

# **Membership Based Organizations of the Poor: Concepts, Experience and Policy \***

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Appendix: Chapter Outline of Book, *MBOP: Membership Based Organizations of the Poor*

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\* Introduction to a volume, Martha Chen, Renana Jhabvala, Ravi Kanbur and Carol Richards (Editors), *MBOP: Membership Based Organizations of the Poor*, Routledge, forthcoming.

## 1. Introduction

This volume grows out of a conviction that membership based organizations of the poor--organizations whose governance structures respond to the needs and aspirations of the poor because they are accountable to their members--are central to achieving equitable growth and poverty reduction. The literature on civil society organisations generally focuses on non-governmental organizations, which are treated as a broad category thought to cover all the ways that people get together and act together. However, a membership based organization of the poor (MBOP) is to be distinguished from a conventional non-governmental organization (NGO) which, however well-intentioned, operates as an outside entity that does not have a membership base of the poor. Political parties are membership based organizations but are not exclusively concerned about the welfare of the poor. Trade Unions are membership based, but only some of them are directly concerned with advancing the cause of the working poor. Cooperatives are classic membership based organizations, but again not all of them are poor focused, and some of them have elements of formal contractual obligations that make them akin to private sector firms.

The leading example we have in mind when we talk of MBOPs is that of SEWA, the Self Employed Women's Association in India.<sup>1</sup> SEWA is governed by its members, working poor women in the informal economy whom SEWA serves through a range of activities. As an MBOP, SEWA acts as a channel for carrying the voice of its members to policy makers and in turn helps to transmit the benefits of poverty focused government projects and programs to its members. Its twin pillars are economic activities to enhance income earning opportunities, and organization to enable its members to claim and exercise their rights in the economic, legal and social spheres.

Some MBOPs have been remarkably successful, while others have failed. What structures and activities characterize MBOPs? What is meant by success? What factors account for success or failure? What are the challenges faced by MBOPs in the future? How can policy best help MBOPs? Answers to such questions were sought at a conference organized by SEWA, the WIEGO network, and Cornell University, in Ahmedabad, India, in January 2005<sup>2</sup>. Papers covering experiences from around the world were presented and discussed. The presenters included economists, sociologists, anthropologists, and representatives of aid agencies and MBOPs. The papers presented at the conference were then revised in light of peer review, and have been brought together in this volume.<sup>3</sup>

This introduction to the volume provides an overview of the issues and of the papers. Section 2 addresses the conceptualization and definition of MBOP. Section 3

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<sup>1</sup> [www.sewa.org](http://www.sewa.org)

<sup>2</sup> The conference website is at <http://www.wiego.org/ahmedabad/>

<sup>3</sup> Before the conference, paper presenters engaged in an "Exposure and Dialogue" program where they stayed in the homes of SEWA members to understand better the impact of an MBOP on the lives of poor women. Their experiences have been brought together at <http://www.arts.cornell.edu/poverty/kanbur/EDP05Compendium.pdf>.

turns to the definition of MBOP success, the determinants of this success, and the challenges faced by MBOPs. The lessons learnt from the evidence presented in the papers are reviewed in this section. Section 4 discusses policy towards MBOPs. Section 5 concludes.

## **2. Conceptualizing and Defining MBOPs**

### **2.1 NGOs, MBOs and MBOPs**

There is growing recognition of institutions that straddle and interact with, but are distinct from, the market and the state. This domain has been described under various labels—the third sector, civil society, non-governmental organizations, etc. It covers a large variety of institutions, ranging from the family and the extended household, through community management arrangements, to trade unions and political parties. Our focus in this volume is on an important slice of this institutional terrain—Membership Based Organizations of the Poor. MBOPs are a subset of Membership Based Organizations (MBOs). We define Membership Based Organizations (MBOs) as those in which the members elect their leaders and which operate on democratic principles that hold the elected officers accountable to the general membership. MBOPs are MBOs in which the vast majority of members are poor, although some non-poor persons may also be members. The form that MBOPs take – whether legally registered or not - may range from trade unions and cooperatives to funeral societies and self-help groups. They have in common a commitment to collective action to change the conditions of their poor members

It is useful to first distinguish MBOs from other NGOs, then MBOPs from other MBOs and, finally, MBOPs from each other. Membership-based organizations are different from other non-governmental organizations. The democratic governance structures of MBOs are intended to provide both internal accountability (leaders are elected) and external legitimacy (leaders represent their constituency), characteristics not shared by other non-governmental organizations. While this basic distinction is central to our argument, there can of course be intimate relationships between NGOs and MBOs. Often MBOPs are created by actions of NGOs, whereby the NGOs help the local community to organize their own MBOPs. In many cases NGOs offer services such as financial, education, or health services to MBOPs. Many membership-based organizations of the poor enter strategic partnerships with non-governmental organizations that provide services, join in advocacy efforts, and otherwise help mediate the external environment.

