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Policy brief

Good performance and inclusiveness of poor people in cooperatives and other producer organizations: a possible match?

Insights pre- and post-COVID-19 pandemic from
nine producer organizations around the world

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Key policy messages

- Cooperatives and other Producer organizations (POs) that are inclusive and that perform well provide key services that meet members' needs and aspirations, including those of poor producers, and can foster community well-being. During the COVID-19 pandemic, these organizations have worked as key agents of social protection for their members and communities. Given this, it is essential to recognize the key role that these POs can play in inclusive and transformative development.
- The decision to join a PO is based not only on income-related motivations but also on motivations around knowledge and participation. Given this, policies and programmes that are designed by focusing only on entitlements and livelihoods might not be adequate nor responsive to real needs. Understanding why members come together in any specific context, and which values motivate their actions, is very important to understanding their potential as drivers of sustainable development in their communities.
- The entry barriers to cooperatives and other producer organizations (POs) faced by poor producers are related to the producers' lack of entitlements and access to assets, but also to their lack of social opportunities to increase their agency and capabilities. Strategies to include poor producers without weakening the performance of POs should mainly address the creation of social opportunities for poor people, supporting them to remove their barriers to entry and to become agents of their own development.
- Champions – profitable and community development-oriented cooperatives and other POs – can be considered by local authorities and development practitioners as key stakeholders in policy dialogue and also as key players in policy and programme design and implementation.
- Producer organizations that do not include poor producers as part of their business strategy still have an important role to play in sustainable development through sharing their expertise to boost organizational development and therefore indirectly contributing to building inclusive economies and societies.

Can cooperatives and other producer organizations (POs) combine good performance¹ with the inclusion of poor producers?

A research study on nine POs in different regions, carried out by the Department of Economics of Roma Tre University and the Food and Agriculture Organization of the United Nations (FAO), suggests that this is possible. The research shows that strategies promoting social opportunities can expand people's agency and capabilities, thus encouraging the development of an informed, motivated, skilled and active membership. This can in turn contribute to POs' financial viability and effectiveness in service provision, and thus play an important role in ensuring POs are able to both be inclusive and perform well. In particular, POs that were already inclusive and performing well before the pandemic managed to be resilient to the COVID-19 shock by adopting strategies based on sustainable agricultural practices, digitalization, investment diversification and intercooperation. They have also been fundamental agents for the social protection of their members and communities.

¹ Organizations that perform well are not only those that are financially viable but also those capable of providing relevant and effective services to members. Embedding people's motivations and satisfaction into the concept of organizational performance allows a shift from seeing members as passive beneficiaries to seeing them as active agents of change who can exert their collective agency to shape organizational services. This results in increased loyalty and commitment among members and improvements in their sense of agency and well-being, as well as in increased financial viability for the PO.



Background

Cooperatives and other POs can be key actors in providing services that are often lacking, particularly in rural areas, and in unlocking poor producers' potential (Herbel *et al.*, 2012). However, relevant literature has also warned that these organizations do not always have the capacity to be inclusive and to benefit the poorest people. The literature shows that the more they transition towards being business and market oriented organizations, the more they opt to only provide services to their members, instead of providing public goods to the whole community (Bijman and Wijers, 2019).

But is this always the case? Can POs combine the inclusion of very poor producers with good performance, and if so, what are the strategies by which this can be achieved?

The main innovative contribution of this study relies on its conceptual framework. Notably, the main findings are obtained not only by looking at people's income poverty and entitlements, but also at their individual and collective agency² and capabilities,³ as well as at their motivations to be part of a PO. Such a paradigm shift requires first of all understanding organizational performance not only in terms of financial viability but also in terms of the relevance and effectiveness of the services it provides to members (Rocchigiani and Herbel, 2013; FAO, 2020). At the same time, it calls for considering entry barriers in a broader sense, including entitlements and monetary aspects as well as motivations and social opportunities.

This shift can also help to better understand needs in terms of organizational design and strengthening, in order to develop and implement relevant interventions aiming to combine inclusion of very poor producers and good performance of cooperatives and other POs.

