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### III. BEYOND THE COMMUNITY

#### HIGHER-LEVEL FEDERATIONS

While much of the literature and practice is concerned with the smaller, micro-end of the social capital spectrum, there is now increasing interest to move into higher levels of associations, or more correctly, to see how the bottom tier networks and organizations can be linked to broader systems. This is consistent with the emerging conceptual framework on social capital, reviewed in Chapter I.

The "scaling up" of associations, and going beyond the community to seek relationships with people and groups unlike our own, is, of course, at the heart of the arguments of Putnam and others in tracing the "external" benefits of social capital.

For example, Granovetter (1995), citing the example of rotating savings and credit associations (ROSCAs)<sup>15</sup>, proposes that social capital involves a social mechanism he calls "coupling and decoupling." In this mechanism, members of economic groups draw initially upon the resources of family and peers but then attempt to forge broader and more autonomous ties beyond the group as their need for larger markets and more sophisticated inputs expands. It is repeatedly found that strong communal ties can be highly beneficial to the extent they are complemented by some measure of extra-community linkages, as was discussed in the conceptual framework of Chapter I. Writes Woolcock (1998):

In short, for development to proceed in poor communities, the initial benefits of intensive intra-community integration such as they are, must be complemented over time by linkages crossing community lines: too much or too little of either dimension at

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15 ROSCAs (and similar entities such as tontines) are small indigenous savings and credit groups found all over the world in which members linked by kinship or ethnic ties pledge a monthly sum to a common pot that is allocated in turn to each contributor. They came to prominence in the academic literature with the pioneering work of Geertz (1962) and have since been widely discussed by anthropologists, economists, and economic sociologists.

any given moment undermines economic advancement. This gradual shift in the strength, direction, and source of social capital as exchange becomes more complex is in fact an ubiquitous transition.

One of the main reasons the world-wide community development movement lost momentum was precisely because cooperation did not extend beyond the small group and neither economies of scale nor support links with broader systems were developed. (In fact, in many places, the idea of self-sufficiency, as in India under the influence of Gandhian ideology, undermined the effectiveness of the movement.) It is true, of course, that moving from associations in which all members know each other to larger and more impersonal structures of cooperation, stretches the notion of trust and requires different, less direct forms of collective action.

Smaller-scale or interest-group-specific forms of social capital may help resolve local and particular collective action problems. They do not, however, address regional interests that might be of benefit to many localities such as: the emergence of new product markets; installation of large-scale, lumpy infrastructure (e.g., irrigation canals); the creation of new institutions, such as financial services or marketing institutions; or change of policies affecting the wider region's development. Similarly, while smaller-scale forms of social capital may provide interest-group-specific access to state, market, and other civil society institutions, they do not constitute a mechanism through which a regionally articulated set of interests and concerns might gain access to these other institutional spheres. Indeed, being smaller and more specific in scope, such forms of collective action and access are more easily coopted by patronage politics (Fox 1996).

For more regionally articulated interests to be represented, and for patterns of regional governance to be changed in any significant way, more inclusive and regional forms of collective action are necessary (Foley and Edwards 1998). Similarly, for a more regional vision of development to be articulated, it is necessary to build forms of social capital that go beyond interest-group specificities.

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Federations that link a range of base groups potentially constitute one such mechanism.

As a way to combine the advantages of smallness with those of scale, federated multicommunal structures have evolved in many Asian countries. Using these aggregations, the local groups can gain economic scale and greater opportunities for useful linkages and negotiating power.<sup>16</sup> Three illustrations follow.

### **FECOFUN in Nepal: A Forest Users' Federation**

FECOFUN, as a national organization representing forest user groups in different parts of Nepal, has been formally operational since March 1996, when the first National General Assembly was held in Kathmandu. At present, almost 1,000 user groups from 42 districts (out of 75 districts) are members of FECOFUN. The office holders and rank-and-file members in the seven-tiered structure, which forms the organizational profile, are mostly from distant villages throughout rural Nepal. The Steering Committee, otherwise known as the Secretariat, is in charge of program activities, including extension, coordination with NGOs and state agencies, a women's program, publication, accounting, income-generation survey and research, conflict resolution and legal advocacy, and training and skill development. There are 27 members in the National Executive Committee, which controls the Steering Committee. The Executive Committee has one male and one female representative from each of the 14 political zones of Nepal.

FECOFUN evolved out of both bottom-up and top-down influences. It has benefited from the support of different aid agencies and advisers who have accumulated much experience in community forestry in Nepal. But formation of the organization was based on a confluence of exchanges, events, and shared concerns; more specifically:

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16 A recent evaluation report on Paddy Irrigation and Water Management in Southeast Asia recommends to "concentrate institution building on organizing federations of associated Water User Groups (WUGs). Associated water user groups can administer rotations from the distributary canals overriding the selfish behavior of individual WUGs." (Rice 1997)

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- a history of issue-based and area-specific networking activities between forest user groups; discussions between forest users and individuals in the Ministry of Forestry and Soil Conservation, Department of Forests, District Forest Offices, bilateral community forestry projects, and others working in community forestry nationally and regionally;
- a series of influential workshops, especially the Dhankuta District User Groups' Workshop in 1991, and a national level event in 1992, the First Regional Community Forestry Users Workshop in Budhanilkantha, Kathmandu (1995), and the Nepalese Community Forest Users' meeting in Budol (1995);
- recognition by different stakeholders of the need to link forest users from all parts of the country, in order to more effectively represent their interests at the national level.

Following the General Assembly in March 1996, FECOFUN established its office in Kathmandu, and began organizing different programs for strengthening district branches and expanding the total number of user group members. Several meetings and workshops have also been held. And, in response to community forests being "taken back," FECOFUN has sent people to investigate and mediate differences between local users and Chief District Officers. Highlights of FECOFUN activities include

- assuming ownership of *Sammudaik Ban*, a weekly radio program produced for Radio Nepal with production responsibilities lying with the Nepal Forum for Environmental Journalists;
- coordinating a regional women's network, *Himawanti*, which has succeeded in bringing together women from India, Nepal, and Pakistan to discuss resource management and the condition of women in their respective societies;
- conducting district-wide general assemblies in 15 districts;

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- training on user group process and gender sensitization;
  - bringing user groups together for discussions in different districts;
  - resolving conflicts between and within user groups as well as between the Forest Department and user groups;
  - acting as the coordinating body to mediate between opponents and supporters of the so-called Bara Forest Management Plan;
  - lobbying members of parliament and submitting a petition to the Prime Minister making suggestions for the Forest Act; and
  - producing publications/videos for distribution.