Turning now to MBOPs as a subset of MBOs, we have considered several alternative terms to try to capture what we had in mind: namely, that the poor need to be organized, need to be recognized, and need to have a “seat at the (policy) table”. We finally settled on “membership-based organizations of the poor”: putting an emphasis on

**of** (not for) and **the poor** (not the non-poor)<sup>4</sup>. But what are we to make of the fact that some membership-based organizations of the poor, like SEWA itself, include non-poor members? Our response is based on our view that SEWA is a membership-based organization of the poor because the management and governance structures of the organization are **predominantly** comprised of working poor women. Hence our conclusion, that MBOPs are membership-based organizations in which the vast majority of members are poor and the organization is accountable to the poor.

A related theme then is the role of the non-poor in MBOPs. The non-poor in membership-based organizations of the poor can play two broad types of roles: internal and external. In terms of internal roles, some membership-based organizations are self-started while others are started by non-poor outsiders while still others, like SEWA, are started by the poor with the help of a sympathetic non-poor person already known to them. Also, some membership-based organizations remain small and internally-focused and devise their own self-government and self-management structures. While others, especially those that grow in scope and size, often rely on non-poor members to provide technical and managerial support (for a classification along the lines of funding and organizational support, see Crowley et. al., this volume). In terms of external roles, non-poor members of membership based organizations of the poor help raise external funds, frame issues, generate policy-relevant information, leverage policy reform, and otherwise mediate the external environment. Sympathetic non-poor members can help leverage contacts, power, and influence. The challenge is to ensure that the non-poor members do not dominate the poor members or control the organization as a whole.

Another related issue is that of finance. At an abstract level the test for an MBOP is whether it is responsive to the needs of its poor members. An intermediate test is whether the governance structures are such as to be responsive in this way, a key indicator being the role of poor members in various executive and governing functions. In principle these structures could be in place, and work well even when the members of an MBOP do not contribute financially or in kind to the operation of its activities—indeed, existence of many excellent NGOs that are **non-membership-based organizations for** the poor is an indication of this possibility. However, while it is difficult to specify the exact amount in advance, we believe that at least some contribution to the organization from its members is a sine qua non of an MBOP. Otherwise, if all of the funding comes from outside, the interests of its members are at risk of being subverted to the interests of the donors which, however laudable in principle, may not accord with the felt interest of the members, expressed through the organization. For small MBOPs like funeral associations (see De Weerd et. al., this volume), membership contribution is built into the very *raison d’être* and structure of the organization. For these and for larger organizations like waste picker cooperatives or street trader associations (see Medina, this volume, and Roever, this volume), contributions come in cash and in kind. It is when organizations grow, and take on external sources of funding for projects, that extra vigilance is needed in ensuring that the organization remains an organization **of** the poor.

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<sup>4</sup> This is not the place to get into esoteric and technical discussions of the definition of “poor” and “poverty”. In fact, most standard definitions (for example, those based on the Millennium Development Goals) will work well, with suitable local adaptation, for the cases we are considering.

Consider the case of SEWA. It is a membership-based organization of the poor in that working poor women represent the vast majority of its members and form the majority of its governance and management structures. Clearly, non-poor members have played key roles in the formation, growth, and overall effectiveness of the organization. Equally clearly, SEWA has worked systematically from its formation more than three decades ago to build a whole set of membership-based organizations that can assume over time the governance and management of its many institutions and activities. Working poor women represent the majority of members in the executive committees and the governing bodies of the SEWA Union and its sister membership-based organizations – such as the SEWA Bank, the various cooperatives, and the cooperative federation. While there is significant external funding for projects run by SEWA, all members pay financial dues and make a range of contributions in kind, and working poor women represent the vast majority of the decentralized management teams that implement and oversee its integrated activities on the ground.

Crowley et. al. (this volume) propose the following criteria for identifying MBOPs:

“MBOPs are defined as organizations that poor members control and partially or fully finance and whose membership exhibits the following characteristics:

The majority are poor;

They have joined on a voluntary basis;

They have agreed to work together to achieve collectively defined objectives that are important to their members;

They have developed, agreed upon and engage in their own decision-making structures;

They provide financial or in-kind contribution as a condition of membership.”

Theron (this volume), also develops a related set of six “characteristics of any organization that aspires to be an MBOP,” based on the traditions of trade unions and cooperatives, including,

“1)...[Its] primary objective is to cater for the socio-economic needs of its members...2) a well-defined constituency from which membership is drawn...3)The organization is financed by its members....4)...the highest decision making structure...is (or should be) the most representative forum of members)...5)...a strongly developed sense of ownership of the organization by the members, and of accountability of the leadership to the membership...6)...embody values of co-operation and solidarity...”

