

Report of Sub-group on PPPs, PRIs and NGOs

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Working Group on

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Innovative Finance and Micro Finance in Agriculture
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Report and Main recommendations of the Subgroup on PPP, PRIs and NGOs

I Terms of Reference

1. To review and assess the role of and the present involvement of PR institutions/ Local Self Government Bodies and NGOs in the implementation of agricultural development programmes and suggest measures for making them more effective so as to augment services to farmers
2. To identify areas in agriculture and allied areas, suggest mechanisms for sharing resources/ operations and work out modalities to upscale successful experiences for public-private- partnerships (PPP)

II Methodology followed

The sub-group met at the Institute of Economic Growth on October 4, 2006 Members made presentations on issues within the terms of reference of the group.

A time line was decided on and members sent in further information and write ups by around October 25-26. This draft report is based on these inputs.

The Committee has drawn on studies made of the PRIs, NGOs and P-P-Ps performance in relation to agricultural and forest management projects in earlier plans. By way of illustration, examples of success stories with innovative institutions

III Report

III.1 Focus of the Eleventh Five year Plan (XI FYP)

The Eleventh Five Year Plan visualizes “*faster and more inclusive growth*”. While faster growth requires, in the first phase, that the macro fundamentals be correct, the sustenance of this fast growth and its conversion into more inclusive growth requires that appropriate institutions are in place to enable this growth to permeate to the common man. Such institutions are the rules of the economic game and tell us how the process of growth distributes the rewards that accrue from it. They may involve the different tiers of governance, the market, the voluntary sector or even new combinations of private, public and non-governmental institutions. The state at different governance levels, needs to play an enabling role in this context by putting in place the right legal and regulatory environment to enable these multifarious institutions initiatives to come up and prosper. The report of this subgroup examines existing roles played by Private Public Partnerships, Panchayati Raj Institutions and Non-Government Organisations

The major challenges in the XI FYP are: a) Providing Essential Public Services, b) Regaining Agricultural Dynamism, c) Developing Human Resources d) Increasing Manufacturing Competitiveness e) Protecting the Environment f) Improving Rehabilitation and Resettlement Practices, and e) Improving Governance

It is generally acknowledged that there is a need for sectoral shift in plan priorities with increased focus on social sectors that are in the domain of the states. In many of these programmes, devolution needs to go further down to the third tier of government, i.e., the Panchayati Raj Institutions. Past experience shows that programmes in health, education, drinking water, sanitation, public distribution system, housing and many types of rural development initiatives including the employment guarantee programme, watershed management etc., are most effective when there is active involvement of the local community, both in designing the programme and in monitoring implementation.

III.2 P-P-Ps, PRIs and NGOs

There exist a wealth of institutional alternatives in India. The next section defines these to put things in perspective.

Public-Private-Partnerships (PPPs) is a mode of implementing government programmes/schemes in partnership with the private sector. The term private in PPP is often understood to stand for the “private corporate sector” and includes individual farming and other small scale enterprises. This institution has a critical role to play in linking agricultural and allied sectors with national and international markets to achieve the objective of faster and more inclusive growth.

The private sector could be interpreted to encompass all non-government agencies such as the corporate sector, voluntary organizations, self-help groups, partnership firms, individuals and community based organizations, The roles and responsibilities of the partners may vary from sector to sector. While in some schemes/projects, the private provider may have significant involvement in regard to all aspects of implementation; in others s/he may have only a limited role.

Panchayati Raj Institutions (PRIs) and Departments of Government: These are the two kinds of government institutions that the individual or the community in the village interacts with. Though the 73rd amendment mandated a more or less uniform structure throughout the country, variations in performance exist across states. These are due to differences in the devolution of power and authority as distinct from delegation of functions. At one level, the first can happen only when resources, financial as well as human and political authority devolves to PRIs. This has happened unevenly in different states: hence the role of PRIs in facilitating inclusive growth differs (Nataraj 2006). Saddled with a range of functions and little resources, they are sometimes found irrelevant by NGOs who often need to ninteract more with government departments such as those of agriculture, irrigation and forests.

The voluntary sector or NGOs may be broadly classified as *traditional, community based and government sponsored*. Traditional sector comprises the various religious and charitable trusts dedicated to spread of education, health care, orphanages and rehabilitation homes etc. (Ramakrishna Mission, Vivekanda Kendra. The Community based Organizations (CBOs) comprise societies for relief from natural disasters, neighborhood societies, micro-Credit societies (SHGs), women’s associations, wild life protection committees etc. Government sponsored voluntary sector comprises agencies engaged in welfare programmes such as rural development, afforestation programmes(Vana sama rakshana Societies), watershed management, health and

education services(Parent Teacher associations, Village Education Committees)t as well as those engaged in research and evaluation.

III.3 Past Record and Lessons GO-NGO Collaboration.

Joint Forest Management and Watershed Development from 1990 onwards is a good example of a sustained effort at testing the efficacy of different institutions with respect to GO-NGO collaboration. Several institutions have been involved in these programmes.