Networks take on different forms and guises. They can be about raising issues, transferring information, or organizing events. Some networks are inclusive, others are exclusive. They can be change-producing or change-protecting institutions. They can serve to reinforce existing power relations, with elites maintaining an effective stranglehold on information and communication channels. Or they can help to facilitate decentralization in the nexus of power relations, with knowledge and decision making more widely disbursed. In the latter case, federations or networks may help to integrate marginalized groups through confidence-building measures and efforts to increase awareness. An example of this is the role that women are playing in FECOFUN. In Nepal, women remain the *de facto* managers of community forests; however, by and large, they are illiterate and socially oppressed. Since FECOFUN requires 50 percent representation by women members, more women are being brought into public spaces, e.g., assemblies, training, and committee meetings. Through these interactions, many women are gaining confidence and learning to express their views forcefully and publicly (Britt 1997).

From this example in Nepal, it is clear that networking and federation building are beginning to change the nature of interactions and decision making in community forest management. More information is beginning to be successfully communicated to larger circles through networking. By organizing into regional or national networks, and collectively voicing their opinions, forest users are effecting changes leading to

- increased accountability and transparency;
- better formation and postformation support;
- more informed understandings about legislative rights and responsibilities;
- more widespread dissemination of information;
- broader-based participation and decision making;
- more extensive sharing of ideas and productive material;
- and
- the development of mechanisms for conflict mediation and resolution.

### **Women's Credit Federations in South India**

Several Indian capacity-building NGOs have pioneered in promoting supra-communal membership organizations. In microcredit projects in South India, they established an interesting process of linking individual women's credit groups through the formation of clusters and federations. This has happened on a significant scale in areas where the skilled NGOs are able to provide support without dominating the process. In a way, the federations are functioning like the apex bodies of modern savings and credit cooperatives, making it possible for groups with surplus funds to lend to those that are experiencing high demand for loans. The federations can also be attractive clients for banks that might still be reluctant to lend to an individual village group.

In Tamil Nadu and Andhra Pradesh in South India, several federations have been able to mobilize large loans from specialized government financial institutions (such as the Housing and Urban Development Corporation and the Small Industry Development

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Bank), which they then on-lend to their members. But the federations do much more than leveraging high finance. At the cluster level (below the federation, usually consisting of about 20 base groups) the women mobilize and support new groups and organize training and intergroup visits. Some have bought trucks to help their members get their vegetables or other products to market.

Writes Lynn Bennett (1996):

One "cluster" that I visited had decided to put the money they had earned (through interest on their internal lending) into purchasing rice at harvest time when prices are low. They store the rice so that their members can buy cheaply or even borrow in kind from the group during the lean season. These were poor women in well-worn cotton or cheap nylon saris, their hands rough with work in the fields. Their cluster accountant had a fifth grade education, but she had learned to keep impeccable books and knew where every penny of the cluster fund was. To see these women in their rented second story "office" holding their cluster meeting against the back-drop of neatly stitched gunny bags of rice, was to see something far more significant than just a source of credit. In addition to the financial capital that they had built up through recycling their modest savings, these women had by working together in a group, built up social capital that enabled them to reduce their vulnerability in other ways.

## **A Federated Cooperative Credit System in Sri Lanka**

By the late 1970s, SANASA, originally a multipurpose cooperative, had declined precipitously. Its membership fell by two thirds. The newly appointed director, P.A. Kiriwardeniya, employed a strategy with four characteristics. First, new branch banks were established in larger villages to serve several neighboring communities. Second, staff were hired locally and trained in branch bank operations by SANASA. Third, a wide range of credit and savings instruments was developed to correspond to both seasonal and some long-term needs of members. Finally, divisions and clusters evolved organically, becoming local and regional financial intermediaries

for primary societies. Clusters represent six to ten primary societies, reflecting the grassroots orientation of the SANASA system. They have been the direct result of neighboring primary societies exchanging ideas on financial intermediation.

SANASA has relied on a participatory approach at the village and district levels to insure that members have a voice in operational and strategic decisions. The primary societies are largely autonomous bodies that rely on village leadership, member savings for loan capital, and local staff trained to run branch banks. District union credit committees, which review larger loans and coordinate financial intermediation between primary societies, are made up of leaders of the primary societies. District unions represent 50 to 600 primary societies, providing education courses, promoting new societies, and meeting the financial intermediary requirements of member groups. The result has been a demand-driven menu of savings and credit services and strong coordination between the branch bank staff, SANASA District Union officials, and community leaders.

The second stage of the federation's recovery has included experiments to broaden its activities. When SANASA has strayed from its grassroots strategy, savings-based lending and investments to increase staff operational and managerial skills, the results have been disappointing. The most notable example was SANASA's participation in the central government's One Million Houses credit scheme from 1985 to 1989. The government program emphasized rapid disbursement of long-term targeted credit, but failed to establish credible sanctions for those who failed to repay installments on time. Many members were attracted by the cheap credit terms and lack of enforcement and some new primary societies were formed to take advantage of the subsidized credit opportunity. More than 18 percent of the One Million Houses portfolio was lent through SANASA in the late 1980s. When the Government later forgave much of the debt, dozens of primary societies were left holding large housing loan portfolios with little chance of loan recovery.

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The flow of funds in the SANASA system is straightforward. Primary societies are encouraged to save excess funds with the District unions, and borrow from District union credit lines. The Districts are linked directly to the Federation office, and provide savings to the Federation and have access to special lines of credit. There are margins to cover administrative costs at each level, although in recent years the District union margin has shrunk to less than 1 percent.