Thus, while there may be specific differences of detail between different authors, in this volume and in the literature, there appears to be a broad consensus on the key characteristics that define a membership-based organization.

## **2.2 Types of MBOP**

Within this broad framework, there is a wide range of MBOPs:

- Trade unions
- Cooperatives of various kinds: production, service, marketing, credit, bank
- Worker committees
- Savings-and-credit groups/self-help groups
- Community-based finance institutions
- Funeral associations
- Informal insurance institutions
- Producer groups
- Village or slum associations
- Community based organizations, some of which represent traditional social groupings (based on kinship, caste, patron-client relationships)
- Clubs: youth, recreational

For example, the types of organizations discussed in this volume include: informal workers committees in China (Ngai); committees formed to manage specific projects in Brazil (Bresnayan et. al.); trade unions (de Haan and Sen, Theron); cooperatives (Medina in South America, Bhowmik in India, Matthews in Cambodia); small self-help groups in Africa (De Weerd et. al.) and in India (Tiwari and Thakur, and Alsop); street vendor organizations in Peru (Roever) and community based organizations (Khan in Pakistan, Devine in Bangladesh, Theron in South Africa). In addition to this range of primary groups, there are various organizations through which the primary groups link to each other: through federations and through issue-based coalitions or networks, both secular and religious (d’Cruz and Mitlin).

Formal legal recognition of MBOPs appears to happen through two main channels—Trade Union legislation, and Cooperatives legislation. Formal registration is often required when certain thresholds (on numbers or type of activity) are crossed. Such registration can bring constraints through regulation, but also benefits through legal protection and through access to formal channels and facilitation of expansion. Other forms, not always legally recognized, include producer groups of various kinds, worker committees (as in the case of the migrant women workers in south China described by Ngai, this volume), and coalitions of worker organizations such as StreetNet (the international coalition of street vendor associations) and HomeNet South Asia and South East Asia (regional coalitions of home-based worker associations). Other themes related to the issue of trade unions and other membership-based organizations of workers that emerge from the discussions in this volume include: a) trade unions of formal sector workers have only just begun to reach out to organize informal sector workers; b) organizing in the informal economy requires different strategies and approaches than organizing workers in a large formal factory or firm; and c) trade unions of informal workers often take an integrated approach that goes beyond just collective bargaining. For instance, SEWA takes an integrated approach that involves the joint action of trade unions and cooperatives or, as SEWA puts it, the combined strategies of ‘struggle’ and

‘development’: SEWA is a registered Union but many of its sister institutions such as the SEWA Bank are cooperatives.

The above suggests that a useful distinction among MBOPs is between: a) those that organize the poor around their identity as workers and around work-or livelihood-related issues and b) those that organize the poor around other issues. Organizing the poor around their identity as workers has several advantages: it helps focus policy attention on the poor as economic agents – as contributors to the national economy; it also helps minimize other identities – which are often used by politicians to divide people - such as caste or religion; and it helps bring together people around two common basic needs – the need to earn a living and the need for a sense of dignity. Most of the cases considered in this volume focus on MBOPs that organize around economic issues. However, as the paper by Alatas et. al (this volume) shows, organizations built around social, religious or cultural issues can also have a significant impact on external governance and thus in turn on economic outcomes for the poor.

### **3. Successes and Challenges**

#### **3.1 Defining Success**

We are interested in identifying the determinants of successful MBOPs. But, first of all, what is “success”? Crowley et. al. (this volume) define success in terms of four criteria:

- “\*Achieves the objectives agreed upon by the members;
- \*Retains or expands its membership;
- \*Shows progress towards financial and managerial self-reliance, inspiring members to maintain their equity stake in the organization;
- \*Brings improvement to the self esteem, economic and social well-being of its members.”

Roever (this volume) divides indicators of success into two categories. In the “internal dimension” are included: building individual capacity, fostering expression and debate, and carrying out concrete projects. In the “external dimension” are included: gaining access to policy discussions, achieving favorable policy and representing voices of the excluded. Roever’s characterization of success thus looks beyond the narrow confines of outcomes for members given the existing external policy environment; it also looks for success in changing these policies through coordinated collective action. Roever’s discussion also emphasizes process as much as outcome. Thus the fostering of expression and debate is rated as an internal success indicator as much as carrying out concrete projects, and representing the voices of the excluded is considered as much an external success indicator as achieving favorable policy.

In our view, the criteria for success of an MBOP have to be context specific, paying attention to the objectives of the organization. Thus it would be inappropriate to classify as a failure, an MBOP that does not manage to change a policy because (after

having calculated that it cannot influence that policy), it does the best for its members given the policy. On the other hand, all MBOPs know that their ability to help their members is determined significantly by the external environment, and some of them, especially as they scale up, do become involved in national and even international policy dialogue. Even here, given the multitude of forces operating on policy making at the macro-level, care is needed in attributing either success or failure in policy change to a particular MBOP or group of MBOPs.