² The concept of individual agency is defined as "a person's ability to pursue and realize goals she values and has reason to value" (Alkire and Deneulin, 2009, p. 22). Individual agency "becomes collective when members act out of collective interests and/or out of commitments they have taken collectively" (Rauschmayer *et al.*, 2018). It assumes that people are moved by shared values to achieve common goals.

³ The capability set represents "the substantive freedoms [a person] enjoys to lead the kind of life he or she has reason to value" (Sen, 1999, p. 87), and includes basic capabilities like education and health and more complex ones like participation in community life.

Methodology

This research is the result of teamwork that started in May 2018 and included primary data collection in the field. Initially divided into two phases, phase I (2018) and phase II (2019), the research adopted a methodology that combines both qualitative and quantitative techniques. A third phase of data collection was added between April and May 2021 to update the main findings of the study in light of the COVID-19 pandemic's effects on the POs in question. Quantitative tools used included a questionnaire within a survey for primary data collection, which was developed further in phase II. Qualitative tools included focus group discussions, the “card game” participatory method,⁴ and a questionnaire in support of semi-structured interviews. Data collection for the third phase was carried out through online semi structured interviews with PO leaders and managers and aimed at investigating both quantitative and qualitative aspects.

The POs investigated (seven cooperatives, one producers association and one self-help group) are located in nine different countries in different geographical regions, namely Brazil, Georgia, Ghana, India, Mexico, Morocco, Nepal, the Philippines and Rwanda.

The criteria for selection of POs were as follows: i) being a bottom-up, grassroots organization; ii) being active in the agricultural, fisheries or forestry sectors; and iii) having market relations in place.

Findings

The findings are presented below, starting with an overview of the pre-pandemic research in terms of performance and inclusiveness of the POs (phase I and II) and concluding with a focus on the impact of the COVID-19 on the same organizations (phase III). The majority of the POs investigated between 2018 and 2019 proved to be inclusive and performing well (De Muro, Vicari and Nunziati, 2020).

Performance

Six out of the nine POs showed good financial results, with a growing or stable trend in their turnover, and had very motivated members who actively participated in the life of the PO and who were satisfied with the services provided and the related impact both at household and community level. In terms of financial viability, for three out of nine

⁴ The card game is a participatory technique used in the empirical literature on the capability approach to assess people's capabilities and agency (e.g. Frediani, 2019). In the context of empirical analysis of POs, it has been used to more thoroughly explore all the dimensions of well-being that members value, as well as the impact that PO membership has on them (e.g. Vicari, 2014).

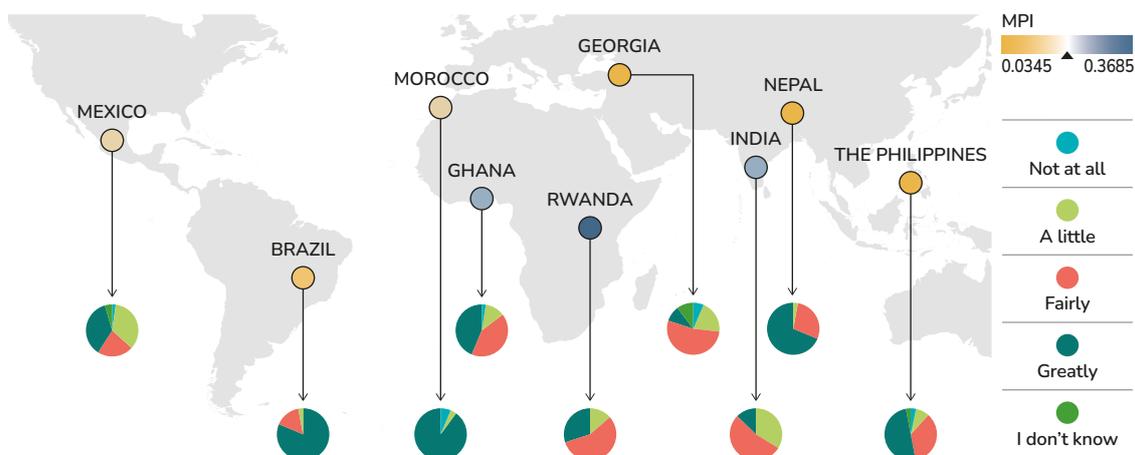
POs, data collected in 2018–2019 did not lead to clear conclusions about their level of performance, as they were experiencing decreasing trends in turnover primarily because of external shocks, such as pest shock, lack of fishing, or financial donor dependency. Alternatively, in some cases data were not available.