The Federation has four roles: advocacy, financial intermediation, development of new financial instruments, and education. It represents the savings and loan movement politically, interacting with government and donors. As a financial intermediary, the Federation channels donor funds and excess District union savings back to districts and primary societies. The Federation is also an innovator, recently introducing three insurance schemes for credit, with savings and property used as collateral. Finally, the Federation is constructing an 18-hectare campus to train staff members in cooperative education, financial management, and agricultural production techniques.

The SANASA system is successful because the higher levels of the organization effectively support the bases, which in turn have been able to maintain financial discipline. Despite the disappointing results of the One Million Houses program, many of SANASA's primary societies have developed a high degree of financial discipline through the use of relevant incentives and credible sanctions. Most primary societies found ways to convince members that it was important to maintain financial discipline for outstanding loans funded by member savings. The average repayment rate was 94.5 percent in 1993. This compares favorably with other South Asian models (Kottegoda and Goldberg 1995).

## **CREATING VERTICAL LINKAGES**

According to Paul (1994), it was the federation of water user associations in Indonesia that contributed most to the accountability of irrigation service providers. The presence of the leaders of the

water users' federations made it possible for farmers' concerns and viewpoints to be presented in the District Irrigation Committees. "This voice mechanism was an effective means at a higher level to reinforce the feedback farmers were already providing through their groups at the ground level. It cut through the handicaps that farmers usually faced because of long distances and lack of access to the higher levels of public agencies." Note that in such cases the federation as a member-controlled body ("insider") takes the role normally associated with an NGO, a professional "outside" organization.

How can ADB support the capacity of these emerging federations? One way is by channeling resources to them for (a) investments in centrally managed facilities (marketing infrastructure, processing), (b) services to member organizations (legal, technical, financial), and (c) institutional strengthening in management services and "bridging" functions. In fact higher-level membership associations closely resemble professional NGOs and may even compete with them for outside resources to support their grassroots constituents.

Another way is to invest in "social enterprises." This term refers to the capacity of multicommunal membership-based organizations to create and manage financially viable businesses in which the profit motive is tempered by social and distributive considerations. The cooperative dairy production system in India is a prime example. In Indonesia, credit associations are moving from individual savings to cooperative business ventures. The growing market for quality produce within the means of very small farmers (such as organically grown coffee) and the success of finding market niches for handicraft production are but a few examples of this trend. There are also commodity-based associations of mixed membership in which small semicommercial producers (who make up a large share of the rural poor) can find market access and derive protection against disastrous market fluctuations.

The scaling-up of community action is most successful when it is supported by state policies, or at least, when it finds well-placed

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allies in state bureaucracies (Fox 1996; Tandler 1997). However, one must be aware of the tensions it might create in autocratic and unaccountable regimes. One of ADB's own studies expresses this problem quite clearly:

The encouragement of vertical linkages (between village-level beneficiary groups and their confederations or district-level equivalents) among grassroots organizations poses a major dilemma for any sponsoring government. Whilst the vertical linkages are essential for the maturation of the organizational and technical competence of the primary groups (and their financial absorptive capacity), such growth is bound to be accompanied by a growth in political sophistication and lobbying capacity.

Only a government with vision and confidence will deliberately encourage the growth of independent people's organizations that it knows will bring criticism and pressure. (ADB 1989).

## **INTERINSTITUTIONAL COOPERATION**

An emerging area of social capital research involves the actual and potential linkages and cooperation between different institutions and sectoral agencies. Such relationships are often conflictive and antagonistic. Clearly, if common interests can be identified and some degree of synergy achieved, this would represent yet another dimension of positive social capital. If such linkages were established in poverty-oriented development programs and reinforced the actions of local membership groups, a cumulative buildup of different levels of social capital might occur.

In a pioneering study, Brown and Ashman (1996) analyzed 13 cases of intersectoral cooperation in policy and program implementation from Asia and Africa. They point out that designing and implementing significant long-term change may require joint action by many different actors—grassroots groups, NGOs, private corporations, government agencies—who together have the knowledge and resources required. But interaction among such

actors—from different institutional sectors, unequal in power, with very diverse interests and perspectives—often produces misunderstanding, conflicts, and power struggles rather than effective collaboration.

However, they conclude that in most of their cases, cooperation across sectoral differences, power inequalities, and cultural differences can improve the quality of life of poor populations. Such cooperation does not always work, but joint efforts can improve the lives of thousands, even millions, of people. The cases studied all achieved some level of success. The most successful programs mobilized significant resources for sustaining their programs, and sometimes catalyzed a wide range of other local activities by beneficiaries.

These cases suggest that social capital is both an important base for cooperation across sectoral and power differences and an important product of such cooperation. In the course of these programs, local organizations were strengthened or created; bridging NGOs expanded their activities and their credibility with other actors; and norms of reciprocity, cooperation, and trust were established among previously unrelated or antagonistic parties. Not surprisingly, indigenous NGOs were found to be most effective in identifying with grassroots groups and in "bridging" with other actors.

Also opening up new opportunities are interinstitutional linkages and partnerships, in which the organizations of the poor become stakeholders in a broader coalition of institutions working on common problems. An excellent illustration is embedded in the institutional design of ADB's project to improve coastal resource management in the Philippines. The project has a strong capacity-building objective. The centerpiece is the capacity of the local fishers' groups to help their members to develop long-term income-earning opportunities based on fish and nonfish resources. But the success of the project depends on how different voluntary organizations in each bay (micro system) can collaborate with each other and with other institutions through the bay management

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councils, the executive arms of the project. In other situations, interorganizational linkages and partnerships are catalyzed by NGOs such as the connection of small-producer associations (silk, textiles) to government research facilities or to private-sector technical expertise.

### **Regional Cooperation in ADB's Fisheries Sector Program (Philippines)**

This Program's policy and structural reforms are based on the premise that resource management is feasible only if the responsibility for regeneration, conservation, and sustained management of fisheries resources is shared between government and the direct beneficiaries of the resource, i.e., the fishers and their immediate communities. However, the prime mover in resource management must be the community. The NGOs are the focal point of efforts to organize the small-scale fishers into the operational arms of the coastal resource management plans. Prior to the Program, the few NGOs involved with municipal fishers were concerned more with advocacy, political representation, and general community development than with long-term development needs.