We are on somewhat surer ground when success is measured by the improvement in wellbeing (as defined in the objectives of the organization) of the members of the organization, picking up on elements of the Crowley et. al. and Roever definitions. Even here, there are two issues. The first is again the attribution issue, although the more concrete the assessment, the easier it is to identify specific causality to the MBOP itself rather than other interventions or general trends in the economy. The second touches on the process versus outcome issue noted above. Although it is difficult to delineate precisely, process matters such as “fostering of expression and debate”, and strengthening the ability of the poor to speak out, should also be categorized as success indicators.

While success can be measured for specific outcomes or specific projects, Crowley et. al. propose two general indicators which are, in one sense, the result of an aggregation of a series of specific successful outcomes. These indicators are retention and expansion of membership, and maintenance by members of their “equity stake in the organization.” An interesting research agenda is opened up by these considerations. Empirically, we need information not only on membership numbers, but also membership fees as a percentage of total core running expenses of the organization. An organization which expands the former without reducing the latter is, in these terms, doubly successful. And, presumably, this success would not come unless concrete dimensions of wellbeing were improving for the members as a result of their membership of the organization.

An extreme case of non-success is when an organization simply stops existing. The flip side of this, survival and longevity, seems to accord with the Crowley et. al indicators discussed above. While it is of course true that “longevity is not necessarily a good indicator of success, as an MBOP can be highly successful and then dissolve when it has met its objectives,” (Crowley et. al. this volume), nevertheless for most organizations dealing with the needs of the poor in general, with careful interpretation survival could be interpreted as an indicator of success (just as membership expansion is interpreted as an indicator of success). This is the line of argument developed by Walker and McCarthy (this volume). Using the files of a donor agency funding social movement organizations in the US, they analyze the survival of organizations over a period of 12 years and attempt to statistically identify the causal factors behind survival versus demise.

### **3.2 Determinants of Success: Lessons from Papers**



The case studies and arguments in the papers in this volume provide a rich source of empirical evidence on the determinants of success in MBOPs, and of the challenges they face. We begin with a review of the findings of the papers, which also provides an opportunity for a brief overview of each paper. The Volume is divided into six sections after this Introduction and Overview: General Principles: Survival and Success, Trade Unions, Cooperatives, Small Self Help Groups, Campaigning Organizations, and Local Power Structures and MBOPs. We take up the papers in each of these sections in turn, focusing on the lessons for determinants of success of MBOPs.

Crowley et. al., in their paper “Organizations of the Poor: Conditions for Success”, develop a typology of organizations, metrics for success and conditions for success, based on a review drawn from United Nations (UN) reports and from the field experiences of the staff of the Food and Agricultural Organization of the UN (FAO). We have already noted their definition of MBOPs, and their definition of success. They derive conditions for success along two dimensions—internal and external. Among the internal factors is composition of membership. While having some non-poor members is helpful, having a predominantly poor membership is important for MBOPs to keep their focus on the poor, and having a relatively homogeneous membership in terms of socio-cultural and economic conditions, particularly occupation, also helps to unify interests. Another factor is governance structure, including whether members pay significant financial or in kind dues, and whether poor members are adequately represented in management structures. Finally, “an explicit code of moral conduct”, exemplified by SEWA’s Gandhian roots, is also argued to be a key determinant of success. On external factors, Crowley et. al, highlight the role of external donor support, which becomes important as an MBOP grows from perhaps a small grouping to a larger organization. They are generally negative about the impact of this interaction, because of external influence through finance, and undermining of local dynamism and interest. They also highlight the role of government policies in setting the broad environment in which MBOPs can thrive, or wither.

As noted earlier, Walker and McCarthy, in “The Influence of Organizational Structure, Membership Composition and Resources on the Survival of Poor People’s Social Movement Organizations,” conduct a statistical analysis of survival patterns of a class of rights-based MBOPs over a 12 year period in the US. They test a number of hypotheses and find, in particular, that diversity of funding sources increases chances of survival, as does the age of an organization when funding is first received. They also find that individual-membership based organizations are more likely to survive than coalitions of rights groups, although this may be because the former organizations are older in their sample (see finding on age and survival).

The paper by de Haan and Sen, “Working Class Struggles, Labor Elites and Closed Shops: The Lessons from India’s Trade unions and Experiences of Organization,” looks at the history of trade unions of unskilled labor in India. These arose at a time when the workers were poor and the colonial regime did not look kindly upon organizations of workers. And yet they now have the classic image of the “labor aristocracy”, with little regard for the poorest workers in the informal sector, particularly for women who work in

the informal sector. The authors then relate this historical discussion to current concerns about success conditions for organizations of the poor, in particular in terms of the debate on how civil society “thickens”. This can happen through “state-society convergence” (where the state facilitates emergence of such organizations), external and local civil society coalitions, and “bottom-up mobilization”. A key factor running through the story in India, according to de Haan and Sen, is that unions have not been “able to incorporate the interest of women as workers,” and this is closely related to the need for formal sector unions to become representative of the informal economy, in which 90% of workers in countries like India operate. From our point of view, de Haan and Sen emphasize both internal governance factors (development of the “labor aristocracy” and unwillingness to look beyond the narrow formal sector in the case of the unions) and external factors (help from the state, or enlightened officials of the state) to explain the successes and failures of these, admittedly exclusive, unions.

