

Promoting Poor Centric Producer Organisations
: Learning, Opportunities and Challenges

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Content of Presentation

- Key Challenges in Promoting Poor Centric Producer Organisations
- Producer Companies – Structural Possibilities
- Issues Ahead

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Challenges in Poor-centric Producer Organisation

- **Context of Poor**
 - *Beyond Capital, Technology (know-how and doing skills), Access*
 - 'self-belief' that my future can and will improve
 - Experience of 'Mutuality' needs to be concretised
- **Member Business & Collective Business difficult to de-link**
- **Commerce & Equity under one roof ?**
- **Membership & Ownership**
 - 'beneficiary' to 'producer' to 'owner' transition : self-view & skills-resource endowments
 - Managing 'wage-earner' – 'owner' dilemma : fixed vs variable, stable vs unknown
 - effective 'say' of members
- **Governance** : Information & Capability Asymmetry

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Key Issues in External-promoted Producer Organisation

- Externally initiated
 - *What role and space ?*
 - *Core competence – mobilization/enterprise management*
- Interaction between Governance, Membership and Management
 - *Extra-constitutional space of 'promoter'*
- Whose vision – promoter or member ? (poor focus or wealth ?)
- Incubation of 'profit' making/'member'-organisation

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Key Issues ... contd

Member Oriented Organisations

- Problem of Duality - *Residual Claimant & Service Recipient*
- Member 'Myopia' : Immediate Vs long-term
- Self Vs collective

Large Membership

- Far-removed management
- face-to-face Vs representative

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Salient Learning

- Membership Development is critical - Prior Experience is big help
 - *'evolved membership' – member stake, trust, individual alignment with collective*
 - *Concrete 'experience of mutuality'*

(Small Affinity Groups around hands-on/felt need activities like Savings & Credit eg.SHG)

- **'Modular'** structures in large membership – exercise of ownership
- **'Collectivity Logic'** – what constraints would be released by collectivisation is key to success
 - *Beyond the downside risks of technology/new activities, volatile market*
- Robust Business Model helps – acceptance that 'producer enterprise' are also enterprise - **incubation**
 - *'running business' have 'owners'*
- Few Alternative to **Long-term engagement & Institution Building**

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**Producer Companies
Companies Amendment Act 2002, Section 581
Enabling Provision for Poor-centric Producer Organisation**

Key Design Issues

- Democratic Functioning
- Modular primary organisation
- Weak Governance
- Patronage Based Structure
- Weak regulatory demands

Producer Company Act

- Membership of informal institutions
- Membership of persons/institutions closely related to primary producers
- Patronage linked voting and withheld price distribution
- Limited return on share-capital, as far as possible in proportion to patronage
- Co-option of expert Directors (1/5)

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**Some Recent Efforts
: increased recognition from mainstream**

- Government of Madhya Pradesh Policy on Activity Federations (already 16 Producer Companies have been assisted)
- MoRD (GoI) under UNDP assisted Social Mobilisation Project has provided supported to producer-members for equity
- Banks willing to look at Producer Companies different from cooperatives (even MACS haven't been able to avoid the taint)

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**Government of Madhya Pradesh's Policy on
Strengthening Activity Federations**

Key Features

- focus on poor
- modular structure of smaller groups/SHGs
- Insulation from political/administrative control

Support & Benefits

- Cost of Organising Prod Orgn and hand-holding support for 3 years provided
- Debt-linked Start-up support based on Business Plan
- Viability gap support for establishment costs
- Level playing field : on-par with coops/industries
- Performance linked - Back-ended interest subsidy
- Support - price preference, infrastructure development

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Challenge Ahead

Making Producer Organization : A Business & Institutional Success

- Human Resources – managers for producer organisations
- Institution Building
 - *Professional run member organization*
- Capitalization
- Viable Business Idea – stand the efficiency of new economy
- Creating Producer Centric Small-holder responsive Supply Chain
- Partnership among Producer Centric Organisations

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Thank You

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