The Program has maintained a very high degree of community participation, having generated tremendous enthusiasm in both fishing villages affected by resource depletion and provinces that recognize the long-term benefits of resource management. The effectiveness of community involvement in managing coastal resources has been fully demonstrated in the three priority bays. In Panguil Bay, the impetus for the ban and removal of some 1,400 filter nets supporting 35,000 persons would not have been possible without active community support of the initiatives of the Panguil Bay Development Council. The communities have accepted a ban on new fish corrals and are even being persuaded that the number of corrals should be reduced.

In the case of Calauag Bay, the efforts by a fishers' association, and the Family Center-Asian Council Institute led to the closure of

that bay to commercial fishing vessels. However, the closure itself would have meant little without the active implementation of community-based law enforcement efforts and local government support through the Program. In Calauag Bay, the fishers monitor illegal fishing activities using Program-funded patrol boats. Fishers have reported that legal catches have increased three-fold in some parts of the bay. The impact of community involvement in the closure of Calauag Bay has spilled over to Tayabas Bay and Ragay Gulf, where local government is under tremendous pressure from local fishers to enforce at least the 7-km ban against commercial fishing and to step up law enforcement against illegal dynamite fishing.

A different type of initiative at the municipal level may be seen in Babatngon, Leyte. Under the leadership of the mayor, the community has developed a Babatngon Integrated Agricultural Community Program (BIACP), for which technical and financial support is being made available through the Program. Under BIACP, a 25-hectare parcel of foreclosed land available for distribution under the Comprehensive Agrarian Reform Program has been identified as a site for different livelihood projects and agricultural support facilities to serve "displaced" fishers. The BIACP would include a feed mill, livestock and foodcrop activities, and housing. In Carigara Bay, most of the barangay and municipal resolutions required for its closure to commercial fishing have been approved. This development has been a direct consequence of community mobilization and increased resource management awareness brought about by the Program.

## **MULTIPLE INSTITUTIONS AND FUNCTIONS**

We have seen that development agencies concerned with common-pool natural resources such as forests, range lands, watersheds, irrigation, and rural water supplies, have successfully promoted independent local institutions. Similarly, other programs create or reinforce community-based groups in agriculture, animal husbandry, education, health, rural credit, and women's development. This has resulted in a multiplicity of community

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institutions in rural areas. In Madhya Pradesh in India, for example, 13 different development programs were independently involved in building community institutions, while in Orissa, 9 such programs were in operation. In a village near Panoti in Kabhre Palanchok district in Nepal, a villager who was secretary of a forest user group was also a member of executive committees of 15 community institutions. According to Putnam's key concept, it is the density of associational life that is the essence of social capital. However, he was referring to multiple networks in many different contexts, representing complementary social, political, cultural, recreational, and religious activities, many of which are informally constituted and to which people could belong. Here the concern is with possibly overlapping or competing organizations that are each promoted in the name of development programs.

The emerging evidence and operational experience indicates that there may be several adverse consequences traceable to development of multiple local institutions (MLIs). These include disruption of traditional social cohesion, loss of interest and enthusiasm in the participatory process, development of conflicting and competitive relationships among different local groups, and, ultimately, ineffectiveness of these networks. The multiplicity of institutions frequently causes a deviation from the conventional systems of rural communities in which common affairs, particularly relating to natural resource use and management, were decided by the whole community through formal or informal systems of self-governance (see the Kottapalle case in Chapter II, p.42). MLIs can result in new forms of interactions among rural people and their leadership. Without understanding these interactions and the relevant issues that are involved, a participatory development process aimed at enhancing social capital and providing greater control to local people might run into a risk of dividing people and adversely affecting the whole process of development.

The multiplicity of local institutions can also mean inefficient use of limited resources for meeting the development and poverty alleviation objectives. Building MLIs in the same village may be wasteful use of time and resources even when it is done by different

arms of the same government, if fewer institutions can accomplish the same task. It requires intensive efforts to motivate villagers to understand the value of cooperation and collective action, particularly when the traditions of cooperation are lost. The capacity-building process, not only for villagers but also for the implementing agencies, is a time- and resource-demanding process.

By using only one or a few institutions, the demand on time and resources can be considerably reduced. As Ostrom (1994) states "A group that has learned to work effectively together in one task can take on other similar tasks at a cost in time and effort that is far less than bringing an entirely new group together who must learn everything from scratch." This is primarily because the group has already learned to make commitments and trust one another in a joint activity. It can be argued that, owing to the multiplicity of relations between members of a community who cooperate in several spheres at once, economies of scale can be achieved in meeting transaction costs such that the unit cost of transacting in each instance of collective action is reduced. Thus, using the same community institution for different activities, requiring collective action from the same set of people, may be more desirable than developing separate institutions for each distinct activity.<sup>17</sup>

In the Gunung Nago irrigation system in West Sumatra, secondary canals have been successfully used for fish culture. This has led to expansion of the scope of the water users' association to encompass some income-earning activities. However, in Indonesia (as elsewhere) it is not clear how policies with respect to water should be reoriented to encourage such associations to take up cooperative business enterprises. Bruns and Helmi (1996) argue that such policy reforms facilitating multifunctionality would be highly beneficial to farmers in irrigated areas.

There can be undesired side effects as well. The Production Credit for Rural Women (PCRW) project in Nepal has attempted to combine group lending with water supply, agricultural extension, health,

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17 In contrast, the Aga Khan Rural Support Program in Pakistan has found it best to create subvillage organizations, depending on local need. Some villages have as many as six such organizations.

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nutrition, and adult education activities. While PCRW has generated impressive outreach to women (with 11,000 active borrowers), its financial results have been disappointing. Even using PCRW's lenient definition of on-time loan repayment, the repayment rate had dropped below 70 percent in 1990 and savings have amounted to less than 5 percent of loans in most sites. This poor performance may be attributed in significant measure to difficulties in managing social welfare and financial services simultaneously. Although the repayment performance of other financial institutions in Nepal has also been low, a strong financially-oriented NGO might have been able to overcome adverse prevailing practices, as the Grameen Bank has done in Bangladesh.