Ngai describes the work of the Chinese Working Women Network (CWWN) in her paper, “China as a World factory: New Practices and Struggles of Migrant Women Workers.” CWWN is a Hong Kong based NGO that works with migrant female labor in Guangdong Province of China. The basic problem is lack of corporate accountability for exploitative labor conditions established by multinational corporations in this economic enterprise zone. The NGO is not of course an MBOP itself. Rather, it supports women’s organization in factories. It conducts training workshops on labor rights. But ultimately it is the women’s groups in the factories that are a nascent form of MBOP. What is needed for these nascent organizations to grow and succeed? Ngai’s case study demonstrates the possibility of organizing poor workers even where the legal and political space for new forms of organization is very narrow. NGOs can bring a human rights component to the development of MBOPs even where state and corporate power combine to limit collective action. Returning to the observation in de Haan and Sen, industries and governments are not monoliths; there are ways of finding entry points, especially if there are individuals within corporations and states who are willing to help.

It is well known that garbage picking is a major form of survival for the desperately poor in developing countries. But they work in hazardous conditions, and when they work as individuals they are exploited by middlemen. In his paper for this volume, “Waste Picker Cooperatives in Developing Countries,” Medina draws together the lessons from successes and failures with these organizational forms in Latin America and in Asia. He emphasizes internal capacity and governance issues--lack of education and business expertise, and “cheating and unscrupulous leaders.” As external factors, sympathetic Mayors (especially at times of change in administration), and NGOs who can help in organization and initial operation of co-operatives are emphasized.

Bhowmik’s paper, “Co-operatives and the Emancipation of the Marginalized: Case Studies from two Cities in India,” links interestingly to the de Haan and Sen paper since it is a case study of cooperatives founded by trade unions in the two cities—Ahmedabad and Calcutta—in response to the closure of industrial units due to economic policies. The role of the external political environment is highlighted. In Calcutta, the intricate relations between the cooperative, the union that founded it, and the

(Communist) state government are a central part of the story. In some cases the relationship was supportive, in other cases it was disruptive. In Ahmedabad, the case study is that of SEWA and the waste picker cooperatives it founded. The help that SEWA's collective influence gave to the fledgling cooperatives is emphasized.

Matthews focuses on internal capacity issues in Community Finance Institutions (CFIs) in Cambodia, in situations of low literacy. His paper, "Literacy and Internal Control of Community Finance Institutions in Cambodia," defines a CFI as "an institution that specializes in delivering financial services and is owned and controlled by its members within a local community." But standard financial control techniques will not work in communities where literacy levels are very low. He calls for "contextually sensitive tools" relying on "symbols, relational formatting, group transparency and collective memory." The point that Matthews is making is a general one on internal capacity building—this needs to be done in a way that does not privilege a few educated or better off members of the organization.

De Weerd et al. study "Membership Based Indigenous Insurance Associations in Ethiopia and Tanzania." Their definition is as follows: "A membership based indigenous insurance scheme is a locally initiated association of people, who have voluntarily entered into an explicit agreement to help each other when well defined events occur." These offer insurance primarily for funeral and hospital related expenses, with the larger goal of helping households absorb financial shocks which would otherwise propel them into poverty.<sup>5</sup> The researchers find these associations to be broadly successful. They are self-grown and self-managed, and they are broadly inclusive. They seem to fill the niche between state and market very well. Perhaps in this case non-interference from the state has been a boon. The external cloud on the horizon, however, is HIV/AIDS. This may lead to increased premiums, and thus to the exclusion of the poorest members of the community.

Self Help Groups (SHGs) are now part of the discourse on development, especially in microfinance, and are an important type of MBOP. These are studied by Tiwari and Thakur in their paper, "SHG-Based Microfinance Programmes—Can They Remove Poverty?" They look at several examples of SHGs from Gujarat State in India. The paper raises an issue that recurs in this volume—how sustainable is an SHG if it is founded for a specific project? What happens after the life of the project? Can SHG's evolve to address another set of issues? Can they endure as part of the institutional landscape when the project that spawned them is over? Based on the findings of the Tiwari-Thakur paper, the jury seems to be out on these questions.

