MOBILIZING RURAL INSTITUTIONS FOR IMPROVING GOVERNANCE AND DEVELOPMENT

Local institutions play a fundamental role in governing access to resources, shaping delivery of services, and determining the experience of governance at local level. They are the principal mechanism to channel external interventions, resources, and assistance to poor households, women, and disadvantaged groups. This note presents the findings of a five-country research project, which focused on the role of local rural institutions and their institutional networks in shaping governance and livelihoods outcomes in rural areas, particularly for more marginal and disadvantaged populations. The first section outlines the Institutional Analysis and Development (IAD) framework that guided the case studies and analysis. The second summarizes key findings on how to promote better governance and livelihoods outcomes through local institutions. Two of the major findings of the study are that better performance on accountability is positively associated with greater equity in benefit distribution; and that stronger institutional linkages play a positive role in enhancing livelihoods, and in the distribution of livelihoods benefits. The third section presents implications of the study. The note is relevant to a large portfolio of World Bank development projects that partner with local institutions as entry points to achieve their objectives.

This note presents the findings of a multi-country study on Mobilizing Rural Institutions research project supported by the TFESSD. The study examined the role of local rural institutions and institutional networks in shaping governance and livelihoods outcomes in rural areas in five locations: Afghanistan, Ethiopia, Orissa in India, Vietnam, and Yemen. Nearly fifty distinct local institutions from three different domains were examined: agricultural production (rural producer organizations, cooperatives and self-help groups), natural resource management institutions (irrigation and forestry), and local governance (elected and appointed bodies).

1. RESEARCH FRAMEWORK AND QUESTIONS

Definition and types of local institutions

In this study, institutions are broadly conceived as rules that structure interactions and expectations by providing the incentives for human actions. They shape local social, political, and economic exchanges; and they act as conduits for flows of external interventions and resources into local contexts. The success of development projects, particularly in terms of benefits to more marginal, poorer, and disadvantaged groups, largely depends on the effectiveness with which local institutions function.

The report used a rural institutional typology that identifies three major categories of local organizations found in rural contexts: civic, public, and private, in their formal and informal form1. The field work for the study covered all these different types of institutions, focusing in particular on public and civil society institutions, and examining their linkages where relevant to private institutions including NGOs and private businesses. Table 1 below summarizes the

categories of rural institutions examined in the study:

**Table 1. Typology of Local Rural Institutions**

<table>
<thead>
<tr>
<th>Types of Institutions</th>
<th>Public (state)</th>
<th>Private (market)</th>
<th>Civic (civil society)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local agencies (bureaucratic)</td>
<td>Local governments (political)</td>
<td>Service organizations (charitable)</td>
<td>Membership organizations (Common interests)</td>
</tr>
<tr>
<td>Private businesses (for profit)</td>
<td>Cooperatives (Resource pooling)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Institutional Analysis, Governance, and Livelihoods Framework**

The study adopts an Institutional Analysis and Development (IAD) approach to address the posited research questions. This is presented below as the “Institutional Analysis, Governance, and Livelihoods Framework” (Figure 1). The framework presents the factors of the institutional, economic and social context, governance and livelihoods outcomes, and hypothesizes causal flows and relationships among them.

The Institutional Analysis, Governance, and Livelihoods Framework suggests that the problems local institutions address, and the context in which they attempt to do so, have a significant effect on institutions themselves, and on their capacity to solve development problems. Their capacities coupled with their context affect their ability to produce governance and livelihoods results. The impacts of external development interventions – in the form of funds, technical inputs, new information (including training and skills enhancement), and new institutions – are mediated by existing institutions.

The framework also encapsulates the four research questions addressed in the study. The first concerns the relationships among different governance outcomes (inclusion, participation, accountability, and adaptability); the second between governance and livelihoods outcomes (both enhancement and equity), the third between networks and linkages, and outcomes, and the fourth question focuses on the role of external interventions in improving the performance of local institutions.

**Case Study Institutions in the Selected Countries**

The study focuses on the organizations connected to project-based development interventions. In all five locations, three different types of local organizations were present: sector-specific institutions (irrigation cooperatives in Ethiopia, lift and flow irrigation institutions in Orissa, and forestry institutions in Vietnam); multi-purpose institutions (e.g., Community Development Committees in Afghanistan and District Local

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3 The thicker and thinner arrows in the figure indicate that the effects of a range of different factors occur both directly (thin lines), and are also mediated by institutions (thick lines).

