

INSTITUTIONS IN THE TRANSFORMATION OF RURAL LIFE

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Introduction

Institutions are essential to socio-economic growth and change although there are prevailing institutions that tend to hinder growth. As Dorner has indicated, institutions which serve to provide the security necessary for supporting the processes of economic growth and development must be consistent among themselves to form an integrated, cohesive system.¹

Institutions are a function of a nation's culture. For viability and effectiveness, they must conform to the value systems of a particular culture. If they do not conform, as in many imported institutions, they lose their effectiveness after a while and eventually fade away. Effective and viable, they become an integrated part of the building blocks in nation-building.

In agricultural and rural development, institutions serve as the channels for the adoption of innovations and provide means by which they could support rural development and structural transformation in the rural communities. First of all, they provide the mechanisms for the pooling of resources and talents among the small farmers and landless cultivators which otherwise remain fragmented and unutilized. For example, the individual small farmers and new lessees on the emancipated holdings can hardly take advantage of the advances in farm technology developed in regional experiment stations as well as in the International Rice Research Institute (IRRI) nor the necessary technical inputs for the new technology on their farms. By forming farmers' associations or cooperative organizations, these small farmers are enabled to acquire cheaper production inputs and avail themselves of the external economies of large-scale marketing and distributive organizations based in the urban centers.

Secondly, the gains made through improved technology in small agriculture, such as those obtained through the Green Revolution, may be sustained for the benefit of the rural communities. By institutionalizing extension education and administrative approaches, farm productivity can be ensured.

¹Dorner, Peter. Institutions as aids to development in "The Future of Agriculture: Technology, Policies and Adjustments." Oxford Agricultural Economics Institute, 1974.

Thirdly, institutions are the venues for the training in local leadership and the strengthening of local government. Through farmers' associations and other institutions, potential local leaders are given the means and opportunities for training on the job and the necessary apprenticeship for local entrepreneurship and the exercise of local government functions. These institutions ensure, therefore, the development of local leadership for rural transformation and expand the prospects for the emergence of grassroots democracy.

Concepts of Institution-Building

Powelson's concept² of institutions at the micro and macro levels is pertinent to institution-building in the LDC's. Powelson (1974) considers institutions with fundamental bases at the micro and macro levels. At the micro-level institutions as part of a nation's cultural capital are determined or selected in an essentially economic manner, in terms of benefit, cost, supply and demand. According to this theory, institutions are selected by those groups capable of establishing them and for whom the institution's product has a great value than it costs here, both value and cost are subjectively determined.

In a developing country where growth-sensitive groups are achieving power, the new institutions will be those directed toward increasing the natural product. Two types of cost are involved: the sacrifice of the growth-sensitive groups who perceive benefits from the new institutions, and the losses of other groups. The cost of one group will be the value they must sacrifice. Where two institutions of equal effectiveness are substitutable for each other, the one less costly to the power groups will be selected.

From the macro-standpoint, institutions must conform in the long run to national values, or else they will perish. Conformity, however, has both positive and negative effects. Positively, in which values are the foundations of institutions, and the latter cannot survive without value support; negatively, in which values act as constraints, making certain institutional forms too costly.

Owens and Shaw have emphasized the need for building up of essential institutions that will harness the initiative and enthusiasm of the poor segments of the population in a developing country.³ These institutions they term as problem-solving institutions, their formation and development of which should be certain principles. On the whole, those principles relate to the delineation of functions of the support at the local level, decentralization of functions of national government agencies concerned with rural transformation, the increase in the number of leadership functions at the local level, and the linkages of the rural village within the region and the nation.

²Powelson, John. *Institutions for Economic Growth* Princeton: Princeton University Press, 1972.

³Owens, Edgar and Robert Shaw. *Development Reconsidered: Bridging the gap between the government and people*. Lexington, Massachusetts: D.C. Heath and Co., 1972. pp. 21-30.