Alsop's paper, "Community Level User Groups: Do They Perform as Expected?" looks at the operation of community level user groups for three local resource management projects in India (land reclamation, forest management and water), based on a survey of 2,400 user group members and representatives. Members are disproportionately male. The basic finding is that while members seem satisfied with the

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<sup>5</sup> In some societies, including India, mutual insurance is offered primarily for death ceremonies and marriages, more so than health or medical expenses.

immediate personal benefits from the project, they “demonstrated low levels of ownership of the user group and little interest in, or commitment to, the group as mechanism for managing cooperation beyond the end of the project.” This raises the same questions as in the Tiwari and Thakur paper above. It suggests the difficulty of “kick starting” sustainable MBOPs with external finance and initiative.

D’Cruz and Mitlin study not an MBOP but an NGO, one that supports a network of MBOPs, in their paper “Shack/Slum Dwellers International: One Experience of Membership Based Organizations to Pro-Poor Urban Development.” Shack/Slum Dwellers International (SDI) is a network of national level federations of urban poor. Each federation is in turn composed of community organizations that, in some cases, are membership-based saving schemes in which women are the majority of participants. The experience of SDI, as in the experience of SEWA cooperatives, shows the power of federating MBOPs. Together they have a collective power and voice that no single MBOP can muster. As D’Cruz and Mitlin note, the “process of federation building is to ensure that the voices of its members are heard and acted upon within agencies involved in local and international-policy making.” The key of course is true representativeness on the part of the federation, to ensure that it does not itself represent an “MBOP aristocracy” in the way that trade unions might represent a “labor aristocracy.”

As noted earlier in this introduction, in his paper, “Membership Based Organizations of the Poor: The South African Tradition,” Theron highlights the trade union and cooperative traditions of MBOPs in South Africa. We have already listed Theron’s characterization of MBOPs based on this tradition. The paper makes clear that these same characteristics can be used as criteria for determinants of MBOP success. He highlights, in particular the central role of financial self-sufficiency—“there can no true accountability in a MBO that is not sustained by the contributions of its members...External funding, I have suggested, is one of the drivers of a top down tradition of organization.” Theron also highlights the legal framework in which MBOPs operate, noting two opposing arguments: namely, that, on the one hand, absorption into a formal legal framework is problematic while, on the other hand, without such incorporation sustainability and expansion may be in doubt.

Roever studies twelve street vending associations in Lima, Peru. Her paper, “Informal Governance and Organizational Success: The Effects of Noncompliance among Lima’s Street Vending Associations,” “explores the possibility that organizations of informal workers experience only mixed success because the organizations themselves are run informally.” She documents how these associations, although they are meant to be accountable to their members, do not in fact have democratic governance structures. The informal methods of control and management reduce the credibility of leaders as representatives of their poor members. The non-compliance referred to in the title of the paper is this non-compliance with democratic governance procedures. These internal failures have significant impact on the abilities of these MBOPs to better the lives of their members.

In her paper, “Membership-Based Organizations as a Reflection of Power Structures in Rural “Community”: Experiences and Observations from Sindh Province, Pakistan,” Khan argues that it is naïve to think of NGOs, Community Based Organizations (CBOs) and MBOPs as abstracted from the local power structures. Focusing on CBOs, she argues that “beneath it all, it is social and caste hierarchy that controls how members of CBOs interact with each other and those around them.” Her study of CBOs in Sindh Province gives empirical content to these observations. For example, villagers who were not members of a CBO said “we were not asked to be members; “they belong to a higher caste”; “they only associate with their own kind”. Moreover, the CBOs studied were associated with one individual, rather than broadly membership based. Khan argues that this stands in the way of the potential of CBOs in poverty reduction, since many of them do have an appreciation of local complexities, and “as legally registered formal organizations, they can act as much needed intermediaries between their community members and those more powerful such as landlords, and even donors.”

Devine emphasizes the “immediate relationships and social networks” in the everyday lives of the poor, and their role in managing a precarious existence. His paper, “Doing Things Differently? The Everyday Politics of Membership Based Organizations,” “rests on the premise that the relational milieu constitutes the primary cultural terrain upon which people construct their wellbeing.” Thus, rather like Khan’s argument for Pakistan, Devine’s argument, based on evidence from Bangladesh, is that the operations of MBOPs cannot be analyzed separately from local social networks and power structures. Thus he finds that the MBOP he studies has, alongside creating new opportunities for its members, also reproduced “patterns of dependency and clientilism.” This highlights the central role of the community context in which the MBOP is situated, in determining whether it has been “successful”, or even in specifying what is meant by “success”: e.g. whether changing existing community relationships is feasible or desirable.

