



# Sustainable Farmer Organisations:

## DAEC Framework for FO Capacity-Building

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### 1. Introduction

#### 1.1 Why should we learn about this topic?

Farmer organisations *can* provide many benefits for their members, for example:

- Learning about new crops and production techniques,
- Access to inputs and services, such as water, seed and credit,
- New market opportunities and better prices
- A stronger voice in local decision-making

The Ministry of Agriculture and Forestry (MAF) has a policy of promoting farmer organisations. These organisations are expected to contribute to the growth of commercial agriculture in Laos by providing services to members and connecting them to markets. In the past 5 years, hundreds of farmer groups have been created because of this policy.

Many of these new farmer organisations are *not* sustainable. Government officials, NGOs and companies often create groups that do not continue to function after projects or contracts have been completed. The result is that many groups exist on paper, but they are not active.

This framework aims to improve our understanding of sustainability of Farmer Organisations. It will explain why some farmer organisations fail and other succeed. It will also provide suggestions for activities that strengthen these organisations. This information should be useful to everybody who want to support the efforts of rural communities to manage their own development more effectively, including farmer leaders, government officials and NGO field workers.

#### 1.2 Types of Farmer Organisations in Laos

Farmer organisations are usually classified in two different ways:

*Group function:* learning groups, marketing groups, water user groups, savings and credit groups

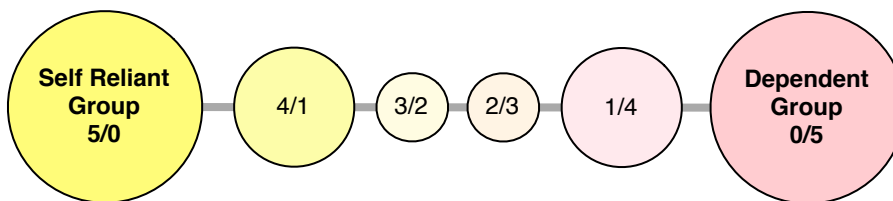
*Legal status:* informal groups, registered production groups, non-profit associations, cooperatives

Sustainability is not dependent on the function or status of an organisation group. Some credit groups will succeed, and some will fail. Some cooperatives will thrive, and some will collapse

Another way of classifying farmer groups is according to *ownership*. The level of ownership can be determined by answering these five questions:

- Who decided to create the group?
- Who makes plans and management decisions?
- Who appointed the chairperson and committee?
- Who does the chairperson and committee report to?
- Who is funding the operating costs of the group?

The answers to these questions allow us to put groups on a scale between *self-reliant* and *dependent*.



If the answer to all of these questions is 'the members of the group', then the organisation is at the self-reliant end of the scale (5/0). But if the answer to all questions is the local Government or a private company or an NGO, then these groups are at the dependent end of the scale (0/5).

In many cases, groups will be somewhere in the middle, but experience shows that groups with a higher level of ownership by the members (i.e. closer to being self-reliant) are more likely to be sustainable. However, ownership is not the only success factor, as we will see in the next section.

## 2. Understanding Sustainability

### 2.1 Why do Farmer Organisations succeed or fail?

Studies of Farmer Organisations around the world show there are many factors affecting the success of Farmer Organisations, but three general issues are of greatest importance:

a) *The benefits of membership.* Farmers join groups because they get something from being a member. Farmer organisations are most likely to succeed when the services they provide have a significant impact on the livelihoods of members, usually by improving incomes. These services might include access to credit, access to information, the use of shared facilities,

training opportunities, a marketing contract, welfare protection etc. Importantly, farmers must join a group to get these services. If members don't get any benefits, or if they can get the same services without joining, the organisation will probably fail.

b) *The level of 'social capital'*. Social capital is the relationships that people have, both within their community and with the outside world. Farmer organisations help to improve the social capital of members, but they also need a certain level of social capital to get started and to operate effectively. FOs will only succeed if the members understand and trust each other. Poor management is often mentioned as a reason for failure of groups, but the underlying problem could be that members do not have a shared vision, or a respect for group rules, or a feeling of responsibility towards each other.

c) *The operating context*. Even when farmers understand and trust each other, external factors can make a difference between success and failure. The economic situation, the political system and the natural environment may all help or hinder collective action by small farmers. For example, more powerful actors, like investors, donors or government officials, may try to control farmer organisations, thereby reducing the willingness of members to participate. A group can also fail because of a natural disaster, changes in certain policy, or changes in the international price for their product, which are beyond their control.