One of the key lessons of this experience is that one must move carefully to extend services in dimensions other than the original purpose of the organization. This expansion is usually easier in the social sectors than in the productive ones; the latter have more complex technical market and financial requirements that generally call for specialized types of institutions.

This same dilemma surfaces in membership associations that move from an advocacy or lobbying role to an economic one. In some cases, the answer is to establish affiliates or spin off organizations that can effectively handle specialized productive functions, rather than to fold everything into a single organization.

Does it imply that MLIs are undesirable? In fact, they sometimes may be more effective than single local institutions covering diverse activities. If activities require vastly different patterns of expectation, authority, and distribution of rewards and costs, then the capacity of the group to work together for one activity may not be easily transferable to other types of activities. The PRADAN case discussed below argues for a sequence in which one starts to organize around a strongly felt common interest and then diversifies gradually.

The nature or spread of resources under consideration among different territorial units may demand different composition of community institutions. For example, only those villagers receiving

irrigation will be interested in forming a water user association to regulate and manage an irrigation system. If the smallest irrigation management unit and command area extend beyond a village, the water user association then will have to include members from other villages. Using a similar argument, watershed user committees are constituted from multiple villages whenever a micro-watershed unit covers more than one village.

### **Some Lessons from Experience with Multifunctionality**

The following points are derived from a World Bank research proposal.<sup>18</sup>

- A single community institution is likely to be more effective in governing resources that are used in common, and the activities providing benefits to all the members of a community.
- The development of competing MLIs and subcommunity groups can create factionalism and adversely affect mutual trust and cooperation, unless there is a "nested" relationship and complementarity among the groups.
- When villagers are organized into MLIs for different complementary functions requiring collective action, this can positively affect the environment of mutual cooperation and trust among the members and between members and leaders of different community institutions.
- When social groups are excluded from community-wide institutions (such as women or low-caste tribals), it is necessary to give them opportunities to have separate organizations. This will give them greater power and self-confidence to assert their rights.

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18 Source: Research Proposal "Effectiveness of Multiple Local Institutions in Participatory Natural Resource Management" Manuscript. South Asia Environment Sector Unit. World Bank 1998.

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- Multifunctional institutions are likely to be more effective in homogeneous communities.
  - Promotional agencies must have sufficient understanding of the local situation to be certain of likely positive or negative consequences of their interventions on the social structure.
  - The greater the commonness or similarity among the principles and modes of functioning in different community institutions within a locality, the less will be the adverse effect of having multiple groups.

## **ROLE OF NGOs IN LOCAL CAPACITY BUILDING**

ADB uses NGOs extensively for community mobilization in its projects. Under the strategy proposed in this paper, such relationships should not only continue, but intensify. The conclusions and recommendations of the recent ADB-sponsored *Study of NGOs in Nine Asian Countries* (RETA<sup>19</sup> 5675), especially on capacity building, are relevant and valid. The problem begins with the overall definition of NGOs contained in the *Working Paper on Cooperation between the ADB and the World Bank*. NGOs are correctly identified as private nonprofit organizations that address social, humanitarian, welfare, poverty, or environmental issues. However, the RETA study includes not only this commonly understood range of advocacy, service, and social welfare entities that channel resources and assistance to the poor, but also membership organizations of the poor and of the beneficiaries themselves (people's organizations, community-based organizations (CBOs), and user groups). This all-inclusive use of the term NGO blurs important differences and confuses the actors and the relations between them. Capacity building for intermediary NGOs and service providers is different from capacity building for CBOs, the clients, or beneficiaries of development assistance. ADB

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<sup>19</sup> RETA = regional technical assistance; a grant by ADB for (regional) studies, conferences, seminars, or workshops that involve more than one of ADB's developing member countries.

is not alone in this confusion. The World Bank annual report of NGO involvement in World Bank operations has also included CBOs, but efforts are underway to sort out the different groups.

The crucial matter for our purposes is that some NGOs are potential capacity builders of grassroots organizations (Carroll 1992; Buckland 1998; Howes 1999). However, most service-providing NGOs have neither the interest nor the skills to become capacity builders. In Box III.1, some criteria to identify NGOs with empowerment interests and skills are offered.

A few examples follow of cases in which NGOs have acted successfully as local capacity builders.

**Box III.1: Indicators for Identifying NGOs Likely to Have Local Capacity-building Abilities**

- Community development and local capacity building are institutional objectives of the NGO.
- Field presence (proportion of staff in provincial or district centers as against metropolitan areas).
- Proportion of field promoters with local/ethnic/gender origins.
- Staff selection incentives and training that support capacity building.
- Iterative planning in consultation with local communities.
- Bottom-up accountability mechanisms (acceptability to concerned communities).
- Contribution of cash, labor, raw material, or facilities by local communities that value the services.
- Evidence that beneficiary groups are provided with horizontal and vertical linkages to other institutions.
- Prior experience in the target community and understanding of local conditions.
- Use of joint diagnostic and learning techniques such as participatory rural appraisal.
- Sensitivity to issues concerning women and other marginalized groups.
- Degree of "graduation" of past project interventions and gradual NGO withdrawal.
- Flat management structure and highly decentralized authority.
- Share of budgets and staff devoted to capacity building/promotion as against service delivery (in practice this is hard to separate)

*Source:* Carroll, Schmidt, and Bebbington (1996).

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## **Linking Grassroots Organizing to Reorienting State Forestry Agencies**

Along with grassroots organizing, NGOs can make equally important longer-term contributions to reforming state agencies. For example, NGOs have been instrumental in assisting ADB in major reorientation of forestry services. Bureaucratic and cultural constraints plague many of these services, so there has been a need to bridge the large (and often hostile) gap between government and local communities with intermediary NGOs during the reorientation process. At the same time, most communities also need assistance in group organization, technical forestry options, marketing, financial management, and conflict resolution.

Where capacity-building programs have been ongoing over a long period, substantial changes in forest service training, orientation, and practices have demonstrated increased field effectiveness. In India, Indonesia, Nepal, Philippines, and Thailand, forestry curricula have been changed, in-service training programs have developed and new linkages been established with research institutions and industry stakeholders. A few forest services have even started to hire women and indigenous tribal officers and technicians to better reach these underrepresented groups.