The paper by Alatas et. al. , “Voice Lessons: Local Government Organizations, Social Organizations, and the Quality of Local Governance,” presents analysis based on an interesting data set which collected information on household participation in four categories of “social activity”: sociability, networks, social organizations, and village government organizations. Information was also collected on participation in village decisions. Village government organizations are created by the central government and are dominated by retired military officers. A key finding is that after controlling for household characteristics such as education and gender of the head, households that are not members of the village government organizations are increasingly excluded from participation in local decision making. While the focus of the analysis is not on MBOPs directly, the findings do highlight important spillover effects from social activities to participation in village decisions.

Community Driven Development (CDD) is the subject of the final paper in this volume, by Bresnyan et. al. The paper, “Community Driven Development and The Northeast Brazil Rural Poverty Reduction Program,” looks in detail at a particular

program supported by the World Bank. Over 50,000 small-scale community investments in rural electrification, water, etc, have been financed and implemented by 36,000 community organizations. The potential beneficiaries are 1.2 million households, 7 million individuals. The paper examines, in particular, the role of community associations in this program. These are “groups of rural citizens with a common interest and organized into legally-constituted civil organizations (as required under Brazilian law).” There is an analogy with community user groups studied in Alsop’s paper, and the same question is central—will the community associations last beyond the project? Bresnayan et. al. are more optimistic for Brazil than Alsop is for India.

### **3.3 Internal and External Factors and Challenges**

Let us begin with a broad overview of the key internal (to the MBOP) and external determinants of success or failure identified in the papers in this volume. The internal factors are:

- \*Democratic governance structures whose operation keeps leadership accountable to members.
- \*Significant role of membership dues, in cash and kind.
- \*Membership that is sufficiently homogeneous along key dimensions (poverty, occupation, gender, etc).
- \*Capacity to manage the running of the organization.
- \*The use of federated governance structures as the organization expands.
- \*A strongly internalized “code of moral conduct” that guides actions of the organization and of individuals in the organization.

The external factors are:

- \* Supportive community power structures.
- \*A broadly enabling legal, political and policy environment.
- \*Sympathetic individuals in government and bureaucracy.
- \*External funding and support from NGOs and donors that does not subvert internal democratic procedures and the objectives of the organization.
- \*Diversified sources of external finance.

Based on the above discussion, we can identify the following internal and external challenges that MBOPs face, especially as they expand to address the problems of a larger membership. The internal challenges are:

- \*Maintaining the strong “code of moral conduct” in the midst of changing social and cultural norms.
- \*Capacity of MBOPs to manage ever increasing complexity of operations, without creating a divide between professional managers and the membership.
- \*Ability of MBOPs to sustain and strengthen the engagement of members, and to

hold leaders accountable, as they scale up or begin to address a more complex range of issues.

The external challenges are:

- \*Ensure a diversified source of external finance and support, in a manner that does not undermine the basic nature of the organization.
- \*Changing the local level power structures and networks that mediate the impact of the MBOP's activities on its members.
- \*Changing the mindset of mainstream planners, policy makers, and development thinkers about the role of MBOPs in development planning, policy-making, and program implementation, so that a better enabling legal, political and policy environment for MBOPs can be put in place.

#### **4. MBOP and Policy**

The individual papers in this volume provide plenty of evidence on the major effect that the broad policy environment can have on the operation of MBOPs. In the case studies, this has ranged from supportive, to neutral, to downright hostile. The hostility is easy to understand. MBOPs often challenge existing power structures at the local level, and their ground level perspectives may not fit conveniently into the macro world view of national or international policy makers. However, there are those in the policy world, a growing number, who recognize the valuable, indeed central, role that MBOPs can and do play in achieving equitable development. What guidance can we give to the policy community, based on the analysis and evidence in this volume? We propose five points for consideration.

First and foremost, there is a need for continued deepening of recognition by the development community, at all levels, of the role of MBOPs in economic and human development as well as poverty reduction. It is particularly important for macro level policy makers, at the national and international level, to change their mindset—to recognize MBOPs and to incorporate them into policy planning and discourse. One of the ways to do this is to identify the types and numbers of MBOPs that exist in the policy maker's own country and to assess their capacities and their needs.

Second, there is a need in each country to conduct a through review of the legal and regulatory setting in which MBOPs operate. Typically they fall under Trade Union legislation or Co-operatives legislation (or Civil Organizations legislation). As their activities expand and become more complex, they come into the orbit of other legislation and regulation, for example on insurance or banking. Laws and regulations that impinge on MBOPs have not, in general, developed from a systematic view of the role of MBOPs in development and the best way to nurture their development and regulate their operations. Country specific reviews would reveal the major legal and regulatory constraints faced by MBOPs, and these could then be addressed legislatively.

Third, there is a need for financial and other support to MBOPs as they scale up and gear up to address the complex issues faced by their members in a globalizing world—to strengthen the capacity, solidarity and representative voice of MBOPs. This support can be given directly or indirectly through NGOs who in turn support MBOPs. However, as noted repeatedly in the volume, such support has to be given with great care, otherwise it will end up debilitating or destroying the MBOPs it seeks to help.