## 2.1 Pillars and levels of sustainability

Most descriptions of sustainability refer to 'three pillars': environmental, economic and social. Sustainable development requires that *all* three pillars are strong. If one pillar is weak, the development of a country or a community is unlikely to be sustainable.

For our purpose, it is useful to divide each pillar into three levels, as follows:

### *Three Pillars of Sustainability*

Global and National	<i>Environmental Sustainability</i>	<i>Economic Sustainability</i>	<i>Social Sustainability</i>
Rural Community	<i>Sustainable Production</i>	<i>Sustainable Marketing</i>	<i>Sustainable Networks</i>
Farmer Organisation	<i>Sustainable Services</i>	<i>Sustainable Financing</i>	<i>Sustainable Management</i>

- The global and national level is part of the operating context for farmer organisations. Factors at this level are *external* to the organisation, meaning they are outside the control of members.
- Factors at the community level are also part of the operating context, but they are *linked* with farmer organisations. These factors affect the operations of farmer groups, *and* are affected by the actions of farmers.
- At the level of Farmer Organisations are factors that are *internal* to the group, meaning they are largely within the control of the members.

Through an understanding of the pillars and levels of sustainability, we will realise the need for an *integrated approach* to capacity building for farmer organisations.

If we only strengthen one pillar, such as the economic pillar, organisations are unlikely to become sustainable; there is also a need to strengthen the environmental and social pillars.

Similarly, organisational development that only addresses internal factors at the lowest level is unlikely to succeed; there is also a need to strengthen the linked factors at the community level.

### 2.3 Indicators for Sustainable Farmer Organisations

To become sustainable, a Farmer Organisation should be financially viable, efficiently managed, and provide members with useful services. By joining the organisation, farmers should be able to do the following:

- maintain or improve the productive capacity of their farms,
- have a fair and profitable relationship with buyers,
- participate in decision-making and collective action

The following 12 indicators can be used to assess whether a Farmer Organisation is *likely* to be sustainable or not:

Sustainable production	<ol style="list-style-type: none"> <li>1. Farmers are actively involved in testing and adapting any new technologies</li> <li>2. Production techniques are used which preserve or enhance agro-biodiversity, and which are not harmful to the local community</li> </ol>
Sustainable marketing	<ol style="list-style-type: none"> <li>3. Farmers are not dependent on selling a single commodity, or a single buyer for their produce</li> <li>4. Members understand and agree to the conditions of any contracts signed on their behalf, and are paid accordingly</li> </ol>
Sustainable Networks	<ol style="list-style-type: none"> <li>5. Local authorities are consulting with farmer organisations as part of development planning</li> <li>6. Different farmer organisations are exchanging information with each other</li> </ol>

Sustainable Services	7. Members have access to services they need (eg. inputs, processing, certification, marketing etc) that are not readily available to non-members 8. The usefulness of services is sufficient that members are willing to invest their own time and resources into group activities, rather than being paid to participate
Sustainable Financing	9. Financial benefits of membership are sufficient to allow the group to collect fees that cover some operating costs 10. Debt of members and the group is kept at a manageable level
Sustainable Management	11. Transparent and democratic procedures are applied, including general meetings, elections of group leaders, and financial reporting 12. Membership is voluntary and open, and all members have equal votes regardless of their wealth, gender or ethnicity

### 3. Understanding Capacity Building

#### 3.1 Principles of Capacity Building for Sustainable FOs

Here are five principles that should guide the planning and implementation of capacity building activities for FOs:

1. ***Fostering self-reliance:*** If an FO is to become sustainable, the members need to be able to plan and manage their own activities. That means they should be actively involved in decision making and organising *from the very beginning*. Farmers need to be consulted, advised and encouraged, not simply told what to do. Self-reliance is reinforced when farmers have to contribute some of their own resources for group activities, eg. construction materials and labour for a community building, or food and transportation for a group meeting. Projects that pay the full cost of group activities are providing welfare, not building capacity, and this will undermine the commercial viability of any group enterprise.
2. ***Learning from each other.*** Many studies have shown that rural people acquire most of their knowledge from each other. Farmers can understand each other's problems and make suggestions based on practical experience. For this reason, capacity-building should include farmer-to-farmer (F2F) activities whenever possible. Projects should identify 'farmer experts' and give them opportunities to become trainers and resource people. Exchanges between groups of farmers are another type of F2F activity. These exchanges can be more effective when there is a series of meetings between groups that want to learn from each other, rather than a single study visit.
3. ***Learning by doing.*** Practical training, which involves farmers carrying out real tasks, is a far more effective way to develop skills than listening to lectures or watching demonstrations. This applies to all kinds of skills, from

vaccinating livestock and repairing pumps, to preparing budgets and using a computer. Facilitators who organise practical training need to have coaching skills, not just technical knowledge; they need to be able to observe, question, listen and motivate, not just give instructions. These skills are based on a respectful and responsive attitude towards the learners.

4. Testing before adopting. New techniques, new crops, new markets: these things involve risks for farmers. By working in a group, risks for individual farmers can be reduced. Groups can reduce risks by testing and adapting new ideas, rather than simply adopting what is recommended by outside experts. Approaches such as Farmer Field Schools (FFS) and Participatory Technology Development (PTD) can be used by members of FOs to help them assess innovations. New value chains should also be assessed during a trial period before long-term or large-scale commitments are made.

5. Developing a system, not just a group: Social capital and operating context were already mentioned as factors affecting the success of FOs. Capacity-building should therefore involve efforts to strengthen the connections between FOs and service providers, not only strengthening the internal management and technical skills of members; eg by facilitating linkages with banks, input suppliers and markets. Also, by helping FOs to share their experience and concerns with local leaders and policy makers, capacity-building projects may contribute to the removal of constraints and an improvement in opportunities for small farmers.

### **3.2 Building strong foundations**

How a group is created will have a huge influence on its sustainability. Every organisation will have problems sooner or later, and capacity-building should help FOs *prepare* for these problems.

If a groups starts with a high level of dependence on external support, it will find it more difficult to solve its own problems. Dependent FOs groups usually become inactive after the project that created them comes to an end. Self-reliance cannot be quickly created at the end of a project; it needs to be encouraged from the beginning.

If FO members have a clear vision and a strong commitment at the start, if they have invested their own ideas and resources from the beginning, they are more likely to survive when projects come to an end.

The key to building strong foundations is *investing time in creating an understanding and agreement* among the potential members. Here are 5 tips for achieving this:

- Organise exchange visits *before* new groups are formed, so farmers can learn from others about the benefits and challenges of collective action.
- Facilitate village meetings at which problems and opportunities are opening discussed, analysed *and prioritised*. Avoid creating shopping lists.
- Include women and speakers of ethnic languages in the facilitation team, to ensure that *everybody* in the community participates in the discussion.
- Clear commitments need to be made about what members can expect to get from joining a group *and* what they are expected to contribute.
- Start by establishing an *informal* group, focussed on providing a useful service to members. Registration can come later, once the members are convinced of the benefits.

