cost of federating be taken more seriously. Harper (2008) concludes that what increase the cost of federating is complex governance structures, not the act of linking with higher level organizations in itself. He suggests that networking of DROs for accessing financial institutions, or for collective marketing, could be a cheaper alternative.

THRESHOLD #4: TRANSITION FROM SINGLE TO MULTI AIMS OF DROS

Guideline 4.1: As DRO mature, additional aims are added to the agenda and membership become more heterogeneous. Reconciling different needs within the DRO require attention.

The study found that DROs formed with one primary aim often later add a secondary objective. Adding a secondary aim may reflect the fact that some members are progressing faster than others and develop new needs. While this is a natural development pathway, its effect is increased heterogeneity among DRO members.

THRESHOLD #5: TRANSITION FROM SIMPLE TO COMPLEX GOVERNANCE FOR DROS

Guideline 5.1: Challenge posed by complex governance can be overcome though enhance membership participation in democratic structures.

Transition from simple to complex governance structures poses challenges all DRO members. In particular DRO leaders are challenged by a sharp learning curve by the need to implement new internal structures to adapt to increasing complexity of operations. Participants in the study expressed that where the executive is delinked from members and where there are no mechanisms for feedback to members and no information sharing, the DROs can no longer

achieve their objectives as governance becomes complex. The study found As that as governance structures become more complex, the need for clear roles and responsibilities for all actors within the DRO increases. The study further indicates that without continuous adaption of accountability, there is a high risk of economic leakage and corruption.

THRESHOLD #6: FROM TRUST TO LEGAL-BASED GOVERNANCE OF DROS

Guideline 6.1: Challenges associated with changing from a trust- to legal-based governance regime can be solved by gradual adaption of DRO constitution and structures when required.

Trust-based governance in first-tier DRO is cost-effective and work well when group members are directly involved in decision making. However, to ensure continued transparence of information and broad ownership of decisions when DRO federate into second-tier DRO, governance must gradually become more based on legally binding agreements. The study found examples of DRO that were vulnerable, as trust-based governance was continued after federation had taken place. Timely training by national NGOs can assist DROs make the necessary amendment of their constitution rules, and regulations. Transparency of information and continued involvement of members in governance can ensure continued trust after transition to legal-based governance.

Illustrative example: Husbandry practices and coffee quality vary between individual members of Kibinge coffee Farmer cooperative society. To determine the coffee quality, farmers take a sample to the DRO office to test it before harvest to determine moisture content and the proportionate screens (grades). This way DRO member will know what premium price to expect and get advice for how to improve quality next season. The cooperative society is thereafter able to bulk all members produce and negotiate reduced cost for hulling at the factory. Trust is crucial for the system to operate. Individual members trust the quality assessment, as they are directly involved in the testing and the DRO trust the member not to side-sell prematurely at a lower price to private agents.

THRESHOLD #7: FROM USING OWN SAVINGS TO EXTERNANCAL FINANCE FOR OPERATING DROS

Guideline 7.1 Decision about how, when and if links should be made to external financial institutions should well-evaluated and be made democratically, as loans from external microfinance institutions, without the capacity to manage the productive investment and subsequent repayment, are associated with considerable risk of failure.

Receiving capital from external sources (the supporting NGO) can negatively influence cost-effectiveness if members of the DRO do not perceive ownership of the investments. A recent review of DROs in Africa identify the shift from operating using internal savings to largely relying on external finance, as one of the key thresholds in the transition of DRO from primary- to secondary-tier (Hirschland 2008). A recent review of DROs in Eastern and Southern Africa by Overseas Development Institute concludes that excessive financial support from external

donors without adequate development of the capacity of the DRO to use funds well is one of the most common reasons for DROs to fail (Chirwa et.al. 2005). The micro-credit sector has indeed been discredited in the media in recent years because of critical reports revealing how DROs have collapsed when they are unable to repay micro-credit loans.