Fourth, specifically on capacity, there is a need to build linkages which would strengthen the operational and organizational capacities of MBOPs. Depending upon the situation these capacity building activities could take the form of training of various types, building linkages with financial institutions, helping the MBOP assess and take advantage of markets or helping them to build an understanding of laws and policies.

Fifth, there is a need to provide MBOPs a seat at the national and international policy making and regulation setting table. These efforts can range from consultation to formal inclusion in relevant committees of the government and the bureaucracy. Such representation will typically happen through federations of MBOPs that represent them. As noted, earlier, an internal issue for MBOPs is how to address their challenges of expansion, through the forming of federations to represent grouping of MBOPs. Many such federations now operate at the national and international level. And yet their representation in the councils of policy making is minimal.

## **5. Conclusion**

Let us return to the questions posed in the introduction to this paper: What structures and activities characterize MBOPs? What is meant by success? What factors account for success or failure? What are the challenges faced by MBOPs in the future? How can policy best help MBOPs?

Based on the analysis and evidence of the papers in this volume, we hope to have provided the beginnings of answers to these questions. To summarize the detailed and nuanced argument developed in this paper:

- \*MBOPs respond to the needs and aspirations of the poor because the governance structures are accountable to the members and because the vast majority of the members are poor.
- \*Success of MBOPs can be measured in terms of the direct impact on the wellbeing of their members, but also, more indirectly, in terms of their impact on the wider policy environment.
- \*There are internal and external factors behind successes and failures. These include: functioning democratic structures; capacity to run the organization; a moral code that guides actions; an enabling legal, political and policy environment; diversified sources of finance and support that do not themselves undermine the MBOP.



- \*The internal and external challenges that MBOPs face, as they scale up and face increasingly complex issues, include: enhancing management capacity; maintaining accountability of organization to members; ensuring an enabling, rather than debilitating, flow of external finance and support; changing the policy and regulatory environment so it becomes more enabling of MBOP operations and of the members of MBOPs.
- \*The main policy recommendations that follow from the analysis include: a review in each country of legislation and regulation as it impinges on MBOPs, to develop proposal for reform that enable their operation and expansion; the purposive inclusion of MBOPs in councils of national and international deliberation and policy making; and financial and capacity building support, directly and through NGOs, delivered in a manner that does not debilitate the organization itself.

Without their own MBOs, the poor will not be able to mediate the wider environment, turn it to their benefit and hold it accountable. Without MBOPs to put pressure and make demands, more powerful interests in the wider environment will not be responsive or be held responsible. As the studies in this volume demonstrate, MBOPs are already playing a wide ranging role across the globe, in different settings and contexts. Their presence and vitality attests to the need for them. But they face challenges, and need the support of policy and policy makers. We hope that this volume lays the basis for further conceptual, empirical and policy analysis that will help MBOPs in their task mediating the processes of development and change for the benefit of the poor.

# **MBOP**

## **Membership Based Organizations of the Poor**

**Edited by**  
**Martha Chen, Renana Jhabvala, Ravi Kanbur and Carol Richards**

### **I Introduction and Overview**

1. “Membership Based Organizations of the Poor: Concepts, Experience and Policy.”

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Renana Jhabvala, SEWA  
Ravi Kanbur, Cornell University  
Carol Richards, Broad Reach Foundation

### **II General Principles: Survival and Success**

2. “Organizations of the Poor: Conditions for Success”

E. Crowley, S. Baas, P. Termine, J. Rouse, P. Pozarny, and G. Dionne, FAO

3. “The influence of organizational and membership structure on the survival of poor people’s social movement organizations.”

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5. “China as a World Factory: New Practices and Struggles of Women Migrant Workers.”

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### **IV Cooperatives**

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10. “SHG- Based Microfinance Programmes- Can They Remove Poverty?”

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13. “Membership Based Organizations of the Poor: the South African Tradition.”

Jan Theron, University of Cape Town.

14. “Informal Governance and Organizational Success: The Effects of Noncompliance Among Lima’s Street Vending Organizations.”

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## **VII Local Power Structures and MBOPs**

15. “Membership Based Organizations as a Reflection of Power Structures in Rural “Community”: Experiences and Observations from Sindh Province, Pakistan.”

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16. “Doing Things Differently? The Everyday Politics of Membership Based Organizations”

Joe Devine, University of Bath.

17. “Voice Lessons: Local Government Organizations, Social Organizations, and the Quality of Local Governance.”

Vivi Alatas, World Bank

Lant Pritchett, World Bank

Anna Wetterberg, World Bank

18. “Community Driven Development and The Northeast Brazil Rural Poverty Reduction Program.”

Edward Bresnyan, World Bank.

Maria Alejandra Bouquet, World Bank

Francesca Russo, World Bank.