Many of the successful cases of capacity building in forestry arose from the active pilot experimentation of small intermediary organizations, many of which were linked to international NGOs. Such intermediary organizations also can play valuable roles during the expansion phases of forestry projects and the gradual reorientation of the forestry services, through training of forest service staff and district and local leaders; promoting local-level publicity and extension; developing micro-planning tools and facilitating plan development; assisting user groups in developing organizational and management skills; conducting multidisciplinary social assessments and applied research; improving marketing information networks; and assisting in formation of women's groups, and farm forestry and other associations. The value of NGO

contributions here is not so much in service delivery but in institutional support, especially in linking grassroots user groups to more responsible and accountable state agencies (see Box III.2 for an example).

*The People's Rural Education Movement (PREM) in Orissa*

Through the work of PREM (supported by Save the Children UK), a strong autonomous Federation of People's Organizations has emerged in less than a decade, with the ability and willingness to

**Box III.2: Local Capacity Building through NGOs  
(ADB Forestry Sector Program, Philippines)**

To date, the contract reforestation scheme has been very effective in attracting interest from both private and public sectors. As the most successful contracts have been those carried out by groups organized into community associations under the guidance of local leaders and NGOs, the current emphasis is on providing contracts to CBOs. Individual families are being encouraged to band together into community organizations, an approach which has generated the social benefits of family contracting without imposing the administrative burdens commonly associated with the need for individual attention to each family group. This strategy is also consistent with the long-term forest planning management approach being promoted under the Forest Land Management Agreement concept in the Community Forestry Program.

The role of the NGO in contract reforestation has been significant because the strength of the reforestation effort lies in the ability of upland dwellers to organize themselves into viable, sustainable social units. General Rules and Regulations on the Participation of Non-Government Organizations were issued. A joint state/NGO desk was established at the central office to accredit NGOs wishing to participate. It has been observed that NGOs have been instrumental in developing the community political will to deal with environmental and natural resource issues, as well as communicating to local groups a clearer understanding of these issues and associated long-term gains. The work of the Santa Cruz Mission in the Allah Valley, South Cotabato, is an outstanding example of an NGO-managed community-based reforestation contract, where a cultural minority, the T'boli, is involved in reforesting 1,280 ha in a region earlier noted for extensive deforestation caused by grazing and gold mining activities.

*Source:* Loans 889/890 PHI Progress Report (Asian Development Bank)

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lobby for the interests of its members from village right up to national level, and to channel services to its members in the base organizations.

PREM has combined awareness raising and social organization with service delivery and material assistance. Their efforts have led to significant improvements in access to health, education, credit, and agricultural services at the same time as the strong Federation of People's Organizations emerged, able to manage development initiatives and fight for members' rights. The activities of the Federation now cover at least 840,000 people in more than 5,300 villages. This seems to have been achieved without any loss in quality in the services provided (Box III.3).

### **Box III.3: PREM in Orissa, India**

PREM and the people's organizations (POs) it works with have made a conscious effort from the beginning of their activities to marry together material improvements in people's lives with advances in social organization. Examples follow.

The first five years of the program (1980-1985) were spent in "laying the foundations": awareness-raising, legal education, etc. Thus, the first large-scale material work (fruit tree plantations, and seed and grain banks) had a solid basis on which to rest. This was even truer of the drought relief work in 1988, which strengthened, rather than damaged, the social and organizational aspects of the program.

At every stage in the development of the POs, material and organizational advances have gone together. The Fishers' Union in Orissa has adopted the same policy—ensuring that practical support is given to provide fishing nets, improve fishing techniques and train young people in how to use them, at the same time as lobbying government to take action against illegal trawling and other larger issues.

The most recent drought and flood relief proposals drawn up by PREM (in 1991 and 1995) include activities to lobby government for resources alongside detailed plans for the distribution of relief goods such as seeds and tools.

*Source:* Edwards (1996).

In Orissa, people's organizations (POs) have increased their impact in three ways:

- Government resources have been leveraged; for example, the Women's Credit and Savings Society has used its own savings to quadruple its loan capacity using a soft loan from the State Agricultural Bank.
- The political process has been influenced, such as strategic voting by POs in the 1991 *Panchayat* elections, which ensured that their candidates were successful; by 1995, 45 PO representatives in eight blocks had been elected to the *Panchayat Samiti* level, along with 360 ward representatives, 20 *Sarpanches*, and two vice-chairs. Once elected, these representatives were able to ensure that more resources from government schemes for infrastructure, credit, etc., were directed toward the interests of the poor. They are also kept very much "on their toes" by the membership of the POs: in 1994, legal action was initiated against representatives who had failed to perform according to expectations, and one *Sarpanch* was jailed.
- Grassroots interests have been linked with lobbying at the state and national levels; for example, the Kalinga Fishers' Union, a PO with 35,000 members, has organized demonstrations at the local level against the illegal use of large trawlers in offshore fishing rounds (which threaten the livelihood of small fishers). As a member of the All-India Fisheries Union, it is also able to lobby the central Government and in 1990 succeeded in blocking a move by the giant Tata Corporation to establish a base on Lake Chilika, after questions were raised in the Indian Parliament. Three years later the Union persuaded the authorities in Delhi to revoke the licenses of deep-sea trawlers operating off the coast of Orissa, and at least one trawler owner was prosecuted (Edwards 1996).

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*Building Social Capital—An NGO "Enabling" Strategy*

PRADAN, a national NGO in India with activities in eight states, works largely with groups. Development interventions always aim at enhancing group capacity, even as the ultimate measure of success in livelihood enhancement is the income and welfare of individuals and households. They call it the "enabling" mode of development, in contrast to the "delivering" mode.

PRADAN has a good record in creating local grassroots membership-based groups and in strengthening existing ones. It is interesting that in PRADAN, group promotion takes place by a staff that are generally not trained in socio-organizational methods. In fact, PRADAN seems to discourage the widespread use of village-level paraprofessional promoters, except when they can be recruited from the villagers themselves. A significant new development in recent years is the federation of village or community-based organizations into higher-tier associations at the cluster, block, and district levels. Progress in this dimension has already been made in credit clusters, flayers cooperatives, and in some of the water users groups. Highlighted below are some of the lessons from PRADAN's experience in promoting membership associations.