Weitz's (1971) concept of institution lies in the importance of public supporting systems, which consists of a network of factors external to the farm as a production unit but so organized as to provide "a system of assistance to the farmer" to increase production and improve his living conditions. Composed of large number of varying elements, the systems covers farm services (supply marketing, credits), public services (education and health), and physical infrastructures (road, irrigation, warehouses and dryers).⁴

However, to assist the small farmers directly and effectively, the public supporting systems are not enough. Weitz has pointed out that in the transition from subsistence to market-oriented production, the farmer in the LDC's lacks capital, knowledge, and initiative towards change, a weakness which prevents him (the small farmer) from taking advantage of the available supporting services. Experience in these countries including the Philippines shows that the small village producer does not always make use of the public supporting system even if it exists. In fact, he may not know how to use the system to his advantage, and the system itself may not be designed to serve the masses of small producers. There is need therefore for "an intermediate organizational structure between the individual farmer and the service system that will enable the small producer to utilize the services available. In Weitz's words: "An organizational structure is required that can operate for the village community, within the village community, and by the efforts of the village community."⁵ And the village cooperative provides the answer to this organizational structure.

Emphasis on the historical perspective of community development as a process of growth and change in the rural areas of the LDC's is emphasized by Tavanlar (1977). Citing the programs and activities of the British authorities in Kenya in the early 50's, Tavanlar points out that the lessons in community development during the 50's and 60's in the Philippines should now be applied in developing an integrated program for rural development, one vital aspect of which is institution-building. The experience of this country in land institutional reforms, improvements in public administration and the development of the supporting services in the rural areas should as a matter of policy, be incorporated in new programs and strategies for agricultural and rural development.

Lessons from the Performance of Supporting Systems and Other Institutions in the Last Three Decades

The slow growth of productivity on the farms, the inequitable distribution of income among the people, and the persistent problem of unemployment and underemployment in the rural areas arise from a complex combination of socioeconomic factors. Certainly, one factor contributing to the situation is the inade-

⁴Weitz, p. 111-112.

⁵Weitz, *op. cit.*, p. 96.

quacy and underdevelopment of existing support services and other institutions which should give support and assistance to the rural population. Other factors would include the following:

The agricultural research and extension systems which have been organized with a view to providing the extension—educational support to small farmers and farm workers have not succeeded in bringing improved technology and the necessary technical information to all farmers. The common criticisms that the extension service tended to assist large and well-to-do farmers, leaving the small and underprivileged ones to their own devices, still holds to lay. The agricultural research system, on the other hand, as represented in recent years by PCARRD, is just beginning to overcome the many years of lethargy and neglect of essential applied researches on desirable or appropriate technology for crop, livestock and fishery production and has only recently inaugurated programs for the establishment of regional research centers and the proper evaluation and improvement of farming systems by regions.

The supply of technical inputs for production and the marketing and storage of cereals and other commodities are still inefficient and underdeveloped. The necessary development and integration of private marketing and distribution facilities in the different regions has remained unfulfilled. The growth of small supply stores in the barrios as well as the development of supply-distribution of essential farm inputs (seeds, fertilizers, insecticides, etc.) under private enterprise remains inadequate and fragmented to this day. The leadership of NGA in the purchase and distribution of rice and corn has helped stimulate increased cereal production through price support and a price stabilization scheme, but the necessary assistance and stimulus to the establishment of private storage, drying and marketing facilities have not been realized.

The development of agricultural credit for the rural communities is quite remarkable, but not consistent policy has been followed in the assistance to rural banks in their capital build-up and in their efforts towards viability and increasing effectiveness. Starting with 26 banks in the 50's, the rural bank system has grown into more than 800 unit banks in the early 70's. Mainly concentrated in loan assistance for production among small farmers, these rural banks have to be guided in providing credit for small traders and small manufacturing enterprises in the rural communities.