The Union Ministry of Environment & Forests, in their Joint Forest Management (JFM) Scheme Guidelines of 1st June 1990, enjoined on all the State Forest Departments to involve village communities and committed NGOs and voluntary agencies in regenerating degraded forest lands through participatory management. In 1994, the department of land resources of the Ministry of Rural Development had circulated the Guidelines for Watershed Development(GWD).GWD aimed to bring local communities to the center stage and move the administration towards a facilitating role. It proposed a user-friendly organisational structure with Watershed Associations (WAs) and elected/nominated watershed committees undertaking field/village-level implementation of each watershed.

The Haryali Programme from 2001 made panchayat bodies sole managers of watershed development activities. Other institutions that had participated effectively in watershed management were completely sidelined. Moreover, Haryali guidelines have also reduced the budget for community development and capacity building.

Extensive studies on the GO-NGO interface have been undertaken in this context. A recent study (Ratna Reddy and Deshpande 2006) reviews these. *The performance of NGO implemented watersheds has been found to be better in general but a good implementing agency is a necessary but not sufficient condition. Social and human capital at the village level is another critical need.*

Experience has shown that *panchayat bodies have not always been efficient watershed managers largely because they are territorial units and not ecological entities and technically not equipped.* In places where the watershed area is coterminous with the gram panchayat (GP), PRIs have done well. However, if a GP has several watersheds, then each watershed area should have its own Watershed Association (WAs) This of course depends on the resources available to the concerned people.

Joint Forest Management with participation of local communities was another initiative started in the nineties under different D.O.s in different states. However, the Clauses governing the setting up of the Committees often created an asymmetrical power structure with the government department's nominee having the power to dissolve the Committee. This actually gave responsibility for protection to local communities without empowering them effectively.

Joint Forest Management Committees (JFMCs) autonomy undermined by

- i. No cost sharing by JFMC in JFM
- ii. Forester as Secretary, accountable to Forest Department (FD). Secretary appoints members of JFMC, including representative of local panchayat
- iii. Operates JFMC bank account, jointly with President

iv. Funding linked to number of trees whether natural or artificial re-generation whereas people's priority needs may be of augmenting availability of grass and non-timber forest product.

GOs in Agri-Extension

Based on experience of several NGOs (in particular the case of AKRSP in Gujarat)

It is found that Government agri-extension non-existent at village-level; it has less staff and focuses on subsidy schemes. Oligopolies of private traders supply seeds, and inputs on credit. This often results in, exploitation (esp. tribals), vested information. The PRI's play almost no role currently.

The two single most effective interventions would be to have village youth as para-workers for agri-extension accountable to villagers through PRIs and to provide a legal framework for input (fertilizer, seeds etc.) supply through different institutions, PRIs, SHG federations and the private traders.

Role of PRIs

- **PRI as governance body**; promoting sub-committee for agriculture where no co-operatives, cbo's and user groups linked **Selection of Agri Para-workers by gram sabha**
- **Holding gram-sevak accountable at gram sabha; payment through Gram panchayat**
- **License for Input supply for PRI, SHG federations (now only co-op's)**

III.4 PPPs: need and forms of organisation

The need for innovative PPPs arises out of the imperative for a link up between the markets for value addition in order to increase returns beyond those available in standard crops and upscaling of agriculture. They can provide critical inputs by

Linking with mobile, computer companies who want to access rural markets

New crops with good markets (American corn)

Organic outlets in malls (Big bazaar)

Making competition work for farmers; greater information access

However, questions arise:

Do they understand rural realities?

Will these partnerships not be between unequal partners as farmers comprise an unorganized group?

Should these initiatives be accompanied by a parallel mode of information provision to farmers through PRIs and NGOs and through judicious use of IT in rural areas ?

Some innovative institutions have emerged from recent experience which need to be duplicated and promoted:

Partnership of the private/ public corporate sector with farmers' federations or community groups have emerged within the framework of profit driven initiatives governed on business lines with a CEO/partners accountable to a Board on which the Farmers federation, CBO's and PRIs have representation.

One such form of organization is the Mahagrapes in Maharashtra. The Parthasarthy Committee for examining watershed programmes (2006) came to a similar conclusion with respect to investment.

The following organizational structure is suggested for the new P-P-Ps

Executive Partners in the Producers' Company/ CEO of MNC
Responsible to (a) Executive Counsel made of elected heads of Farmers' Federations/Cooperatives, Panchayat members of the region, DRDA representatives
Overall direction by Board of Directors made of the heads of the 16 member Cooperative

A legal framework within which such a flexible yet accountable structure can exist is provided by the Producer Company Act which came into existence in 2002.

The Companies Act, 1956 (the Act), recognised only three types of companies, namely, companies limited by shares (sub-divided into public limited and private limited companies), companies limited by guarantees and unlimited companies. With the coming into force on February 6 of the Companies (Amendment) Act 2002, (1 of 2003), a fourth category, 'producer companies,' finds a place in the Act. The legislation enables (a) incorporation of cooperatives as companies and conversion of existing cooperatives into companies and (b) to ensure that the proposed legislation accommodated the unique elements of cooperative business with a regulatory framework similar to that of companies. The members have necessarily to be 'primary producers,' that is, persons engaged in an activity connected with, or related to, primary produce.