- A proven strategy is building groups around specific economic activities of common interest, especially where common pool resources have to be managed (water, forests, fishing) rather than attempting to create all-purpose groups. However, this sometimes has resulted in exclusive groups that were reluctant to expand membership and had a low spillover effect. PRADAN expects to compensate for this by eventually diversifying and federating.
- Promoting groups generally involves four stages: formation, stabilization, growth, and self-management. However, there is no systematic step-by-step process as the actual strategy has to be adjusted to the local context and to particularities

of each type of group. In the case of forming water user associations, the process has taken from 4 to 6 years, while women's credit groups can become relatively sustainable within 3 years. The length and success of the last self-management phase is not only a function of the capacity achieved by the primary groups but also depends on the postproject support structure that can be created by federating or by linkages to an outside private or parastatal organization.

- PRADAN's staff costs for organizational promotion in such fields as water storage tank rehabilitation, lift irrigation, or nonfarm enterprise tend to be very high in the initial years (although in practice it is very hard to sort out what are "software" vs. "hardware" costs). Donor and government project funds seriously underbudget for such costs, so they fall disproportionately on core staff and core funding. This has in many cases limited the pace of expansion of PRADAN's program. There are efforts underway to externalize some of these costs, especially by using existing consolidated groups as demonstration and training for new ones.
- PRADAN insists that members of groups develop a financial stake in their organizations (in tank rehabilitation, the minimum is 25 percent of the total costs) but avoids grants from its own financial resources, except as start-up matching contributions or bridging loans to overcome delays in government payments.
- PRADAN has begun to lobby to change the policy environment for its groups. For example, it has persuaded IFAD to change its rules that tied NGO funding too mechanistically to the number of groups formed. Such targets were felt to undermine the group promotion process. PRADAN is also tackling the reluctance of district officials to release funds directly to beneficiary organizations, which is a common problem embodied in financial regulations

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not only in India but also in many other countries. (See World Bank Participation Source Book (1996) on procurement issues.)

A distinguishing feature of PRADAN's work is concern with the economic viability of small enterprises, both farm-based and nonfarm. They prefer to link their clients not only to the flow of government resources but to the realm of private business.

PRADAN's goal is to move people beyond subsistence. The lack of sustainability has been one of the main criticisms of NGO programs. PRADAN endeavors to put on a sustainable businesslike basis what in the past tended to be thought of as public works or social welfare projects. This principle manifests itself not only in trying to make the new technologies affordable and profitable, but also in attempts to create a businesslike infrastructure to support the new enterprises. In mushroom cultivation, for example, marketing and quality have been identified as key constraints. Through a commercial PRADAN subsidiary, retail and institutional outlets are established, and packaging and quality controls addressed, so that a viable volume can be marketed.

The concepts of "social business" and "social entrepreneur", therefore, become very significant areas of institutional innovation for PRADAN. While considerable progress has been made at the village and community level to ensure viable and sustainable enterprises, so far the various attempts to set up socially responsible business support institutions as PRADAN spin-offs have been less successful. However, the consolidation of a critical mass of self-management groups (in credit or irrigation, for example) and the prospects of higher-tier membership federations, open up promising avenues for new initiatives in this direction. It is important to stress that the aim is not to turn PRADAN itself into a social business (as has happened to some credit NGOs turning into banks) but to establish separate autonomous support institutions. Indeed PRADAN's founder is currently establishing a people's development bank in Hyderabad.

PRADAN is experimenting with associating community groups into district-level apex organizations. These could then develop into permanent district-level farmers' institutions that can provide services to farmers and can also participate with the district administration in planning for their districts.

Participatory decision making is often a slow process within the village communities. PRADAN professionals may spend weeks in a village helping the community to weigh the pros and cons of various decisions. They spend an enormous amount of time ensuring proper recording of financial transactions and minutes of meetings, all essential for the long-term sustainability of the group. Project staff explained that they could implement as many as 20 to 30 schemes in a year, but with training and other group support, the number would not exceed five or six. Where conflict exists between different caste or social groups, promotional activities become more difficult (Carroll 1996).

### **Enhancing NGO Capacity**

Investments in building up the institutional capacity of NGO partners are often needed to meet the scope and demands of projects. Usually, these strengthening efforts are directed mainly to technical skills related to service delivery. It is much more difficult to upgrade the skill of NGOs for organizational effectiveness and self-management. Task managers must account for the financial fragility of participatory NGOs in structuring partnership arrangements. This would mean fully compensating NGOs for advisory, promotional, or liaison services expended in connection with, for example, ADB-financed operations. The usual social-fund design does not allow for such costs.

Management training suitable for business organizations is insufficient for the needs of capacity-building NGOs, especially for their field staff. Effective institutional strengthening needs to be based on a synergy between technical and social organizational skills. Experience indicates that it is more feasible to provide skills and techniques to NGOs already committed to empowerment than

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to change the attitudes of organizations in which this is not a strong value.

An important macro element is the amount of political space allowed for grassroots organizing by NGOs. In India, for example, NGOs are given much more leeway than in Bangladesh. In the latter, NGOs are deliberately encouraged to take on mainstream service provision and actively discouraged by political elites and large land-owning interests from taking on a role of grassroots advocacy and organization, if necessary by force. (For a concrete account of violence against GSS, a prominent Bangladeshi NGO, for challenging the local power structure, see Hashemi 1995.)

Facilitating cooperation and partnerships between NGOs can be a highly effective means of organizing training, as well as enabling small organizations to contribute to large-scale projects and developing the capacity of the local NGO sector as a whole. "Nested management," in which larger more established NGOs work with smaller, less experienced ones, has proven to be a good model. This approach has been used by IFAD in working with NGOs of different sizes and capacities in such projects as microcredit. (See the MYRADA case in Chapter II.)