In general, the study’s findings showed the importance of having a visionary, accountable management and leadership that are capable of identifying people’s needs and aspirations and responding effectively to them with appropriate services. This allows POs to keep the motivation and satisfaction levels of members high, and that is then translated into commitment, loyalty and possibly positive financial results in the long term.

In this regard, it is interesting to observe that members joined POs not only to improve their economic conditions but also because they appreciated the possibility of expanding their knowledge and social opportunities through collective agency. It is also noteworthy that the majority of POs provided relevant and effective services capable of meeting those needs and aspirations.

The map below (Figure 1) shows the level of members’ satisfaction with POs’ contributions to their communities, cross-referenced with the local multidimensional poverty index (MPI).⁵ In general, the common trend shows that members have a medium to-high level of satisfaction with their PO’s contribution to the community, regardless of the local MPI.

FIGURE 1. Satisfaction of community-level members by PO and multidimensional poverty index (MPI)



Source: Realized by the authors based on the data collected from the nine producer organizations investigated.

Inclusiveness

Triangulating the MPI with qualitative data made it possible to identify who the poorest were and to understand whether the POs were inclusive or not. In general, the POs investigated did not exclude poor and severely poor producers. In six out of nine cases,

⁵ The MPI considered here is a tailored version of the original Global MPI. The index used in this study was built based on the reference contexts in which the analysed POs operate, and on the collected data.

POs were representative of their respective realities, as members and non-members belonging to the same communities had the same multidimensional poverty level. Furthermore, qualitative data showed that POs contributed to improving the well-being of members who were initially very poor.

Barriers

The identified barriers to entry in the POs were themselves multidimensional. In the case studies with statistically significant findings, the main barriers affecting poor and severely poor people living in the communities where the POs operate are scarce time, inability to meet membership requirements, lack of interest, and too much work required for participation in the PO. Qualitative findings confirmed this list and added the additional factors of inadequate mobility and deficit of agency and self-confidence, the latter leading some people to avoid participating in POs because of the fear of not being accepted. Some barriers were more frequently reported by women than men, confirming existing relevant literature on this issue. This may occur because of women's relative lack of access to required productive assets (such as land) and to financial services to buy assets and pay fees, as a result of inequality in entitlement distribution. Another factor affecting women is lack of mobility, with some women unable to travel alone because of security issues where they live, or because they live in countries where it is not appropriate for women to travel alone. Finally, there were some situations in which women were not allowed by their family members to join POs, although this was reported in only a few cases.

Strategies

The actions requested by very poor people to overcome barriers to entry in POs can be clustered into two groups: those with the possibility of negatively affecting POs' performance, and those that likely would not hamper or could even strengthen POs' performance. The first group includes interventions that require changing the existing rules, like interventions to reduce the number of meetings and amount of work, and those that would create less strict entry requirements, for instance the reduction or abolition of entry fees. Interventions like these can be detrimental for the financial viability of the organization and can also lead to less engagement and commitment from members. The second group is composed of strategies with potentially higher positive effects on POs' performance and are in fact the types of strategies put in place by the POs investigated. These include interventions aimed at:

- expanding the agency and capabilities of non-members (and particularly of very poor non-members) and helping non-members develop skills in financial literacy and time management;
- helping non-members to acquire knowledge, including about the activities of their PO and the services or benefits they could obtain, and thus helping them make more informed choices; and
- increasing non-members' self-esteem.

Role models seem of particular importance given that testimonies from successful members were one of the motivations reported for joining POs, and this can contribute to

changing non-members' mindsets and stimulating their sense of agency. Strategies aimed at helping very poor non-members to create self-help groups could also have an important role in this regard, particularly in involving women and youth. The involvement of these groups could not only increase their assets, allowing them to meet entry requirements, but could also allow them to develop the skills needed for actively engaging in collective agency. Finally, there are other interventions that move towards meeting non-members' needs immediately, without reducing POs' performance, such as those that allow more flexibility, for instance by deferring the payment of fees; organizing meetings closer to members' villages; organizing collective transport to help members better manage their time; or providing services that facilitate women's time management, such as the provision of child care services by the PO. These latter interventions have proved to be particularly effective in involving women, as they have reduced the amount of time spent outside the home or have allowed women not to travel alone.