The Case of Mahagrapes

Mahagrapes is an export success story of Vertical Coordination (to high quality and safety standard markets). Compared to its competitors Mahagrapes farmers are small—Chile for example which has corporate farms. Mahagrapes was born in 1991. It owes its existence to Maharashtra State Agro Marketing Board (1984). It received initial credit for technical and financial support.

•Marketing had a special role especially owing to the off farm disadvantages.

It is one of the first to have characteristics of both a cooperative and a firm!

*•Mahagrapes farmers have gained significantly from membership Farmer size is not a determinant in selection to membership **Definite benefits accrued to small farmers and case for replication for income augmentation for policy consideration.***

Source: Small they may be and Indian farmers they are but export they can: The case of Mahagrapes farmers in India.

by

Kajli Bakshi (IDF), Devesh Roy (IFPRI) and Amit Thorat (IFPRI) Paper presented at IFPRI-IEG Workshop held at New Delhi, September 2006.

What is primary produce? In terms of the Act it is a produce of farmers arising from agriculture including animal husbandry, horticulture, floriculture, viticulture, forestry, forest products, re-vegetation, bee raising and farming plantation products: produce of persons engaged in handloom, handicraft and other cottage industries: by - products of such products; and products arising out of ancillary industries.

Community Based Organisations (CBOs) or a civil society are either registered under Cooperative Societies Act, Trust Act or Society Act. The CBOs engaged as a service provider to its members on profit based mostly are registered under Cooperative Societies Act. The CBOs provide services to the members on voluntary or no loss no profit based are registered under Trust Act/Society Act. A few civil society organisations are registered under the Section 25 as a Non Banking Finance Corporation. Cooperatives registered under the Cooperative Societies Act, (for Gujarat State - Gujarat Cooperative Societies Act 1961,) which is seen as being very restrictive. The Trust or Society Act does not permit any commercial business even for its members. The Organisations/CBOs are autonomous organisation but obtaining permission for small change in bye laws or any operational governance decisions is very difficult and a long process.

Producer Company in Organic Farming

The first Producer Company was registered at Aluva, in Ernakulam district, Kerala in September 2004. This Producer Company has been involved in the organic farming sector through explore new avenues of procurement and marketing with the forming of the first producer company at Aluva. A five-member Board of Directors head the company, named Indian Organic Farmers Producer Company Ltd..

Producer Company of Watershed Associations with NGO support

Dhari Krushak Vikas Producer Company Limited, (Amreli district, Gujarat) is the first of its kind to get registered in Gujarat. Initially farmers of 10 villages in and around Dhari that had implemented watershed program with Development Support Centre supporting as Project Implementing Agency (PIA), collected a share capital of rupees one lakh. Each of the ten watershed associations contributed Rs.10000/- as share capital and started the process of registration of farmer producer company limited and finally got the required registration on 23rd June ,2005 from the Registrar of companies, Gujarat.

III.5 NGOs as facilitating agencies

Rural Communities, if they are to be promoted and developed as community-based organisations, require facilitating agencies that are skilled in motivating and organising local groups to work for a common purpose. Facilitating agencies, preferably competent NGOs, should be selected through a rigorous and transparent process as indicated in the guidelines to be formulated by the respective national board of each major programme. The facilitating agencies should have a multi-disciplinary professional team supported through financial resources. They should motivate and organise local groups for participation in development processes and activities, thus build up locally empowered communities.

In Watershed Development - (MoRD), only PRIs can work as facilitating agencies. Scope for selecting more suitable facilitating agencies even when available with proven record is very limited.

In Joint Forest Management –(MoEF) there is no mention of the role of facilitating agencies. The role of NGOs is mentioned as motivators without specifying their position in the scheme and financial support.

A Non official member appointed in FDA by PRI. (Para 9.ii) In the state level co-ordinating committee non-official members are representatives of FDAs nominated by Member Secretary who is a Forest Department Official.

IV. Recommendations

To ensure inclusive growth, to encourage value addition in agriculture and allied activities and to promote globally competitive exports of quality agricultural products new institutional arrangements are the need of the day. While this is important, the persistent asymmetry in bargaining capabilities between sections of our rural communities and the corporate sector, both public and private need to be taken note of.

The solution lies in

Providing an enabling legal environment for multiple institutions to emerge: *the Producer Company Act is one example*

Ensuring that private sector companies interact in relation to marketing and technology with *federations of farmers, producers and cooperatives* provide an avenue for small producers to come together

Encouraging structures which bring together profit orientation into marketing and production with latest technology

Ensuring that the PRI's have financial power to back the functional delegation thrust on them. This will enable them to perform critical governance roles with respect to rural volunteers for extension, health and education schemes

Continuing to encourage the emergence of NGO's which have multiple roles as parts of information dissemination entities, watch dogs and parts of producer companies as well.

Providing an even playing field to the CBOs vis-avis government departments. New legal provisions, in particular for forest management which do not give government departments the final authority to dissolve or create "joint management institutions"

Making CBOs accountable within the structure in which technical and third tier government institutions such as PRIs and gram sabhas or tribal organizations play a monitoring role.