4 The research relied on a case based approach to gather data on the above institutions. Semi-structured household interviews, discussions with institutional stakeholders, focus group discussions, and where available, existing case materials and data sets were used.
Councils in Yemen, governance organizations; and community-based institutions (Self-Help Groups in Orissa, informal cooperatives in Vietnam, and tribal irrigation arrangements in Yemen). Table 2 below lists the main focus institutions upon which the case studies concentrated in each country.

Table 2. Focus Institutions of Study

<table>
<thead>
<tr>
<th>Country</th>
<th>Institutional Case Studies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan</td>
<td>Community Development Councils (LG)</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>Smallholder Agricultural Cooperatives (RMBOs); Irrigation Cooperatives (NRM); Cooperative Governance Arrangements (LG)</td>
</tr>
<tr>
<td>India</td>
<td>Self Help Groups (RMBOs); Pani Panchayats (NRM); Gram panchayats (LG)</td>
</tr>
<tr>
<td>Vietnam</td>
<td>Agriculture Cooperatives (RMBOs); Forest Protection Committees (NRM); Democracy Steering Committees (LG)</td>
</tr>
<tr>
<td>Yemen</td>
<td>Agriculture cooperatives (RMBOs); Tribal Structures for Water Allocation (NRM); District local councils (LG)</td>
</tr>
</tbody>
</table>

2. FINDINGS

The findings are summarized here into a set of general lessons for mobilizing local institutions and governance.

2.1 Relationships among Different Aspects of Governance: Inclusion, Participation, Accountability, and Adaptive capacity

Although it is customary to talk about governance as if it is a single outcome, the fieldwork undertaken during the research shows that there are often tensions between high levels of performance on different governance indicators. Different aspects of governance – inclusion, accountability, participation, and adaptive capacity – represent different areas of institutional capacity and performance. They are not necessarily correlated. Different rural institutions promote different aspects of governance, and tradeoffs can characterize the relationship among the four dimensions of governance.

<table>
<thead>
<tr>
<th>Aspects of governance</th>
<th>Observed correlation for the studied institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inclusion and participation</td>
<td>-0.03</td>
</tr>
<tr>
<td>Inclusion and accountability</td>
<td>-0.14</td>
</tr>
<tr>
<td>Participation and accountability</td>
<td>+0.49</td>
</tr>
</tbody>
</table>

Inclusion and Accountability

The study finds that higher levels of inclusion adversely affect downward accountability and member participation in decision-making. Higher levels of inclusion and participation are also negatively associated with effective delivery of livelihood benefits. Participation and accountability are strongly and positively related to each other. Stronger participation by members of institutions seems to increase the demand for greater accountability as well. Table 3 below summarizes the overall findings for these relationships.

The causal relationship between these aspects of governance is difficult to disentangle, but it would appear that attempts to increase inclusion (particularly of more disadvantaged groups) and provide benefits to a larger number of households increase the coordination costs of participation, reduce the ability of institutions to remain accountable to those they seek to serve, and reduce their ability to provide benefits effectively.

Gender and Inclusion

Women’s participation in institutional decision making is consistently low. Accountability to women members is almost non-existent. Few institutions require explicit attention to the interests of women. The absence of women from most governance functions is also reflected in the low levels of benefits distributed to women from local institutions.

Part of the reason for the low visibility of women in governance is structural (women suffer from various forms of marginalization in the areas in which the study was carried out). Another part of the explanation lies in the design of the studied institutions. Where institutional design features
make the involvement of women part of the institutional design, as is the case for some of the gram panchayats and many of the Self-Help Groups in Orissa, India (see Box 1) women receive at least some formal recognition of their needs, and benefits are also channeled toward them.

Box 1.  Designing inclusive institutions: Self-Help Groups in Orissa, India

Self-Help Groups (SHGs) in Orissa are different from other local institutions studied in the research in the three key areas. Firstly, the SHGs are designed to facilitate the involvement of low income households as well as marginalized groups such as women. As a result, their rules for membership and focus on types of services to be provided cater to the needs of poor households, and costs of entry are low. Secondly, the activities they seek to promote do not require significant investment. Therefore, it is easier for external actors to support their work. Finally, they have received consistent support from external organizations such as NGOs and later at a larger scale from government agencies. This has also meant that they are well connected to these higher level organizations and as also to other local institutions. They are, thus, distinguishable from other local institutions studied over the course of the research in the three key areas: institutional design and goals, resource availability and external support, and local and higher level institutional networks.