Impact of the COVID-19

The COVID-19 pandemic had severe impacts on all the countries involved in the study. Governments were urged to adopt several measures aimed at limiting the spread of the pandemic, ranging from social distancing and restrictions on movement to nationwide lockdowns. These interventions have had effects on several aspects of life for all the POs investigated: production, market placement, training delivery, and members' participation in organizational affairs. The POs that were already performing well in the pre-pandemic period proved to be resilient to the shock of the COVID-19, including two out of three POs that did not show clear performance outcomes in phases I and II of the study.⁶

Although the pandemic has obviously had an impact on members' well-being, the capacity of the POs that were already performing well and were inclusive in the pre-pandemic period to continue to include very poor producers has not been affected, demonstrating that POs are key institutions for social inclusion and community development, even during periods of crisis. Furthermore, POs have been on the front line in terms of coping with the COVID-19 pandemic's effects, putting in place immediate strategies aimed at reducing economic and social risks both for members and communities. Social protection measures and toolkits to ensure safety (such as masks and sanitizing products) have been provided directly by the POs, showing that, in situations of crisis, they function as crucial institutions for emergency response and human development.

Notably, all these interventions have been provided despite general difficulties in keeping the levels of participation and motivation among members high. Almost all of the POs investigated had found difficulties in maintaining organizational activities because of a lack of participation in the wake of social distancing measures, and in some cases these measures had also hindered POs' performance.

⁶ These POs have adopted strategies to strengthen their performance, such as cooperation with cooperatives, setting up a second-level organization, and carrying out training on organizational sustainability. Only one PO was found to not be performing well, and this was largely because the pandemic exacerbated an already difficult situation resulting from donor dependency, lack of proper training on organizational sustainability, and, above all, lack of fishing because of climate change and unsustainable fishing practices by industrial fishing vessels.

THE IMPACT OF THE COVID-19 PANDEMIC

The majority of cooperatives and other POs interviewed had experienced difficulties caused by the COVID-19 pandemic. At PO level, this was particularly true in terms of:

- members' participation in organizational life
- provision of training
- provision of sales and services
- production
- members' participation in the decision making process.

However, most POs proved to be resilient to the COVID-19 shock. The majority set up several strategies addressing both the short and long term.

For the short term, POs have implemented the following strategies:

- diversification of production and services provided
- working more closely with the networks they are part of
- preventive health measures (i.e. mask and sanitizer distribution)
- use of sustainable practices in agriculture that reduce their input dependency (particularly relevant when markets are closed).

For the long term, the following strategies have been implemented:

- shifting from global to local markets
- development of e-commerce and digitalization improvements
- use of sustainable practices in agriculture to create a cleaner future.

Despite these challenges, all the POs have made innovations, as a key strategy of resiliency aimed at maintaining the same level of organizational performance and keeping members' motivation levels high. The implementation of technological solutions (such as e-commerce development) and social innovations (such as health insurance programmes) were the most common approaches. Interesting examples were related to the development of a web application to facilitate training and allow members to participate while still maintaining social distancing and movement restrictions. Strategies such as recruiting facilitators to promote and facilitate the use of such technologies have been crucial in overcoming participation challenges, as well as in boosting members' motivation levels.

Notably, all the POs interviewed plan to maintain the innovations adopted during the pandemic period in the long term, thus demonstrating their ability to adapt to new scenarios and take advantage of periods of crisis.

In addition, the POs interviewed have also empowered their members by providing a solid platform for them to advocate for their own interests with decision makers. During the pandemic, the organizations that had already established a policy dialogue with local authorities and government continued to nurture these channels, and some POs proactively and autonomously applied to local authorities for specific measures in order to mitigate the impacts of the pandemic.



Policy recommendations

What is needed for cooperatives and other POs to be inclusive and to perform well?