Illustrative example: In Bangladesh, the Danmission supported SUPOTH inject very little external finance into the DROs due to mixed experiences with external finance. Although there are a number of loan opportunities from a number of NGOs available, the DROs refrain from taking loans from external sources because of the difficulties of repayment. One established PIs in Panchagarch took up a loan of 400,000 Taka from CRWRC in Bangladesh (now World Renew) in 1994 to develop a rice mill. The amount was repaid in its entirety only in 2013.

Many non-SUPOTH members have taken micro-credit loans and ended up having to take multiple loans in order to meet the instalment payments of the first loan. Ultimately, the loans become a burden rather than an advantage. SUPOTH members have refrained from taking loans and instead utilize the micro-credit scheme of their DROs. However, the federations have used members' savings and taken loans to start micro-enterprises.

This poses a real dilemma. On the one hand, DROs have an enormous need for capital investment to increase productivity and assist members to enhance their wellbeing, while on the other hand, such investments can become a liability for the DROs. The risks associated with investments include: (i) premature timing; (ii) modernization bias; (iii) inadequate preparedness of members; (iv) inadequate sense of ownership, and (v) financial leakage.

Illustrative example: NUCAFE supported DROs like Kibinge coffee farmers cooperative in Uganda provide an example of a DRO that has managed investment in processing equipment in a cost effective manner. After engaging in collective learning, the DRO successfully managed to enhance quality of their coffee to FAQ standard. The next step would be to process the coffee for export. However, the DRO members and leadership realized that if they bought their own coffee processing plant, they would not be able to operate it at full capacity, as the members only gradually were able to meet the quantities and quality standards for their coffee. Moreover, the DRO members acknowledged at an early stage that they did not have the business mind set or skills to operate and maintain a coffee factory. They resisted outside pressure from development agencies to take a loan to invest in their own processing plant and instead, they opted to use services of private coffee processors until they were confident that they could succeed themselves. It was only after 5 years, when they had reached a production level of 1,000 MT per year, that they made use of a credit facility to acquire their own processing equipment.

THRESHOLD #8: FROM TRUST-BASED TO FORMAL ACCOUNTABILITY IN DROS

Guideline 8.1: Clearly defined rights, responsibilities, mutual benefit, and transparency create trust and commitment in cooperative and commercial relationships, while reducing the chances of opportunistic behavior and long-term losses that may exceed short-term gains.

The study found that for the transition from first- to second-tier DROs trust-based accountability was replaced with formal upwards accountability (audits), while institutionalized downwards accountability systems were less frequent.

Strengthening the capacity of national NGO staff at all levels by exposing them to state-of-the-art development experiences within civil society would be a significant benefit. On-location staff training through visits to best-practice NGOs could inspire their ongoing support for DROs, including implementation of inclusive participation and downwards accountability processes. When new participation and accountability systems are introduced to DROs, they will only be successfully adhered to if stakeholders at all levels understand them and feel confident to use them. While this means changes to attitudes and behaviour for leaders of the DRO, it also has consequences for the wider community as well as for the supporting national NGOs.

Illustrative example: The following example from Uganda illustrates how governance of a DRO can be successfully adapted to cope with the increased complexity of its operations. The example is NUCAFE which has institutionalized downwards accountability mechanisms to allow transparency of complex transactions in order to ensure continued ownership and active support from its members. To ensure transparency, members of Kibinge Coffee Cooperative Society and Kabonero Farmers Association each select their own management committee, on a one member-one vote basis and for a two-year term. Each group is represented at the apex association by a key farmer trainer from each first-tier DRO. Members of the management committee are funded on commission charged from the coffee sold through the DRO. Expenses are approved by all DRO members in formal meetings. Company payments for farm produce specifying the delivered quantities and amounts paid to each grower are also recorded. This enables members to cross-check the payments against receipts issued by the company at the time of each delivery. Members also participate in discussions between the DROs and the company and can vote to agree or disagree on all issues discussed.

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