Adaptive Capacity

Studied institutions had low autonomy and capacity to adapt, both to new environmental challenges and to changing needs of their constituents. The study finds that both sector specific and general purpose local institutions lack autonomy and capacity to adapt to environmental shifts. This is due to limitations on the ability of local institutions to make decisions and manage their own affairs (whether in terms of crafting rules, or spending available resources); a lack of autonomous capacity to generate resources locally and deploy them for locally agreed upon purposes; and inadequate external support.

Adaptive capacity, defined as the autonomous ability to change in response to environmental shifts, is essential for institutional effectiveness. Social and institutional learning, critically important for long-term institutional adaptation, requires flexibility in institutional design, capacity for long range planning and understanding of a changing context.

Whether it is the CDCs in Afghanistan, the gram panchayats in Orissa, the democracy committees in Vietnam, or the LDCs in Yemen, they all suffer from similar difficulties regarding resource access. Either they do not have resources to speak of, or their resources are monetary transfers from higher level authorities (the CDCs, the gram panchayats, and the LDCs). The discretionary spending abilities of these organizations are minimal, and they have little capacity to define how available resources should be spent.

2.2). Governance, Livelihoods, and Equity

Higher levels of governance seem to have little positive correlation with improvements in livelihoods. The research finds that higher levels of governance are positively associated, but only to a small extent, with livelihoods outcomes (both livelihoods enhancement and equity of benefit distribution). However the research identifies a stronger relationship between improved governance and improvements in the equity of livelihoods outcomes. This relationship is particularly strong for accountability and livelihoods equity. Table 4 below summarizes these associations.

<table>
<thead>
<tr>
<th>Livelihoods outcomes→ Aspects of governance↓</th>
<th>Livelihoods Improvement</th>
<th>Equity in Benefit Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inclusion</td>
<td>0.17</td>
<td>0.01</td>
</tr>
<tr>
<td>Participation</td>
<td>0.02</td>
<td>0.47</td>
</tr>
<tr>
<td>Accountability</td>
<td>0.27</td>
<td>0.60</td>
</tr>
</tbody>
</table>

Accountability, participation and equitable outcomes

Higher levels of downward accountability are directly related to more equitable allocation of benefits. We find strong evidence that better performance on accountability is positively associated with greater equity in the distribution of livelihood benefits. The positive relationship between governance and equity is particularly evident in relation to downward accountability, but also quite high for participation and equity. Greater
accountability improves the distributive impacts of institutions, as members can shape decision making to take the interests of participants into account. On the other hand, higher levels of participation and inclusion increase the costs of coordination and service provision.

Explaining the low association between governance and livelihood impacts

Why is the association between different aspects of governance and improvements in livelihoods low for the studied local institutions? Two reasons help explain the low association (in addition to sporadic, inconsistent, and low levels of external support and inhospitable local context).

Firstly, the major source of revenue for local governments (where sources exist) are external transfers. The flow of resources from higher levels to lower levels means that institutional decision makers feel accountable to higher level organizations, resulting in a less equitable allocation of benefits.

Secondly, most newly created local institutions are not well connected to other local institutions or to higher level government agencies. As one might expect, the lack of resources and opportunities to raise resources adversely affects their ability to support the livelihoods of their constituents. The example of water councils in Orissa (see Box 2 below) is representative of local institutions more broadly.

2.3 Institutional networks and linkages

The study finds that stronger institutional linkages play a positive role both in enhancing livelihoods, and in improving the distribution of livelihoods benefits. Institutional linkages have a small, but positive association with livelihoods improvements, and a higher positive association with equitable distribution of livelihoods benefits. Table 5 below provides summary association measures for the strength of institutional linkages and livelihoods outcomes.

<table>
<thead>
<tr>
<th>Livelihoods outcomes</th>
<th>Livelihoods Improvement</th>
<th>Equity in Benefit Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strength of Institutional Linkages</td>
<td>0.19</td>
<td>0.35</td>
</tr>
</tbody>
</table>

Links and livelihood benefits

Two main factors are responsible for this association. Firstly, stronger links among different local institutions can compensate for missing competence or resources on the part of a given institution by permitting it to draw upon resources available from other institutions to which it is linked. Such linkages are particularly important in relation to the links between local and higher level institutional arrangements. Even without a flow of finances from external sources, the ability of local institutions to access higher authorities can help improve local effectiveness.

Linkages and equity

Secondly, when linkages are distributed across multiple institutions, and when there are a number of different important institutions in the local context, there are greater possibilities of more equitable institutional performance through the influence of the different institutions on the focus

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Box 2: The role of accountability in improving Livelihood Impact – Water Users’ Councils in Orissa, India

Water-users councils in Orissa (pani panchayats) are statutorily empowered to raise the resources they need to function effectively. However the councils based on flow irrigation receive most of their resources as a transfer from the state, and only small amounts from members; in contrast, the lift irrigation water users’ council collects water and service charges from its members, and does not receive grant-in-aid from the state.