Carroll, Schmidt, and Bebbington (1996) reviewed the obstacles NGOs face (even those most committed to empowerment) by time and output pressures, and the requirements of the project cycle in the routines of the development banks. In working with NGOs, ADB needs to take into account the tension between the short-term delivery of goods and services and the longer-term objectives of sustainability and institution building.

Dichter (1992) argued that development banks should take a firmer position in working through NGOs. "Make the money talk and be tougher on NGOs." Banks are in a position, he said, to create standards, foster competition, and demand performance. In doing so, they have to adopt flexible and experimental designs both to nurture and push NGOs. Among these, Dichter suggested slower

funding or "stop-and-start" funding that allows for built-in shifts as NGOs grow. Further, mechanisms may be needed to "park" grant money temporarily and to pause project implementation until NGO and community absorptive capacity increases. Also, it may be useful to provide risk money as a way to sort out the good from the bad among NGO field practitioners. This would mean assuming much more than the usual control over the process, until there is evidence that the intermediary is ready, and then rewarding high-performing NGOs by lowering their transaction costs in dealing with the banks.

All of this, while organizationally difficult, would make sense, were it not for two conditions:

- (1) ADB cannot deal with NGOs directly in its operations (as Dichter implies), but must work through government agencies that are normally unprepared to exercise the kind of "sensitive guidance" required, and are inclined to add their own rigidities to the process.
- (2) In many countries, ADB has found a very low density and presence of developmental NGOs, a situation that ADB itself cannot remedy in the short term.

However, the ideas on flexibility in the project cycle that Dichter and others have been stressing, resonate well with the idea of local capacity building, the main theme of this paper. Perhaps ADB could sponsor an in-house review and discussion of its own relevant experience, similar to what was undertaken by the World Bank on funding and procurement mechanisms in connection with and as a follow-up of the Popular Participation Initiative.<sup>20</sup>

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<sup>20</sup> See Participation Sourcebook (World Bank 1996), Chapter IV and Appendix II. In the meantime, the World Bank has also introduced two new lending modes (or "product lines" as the Bank calls them): *Adaptable Program Lending*, which aims at more flexibility, consisting of sequences of small loans to support phased implementation of longer-term programs; and *Learning and Innovation Loans* of less than US\$5 million, which can finance pilot or demonstration projects, capacity building, and other experimental and start-up situations.

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## **A CHALLENGE TO COMMUNITY DEVELOPMENT**

The experiences reported in the preceding sections represent a substantial challenge to the theorists and practitioners of community-based development. These new insights are well expressed by a new study of coal mining communities in Orissa, India, by Pantoja (1999):

- Social capital cannot be built, promoted, or transformed exclusively from within the community.
- New types of community organizations can often be promoted, but these cannot be designed in isolation from the social and economic context of the community, and from the wider institutional framework facilitating or constraining the generalization of trust.
- Instead of one particular model of local organization (e.g., village working groups), a wide variety of community organizations should be built according to the various objectives and activities of the development strategy, as well as the existing local institutional configuration.
- Building social capital through community development requires triggering a process of social reorganization that takes advantage of information from often invisible forms of association. New organizations are unlikely to change existing social relations immediately or in a short period of time.
- When feasible, it may be better to start promoting the creation of small groups within existing social solidarities. In other words, it is critical to start working the existing social structure from the inside out. However, creation of small groups in isolation might exacerbate social cleavages in the long run. Parallel to this, horizontal linkages across these groups should be facilitated and vertical articulations with state and private organizations purposely sought. The

initial benefit of intensive intra-community integration should be transformed into extensive extra-community linkages. (The value of such a sequence is also confirmed by the MYRADA case, cited in Chapter II.)

These conclusions are also reinforced by the Indonesia Local Level Institutions Study with data from 48 villages. In Indonesia, communities that organized more of their projects at the primary association level rather than higher village-wide levels achieved lower capacity and were less effective than those organizing proportionally more activities at higher levels. By the same token, groups that established more collaborations with other local institutions as well as external actors were overall most active in gaining and implementing projects. Such capacity is more likely when there are multiple bases of leadership (i.e., where leadership is not controlled by a single source), where leadership is accountable and responsive, where there are mediation processes possible at different levels, where traditional governance institutions remain cohesive, and where there are strong supravillage linkages, and multiple sources of external support and innovation (Chandrakirana 1999).

### **HIGHLIGHTS OF CHAPTER III**

- Social capital is considered as an "associational resource" that facilitates collective action, cooperation, and problem solving. It is argued in Chapter III that we must look beyond the community to search out opportunities for supporting linkages between local groups and higher and wider institutional resources that are not available at the micro level.
- Perhaps the most important way such "scaling up" can occur is by federations or unions of basic membership groups that operate at the regional or meso level. Several examples are presented in this chapter.

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- Federations of grassroots groups present attractive opportunities for ADB investments either as service providers for their members or as full-fledged "social enterprises" operated as productive businesses owned and managed by their members (eventually with professional management accountable to members).
  - Interinstitutional partnerships and coalitions represent other opportunities to strengthen social capital at different levels. ADB has already some experience with this sort of institutional arrangement, such as in coastal resource management with multiple stakeholders.
  - NGOs offer a great potential through which ADB can implement local capacity building. However, NGOs devoted to service delivery often do not have an interest or skills for strengthening beneficiary organizations. Examples of the work of some outstanding capacity-building NGOs are provided, as well as criteria to facilitate selection of NGOs that have community development abilities.
  - It is suggested that ADB-supported interagency technical assistance for enhancing NGO capacity should include training in grassroots organizing and local empowerment skills. Many studies show that donors like ADB should have enough flexibility in their financial and procurement guidelines to facilitate rather than hinder the work of self-help promoting NGOs. (See World Bank 1996, and more particularly, Carroll, Schmidt, and Bebbington 1996.)
  - An important but unresolved issue is whether one should promote and support specialized or all-encompassing local institutions. The evidence indicates that local circumstances and contexts rather than overall principles must guide the correct choices. There is the unfortunate tendency for each external aid agency or NGO to sponsor its "own" local group, which calls for more donor coordination at the field

level. Perhaps one guideline is to build on existing groups and make sure that any new groups do not disempower but complement others in the area.