### 3.3. Examples of Capacity building activities

Here are 18 activities that have *already been carried out* in Laos, which contribute to the development of Sustainable Farmer Organisations:

#### Capacity-building for Sustainable Production

- Participatory land use planning (PLUP)
- Farmer-to-farmer learning for compost making
- Farmer Field Schools on IPM and SRI

#### Capacity-building for Sustainable Marketing

- Training on contract farming, using the 'Think Before You Sign' materials
- Rapid Market Assessments for Non-Timber Forest Products
- Supporting establishment of an Internal Control Scheme (ICS) for organic certification

#### Capacity-building for Sustainable Networks

- Exchange visits between FOs producing the same commodity
- Farmer broadcasts on community radio
- Inviting farmers to present their issues at policy meetings

#### Capacity-building for Sustainable Services

- 'Sustainable livelihood assessments' carried out by communities that are considering creating their own groups
- Cost-sharing for construction of a community meeting place
- Participatory monitoring and evaluation of group activities

#### Capacity-building for Sustainable Financing

- Advising groups on the preparation of business plans
- Proposal-writing workshops, to help secure grants
- Support in setting up a savings and credit scheme

### Capacity-building for Sustainable Management

- Establishment of rules, roles and responsibilities for both ordinary members and committee members.
- Affirmative action to promote social inclusion, including setting quotas for women on the committee
- Financial and administrative management training for committee members

## **4. Facilitation**

### **4.1 Strategy of DAEC**

Facilitation of Farmer Organisations is one of the four main programmes in the draft strategy for the Department of Agricultural Extension and Cooperatives (DAEC). The desired outcome of this programme is: *Smallholders are able to establish their own groups, coops and associations in order to manage risk, improve bargaining power and gain better access to resources and markets.*

To implement this programme, DAEC will support and encourage the use of various approaches to develop and build farmer organizations controlled by and in the interests of small-holder farmers that contribute to improved production and sustainability. Specifically, DAEC will:

- Promote inclusiveness to ensure that women, ethnic minority groups, poorer households or other disadvantaged groups share decision-making authority or have their own groups
- Sensitisation and promotion – creating general awareness of the benefits and challenges of creating and joining FOs by producing and disseminating of information materials
- Policy framework – engage in policy dialog and interpretation at both the national level and provincial levels to influence and shape policies to improve the enabling frameworks for democratic and autonomous FOs, and create space for inclusion of FO in such dialog
- Standards and regulations – development, testing, and implementation of regulations regarding formal FOs (cooperatives and associations) that ensure efficient registration and support for democratic and autonomous FOs
- Organisational development – promote standards and guidelines that encourage good governance and management of formal FOs to ensure democratic and autonomous FOs responsive to member interests and needs
- HRD–activities that enhance the organizing skills for farmer leaders, cooperative and association managers, and board members
- Objective conflict management – arbitration services that support open dialogue among FOs, private sector, and government offices, and represents FO concerns to relevant authorities.

## 4.2 The changing role of PAFO and DAFO

The strategy of the Ministry of Agriculture calls for a 'gradual shift from the direct provision of service to the provision of an enabling regulatory framework'. This strategy envisages that the private sector and farmer organizations will become more and more involved in providing services.

In practice, this means some roles of PAFO and DAFO will be reduced, and other roles will be increased, as follows:

- *Reduced roles:* production planning, input delivery, technology transfer
- *Increased roles:* process facilitation, resource linking, certification

The required changes are challenging, and cannot be achieved immediately, but it is helpful to have a vision of the type of extension worker that is needed in the future. We can call this person a 'new extensionist'.

To become new extensionists, staff of PAFO and DAFO needs to develop their capacity in many areas, including:

- Community mobilisation (organising producers and rural women into different types of interest/activity groups)
- Farmer organisation development (organising, sustaining and federating farmer organisations to take up new extension and advisory service tasks in agriculture and linking them to new source of knowledge and services)
- Facilitation (facilitating discussions, enabling consensus building and joint action, accompanying multi-stakeholder processes)
- Coaching (guided self-reflection and expert advice for improvement)
- Reflective learning (organising experience sharing workshops and facilitating learning)
- Mediating in conflicts (by improving dialogue and helping to reach agreement)
- Negotiating (helping to reach a satisfactory compromise or agreement between individuals or groups and developing negotiating capacity among other stakeholders)
- Brokering (creating many-to-many relationships among the wide range of actors)

*This final section is based on 'The New Extensionist', a report by the Global Forum on Rural Advisory Services (GFRAS). A translation into Lao Language is now available from DAEC.*

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