The consequent difference in the functioning of the two types of water users’ councils is striking. The flow irrigation councils that receive their resources as a transfer from the state, are not very accountable to its members, and tend to improve the livelihoods of better off individuals. The lift irrigation based water users’ council is highly accountable – members want to be sure that their fees and charges are being put to good use – and the livelihoods impacts of the council’s activities are also superior.

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6 Our research has developed a set of methods to assess governance arrangements and network relationships. The first methodological tool – the Inclusion, Accountability, Participation and Adaptability (IAPA) governance index -- focuses on a rapid assessment of the governance contributions of institutions. The second tool – Institutional Network Analysis – focuses on the network relationships of institutions to other institutions and major social groups. Descriptions of these tools are provided in SDV Note 116.
institution. With stronger local institutional linkages, it is more difficult for any single institution to be the sole influence on livelihoods outcomes, and it is more difficult for a single social group to dominate all institutions compared to the ability to dominate a single institution. Where such linkages are concentrated in a single dominant institution, the prospects for equitable distribution of benefits depend on the performance characteristics of the dominant institution itself.

2.4 External Interventions and Local Institutions

**Long-term support**
The study finds and documents the importance of **consistent and long-term financial and technical support** to local institutions as being key elements in efforts to develop local governance. This is because existing institutional arrangements often reflect existing power relationships and changing them requires a long term commitment on the part of external actors. It is the absence of such contributions that is in large measure responsible for the lack of performance by Local District Councils in Yemen, democracy committees in Vietnam, and many of the agricultural cooperatives. Availability of external support has helped the SHGs in Orissas, and to some extent the Community Development Committees in Afghanistan and the **gram panchayats** in Orissa.

**Facilitation of linkages**
Effective external support to local institutions can also occur through the **facilitation of deeper links** between relevant local institutions, government agencies, and other local institutions (see Box 3). Our review of evidence from nearly 50 cases suggests that facilitating greater linkages across institutions, both within the locality and across levels so that local institutions are better articulated with higher level organizations, may not cost a lot in monetary terms, but can greatly improve the effectiveness of local institutions.

**Box 3. Facilitating Linkages**
Linkages often develop organically over time, but they can also be facilitated through external interventions. Efforts to facilitate such linkages should take into consideration the extent to which the targeted institutions are more inclusive of poorer, disadvantaged and marginalized groups in a given site, as these are more likely to generate equitable outcomes. The best mechanism for facilitating these linkages is to focus on the functional dimensions of local institutions. Three such functional dimensions for building local institutional linkages can be identified: a) linkages based on information flows; b) linkages related to sharing of financial resources, and c) linkages built around decision making and technical skills. Linkages based on information and financial resource sharing were present in the case of the SHGs in **Orissa**; linkages built around the expertise available with personnel were visible in the case of the tribal irrigation arrangements in **Yemen**.

**Assigning rights and roles among institutions**
One of the most important types of external support that can make a real difference in local institutional performance is **clear assignment of rights** and delineation of respective responsibilities and roles among different levels and across different institutions. These factors are clearly at work in improving the performance of tribal irrigation arrangements in Yemen, the Community Development Committees in Afghanistan, the informal cooperatives in Vietnam, and the Self Help Groups in Orissa.

In Yemen, tribal arrangements for improving irrigation are based on the existing roles and social linkages that tribal leaders already possess. In Afghanistan, the Community Development Committees have been entrusted with the rights to determine which local infrastructure projects should be selected and implemented. The informal cooperatives in Vietnam have the capacity to decide about the activities upon which they will focus. In Orissa, the Self Help Groups gain resources and information both from external NGOs and the **Gram Panchayats** through the linkages they have with these organizations.
Box 4: Partner with existing institutions, or create new institutions?
The creation of new institutions in a given socio-economic and governance context is often pursued because of dissatisfaction with the performance of existing or traditional institutions, or because of the lack of an appropriate institutional anchor. The study found only a small association between the effectiveness of an institution in promoting livelihoods and whether it was new or whether it predated an external development intervention. Existing or traditional institutions are more likely to be dominated by a group of local elite, as was true for all the cases covered in the study (except for the informal cooperatives in Vietnam). However they also have tend to have strong local linkages and knowledge about what works. In the Yemen case, the older rules for allocating water inequitably have proved difficult for new irrigation institutions to undermine because the new institutions depend for their effectiveness on links to established leaders and authorities. Traditional irrigation institutions dominated by chiefs in Yemen, as well as newly introduced irrigation cooperatives in Ethiopia, effectively allocated available water, but did so in a way that benefitted a small group of well off landowning households. Newly introduced forestry institutions in Vietnam turned out to be less effective in enhancing livelihoods once external support was no longer available, and informal cooperatives were quite effective in promoting livelihoods.