- **People's entitlements and access to assets is part of the story, but it is not enough.**

A common approach when thinking about inclusiveness and performance of POs is to focus on people's entitlements and access to assets. This study suggests that this is part of the story, but it is not enough. Very poor non-members may also need support in terms of access to information, flexibility in approaches to timing, mobility (transport facilities), expansion of their capabilities, and development of their agency and self-confidence. It often happens that members' decision to join a PO is based not only on income-related motivations, but also on knowledge- and participation-related motivations. In other words, people are prompted to join because they value the social opportunity to work collectively, and they see it as an occasion to expand their knowledge and skills. This information is key for POs that want to be inclusive and at the same time to perform well, as it means that, very often, providing training and other social services is as important as providing access to the market, higher selling prices, financial services, and so on. When members are motivated and satisfied, they are also more loyal and committed, contributing to better financial results.

In summary, all the strategies aimed at promoting social opportunities that can expand PO members' agency and capabilities, thus encouraging the development of an informed, motivated, active and skilled membership, also have an important role to play in ensuring POs' inclusiveness and effective performance, and in increasing their resilience to shocks.

- **Policies and programmes designed by focusing only on entitlements and livelihoods might not be adequate nor responsive to real needs.**

This paradigm shift is also key in terms of policy support. A more systemic, participatory, and comprehensive approach is needed which sees POs, public authorities, international organizations, academia and NGOs working together to:

- understand the real barriers faced by people – and very poor producers in particular – who want participate in POs; and to
- put in place strategies that develop social opportunities, as well as individual and collective agency, whereby people can truly become agents of their own development.

In this regard, it is also key that any programme aimed at strengthening POs is focused on developing both hard and soft skills, taking into account that appropriate governance and organizational design that are responsive to members' motivations, needs, and aspirations are as important as members' robust business skills.

- **Recognize the key role that cooperatives and other POs can play in generating inclusive and transformative development.**

Collective agency is also the expression of organizational values. Understanding why members come together in any specific context and which values spur their actions is very important to understanding their potential to become a driver of community sustainable development. This study shows that POs that are inclusive and perform well can be expressions of a group of people who value the social opportunity to work collectively and are concerned with community development, thus acting as a driver of transformative and inclusive development. Moreover, in times of shock, as with the COVID-19 pandemic, they can become an effective bulwark of social protection and community resilience.

- **Champions – profitable and community development-oriented cooperatives and other POs – can be considered by local authorities and development practitioners as key stakeholders in policy dialogue and in policy and programme design and implementation.**

Working with champion POs to strengthen other POs' governance, the active participation and leadership of women and youth, and in general to prompt collective agency through demand-driven capacity development programmes can be crucial to increasing POs' impact on sustainable development at the country level. These champion POs can also play a fundamental role in developing joint programmes aimed at developing the capabilities and agency of very poor community members through self-help groups, enabling them to remove entry barriers and join POs or create their own, and ultimately supporting them to become proactive agents of their own development. In those contexts where this dialogue was already in place, it has also been easier for public authorities and POs to collaborate

and handle the pandemic's effects, showing how proper, frequent consultations with POs can be strategic for effective and inclusive development strategies. Moreover, champion POs could also support the implementation of policies and governmental programmes (e.g. rural extension services, child care, training programmes), thus strengthening both policy efficiency and organizational development.

- **Cooperatives and other POs that do not include very poor producers as part of their business strategy still have an important role to play in sustainable development by contributing to inclusive economies and societies.**

What can be said for those POs that do not include very poor producers as part of their business strategy? In the first place, POs as member-based business oriented organizations have the responsibility to meet members' needs and aspirations. In those cases where collective agency is not rooted in explicit concern for the inclusion of the poorest and in community development, it is still possible for these organizations to play an important role in sustainable development, for instance through the indirect effects of their work on community development, contributing to creating inclusive economies and societies. Closer collaborations and the involvement of their leadership in capacity development programmes can be an opportunity to channel their knowledge and expertise for the benefit of their countries as a whole, particularly regarding the development of effectively performing organizations.

Producer organizations are not a sustainable development panacea, of course, but they are important players that, if properly acknowledged as development catalysts in collaboration with other public and private actors, can play a significant role in rebuilding society in the post-pandemic world, and more specifically in achieving the 2030 Agenda for Sustainable Development, most notably Sustainable Development Goals 1, 2 and 10, which are also at the heart of FAO's new Strategic Framework 2022–2031.

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