3. RECOMMENDATIONS FOR BANK PROJECTS

Taken together, the above findings have several implications for Bank projects aiming to improve governance and livelihoods outcomes by attending to local institutions requirements.

3.1 Improve downward accountability to generate greater equity in benefit allocation.

Bank projects aiming toward more equitable benefit allocation need to ensure that local institutions include accountability mechanisms that help participants gain information about institutional decision making, and sanction decision makers when institutional performance is below par.

Competitive local elections are a common and practical means of holding decision makers accountable, but they need to be accompanied by other social accountability mechanisms, including:
- Incentives to promote information dissemination and uptake about the services institutions provide;
- Training of institutional decision makers in creating accountability mechanisms;
- Sharing of financial information;
- Linking remuneration to greater accountability (eg citizen report cards linked to sanctions on decision makers);
- Periodic audits of the functioning of institutions; and
- Improving the ability of constituents to voice dissatisfaction (Ackerman 2005).

3.2 Local institutions need to design procedures and practices to increase participation and inclusion of disadvantaged social groups.

Allocation rules for resources, and decision making procedures, should discourage wealthier and better off households from attempting to maintain exclusive control over local institutions. Drawing upon the experiences encountered in the studies, this can be accomplished by:
- Eliminating membership barriers;
- Requiring local institutions to provide information about the benefits they provide;
- Requiring performance reviews of decision makers by constituents; and
- Instituting mechanisms for rotation of leadership positions.

In addition, unless participants get material benefits from participation they do not get involved in activities that demand their time and resources.

3.3 Promote stronger institutional linkages to improve the governance and livelihoods effectiveness of local institutions.

Our review of evidence from nearly 50 cases suggests that facilitating greater linkages across institutions – both within the locality and across levels so that local institutions are better articulated with higher level organizations - often costs little in monetary terms, but can greatly improve the effectiveness of local institutions. In building such connections, it is important to
identify which institutions are more inclusive of poorer, more marginalized groups in a given site.

The best mechanism for facilitating these linkages is to focus on the functional dimensions of local institutions. Three such functional dimensions for building local institutional linkages can be identified:

- Linkages based on information flows;
- Linkages related to sharing of financial resources; and
- Linkages built around decision making and technical skills.

3.4 Incorporate analytical methods that can systematically assess the nature of institutional linkages in project areas.

Implementation of development projects that rely on local organizations should be done after an assessment of existing institutional linkages – both among different types of institutions in the relevant sectors and across scales, but also of links of the relevant institutions to different social groups.

Institutional network analysis (INA), a technical tool developed by the study based on social network analysis, is a promising example.7

3.5 Create new local institution only when long-term support to such institutions can be assured.

Inconsistent or single time-period oriented, package approach-based support for new institutions is likely to strengthen the less preferred traditional institutions in the long run. The creation of new institutions allows greater leeway in defining more equitable rules of membership, participation, accountability, and benefit allocation. But it is also a far more costly choice. Thus the Community Development Committees in Afghanistan will require long-term and consistent support to garner greater legitimacy; the role of District Local Councils in Yemen, without continued and higher levels of support is likely to be even less positive than it has been till now.

3.6 Ensure greater autonomy and adaptability of local institutions for their long term sustainability.

Greater autonomy and adaptive capacity requires stronger support to local institutions and a stronger defense of their ability to make decisions to organize their own affairs. Drawing upon the experiences encountered in the studies, autonomy and adaptive capacity can be increased by:

- Broadening institutional mandates
- Creating opportunities for local institutions to generate resources locally, even if the amounts are small,
- Supporting planning capacities within institutions,
- Developing institutional linkages to diverse social groups as well as to higher level institutions, and
- Creating greater transparency regarding decision making and making decision makers accountable to constituents.

Conclusion

We conclude this summary of the study by reemphasizing the overwhelming evidence in favor of the fundamental role of local institution in governing access to resources, shaping delivery of services, and determining the experience of governance, and the need for much higher levels of investments in building the capacity of local institutions to achieve the promise embodied in them.

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7 SDV Note no. 116 describes Institutional Network Analysis in greater detail.