On the institutionalization of land-reform implementation, there is apparently more to criticize in the breach rather than in the performance. The organization of a separate Ministry of Agrarian Reform has apparently resulted in the concentration of reform activities in one single agency, but the coordination of interdependent and mutually-supporting activities for agrarian reforms remains as difficult as ever.

Package Program Under Land Reform

Perhaps the most important development in institution-building in this country is the package program for the land-reform areas. This consists of, besides the transfer of small landholdings to their present occupants or tenants, the provision of cheap and readily available technical inputs, a workable credit system, essential storage and marketing facilities, and organization for the improvement of community living.

The food production program launched by the present administration is designed primarily to achieve self-sufficiency in rice, corn, and other primary crops. However, by the very nature of rice production based on the output of small operating units, the principal beneficiary of the integrated food production program (e.g. Masagana 99) are the small lessees and new owners who are recipients of land reform.

The development of supply institutions, of credit and marketing facilities, and of farmers' organizations (that will spread the benefits of the supporting systems among the rural communities and directly to the farm households) are absolutely necessary to a successful land reform program. This is one way of restating the fundamental truth that an integrated rural development program is essential to the success of agrarian reform. Unless this fundamental truth is recognized and implemented decisively the land reform administration, agrarian reform in this country will be a protracted and fragmented program, and, therefore ineffective as an instrument for overall national development.

Evaluation of Performance: Supporting Systems in Action

A brief evaluation of the performance of the principal supporting systems operating in the rural communities is made with two main objectives, namely: (a) to determine the institutional effectiveness of each supporting system in terms of direct assistance provided to the farmers at the village or local level and the prospects of extending such assistance to more farmers or more barrios that need such assistance; and (b) to point up the policy implication of such performance, or the need for improving or adjusting policies and policy instruments in view of the needs and aspirations of the rural population.

The review of the performance of the supporting systems and their supplementary institutions in the last ten years or so, will find that they have common constraints in terms of organizational, administrative and policy difficulties, which must be overcome if these institutions are to attain greater effectiveness and viability. Some of these common constraints are the following.

a. *Inadequacy of trained manpower to undertake the necessary activities in the different regions.* This is especially true in the case of the Bureau of Agricultural Extension, not to mention the Ministry of Agrarian Reform, the field workers which have to carry a heavy case load, too heavy perhaps to permit close and effec-

tive working relationships with the farmers to be assisted. In the case of the PCARRD, the number and quality of scientific manpower needed for the different regional experiment stations to meet total requirements will remain insufficient for sometime to come.

b. *Programming of assistance activities by regions is still in its initial stages.* There are organizational and management problems to be faced if the various supporting systems are to be effective instruments in giving direct assistance to the farmers and rural groups they are designed to serve. There is still need to decentralize the planning and programming of activities of the various public support services and to relate them to the regional development plans and programs of NEDA.

While it is recognized that the NEDA has started to decentralize its planning functions and the different supporting systems have their regional offices, the practice of decentralized planning, particularly for rural development, has to be observed in each region of the archipelago and the implementation of the development plan and program for each region has to be done in concert among the participating support services.

c. *Many of the supporting systems have not developed the capability to harness local leadership or tap leadership potential in the rural communities that will supplement their field force in implementing their support services.* An institutional framework covering the leadership requirements for general and specific tasks in rural development must be devised in order to delineate functions and specify responsibilities at the regional and local levels.

d. *Linkages with related supporting services and with the institutions at the regional and local levels are still weak and uncoordinated.* This is especially true with the land-reform program and with the other public supporting systems. Only the agricultural research system (PCARRD) has exerted considerable effort in establishing regional linkages as well as international linkages. But even with PCARRD, the internal linkages will have to be strengthened with common programs for the training of scientific manpower and the assurance for funding at considerably high levels will have to be defined in policy.

Policy Implications

The development of institutions in a growing economy is not an easy task. It requires resources, time and, more important, administrative or development management skills and innovative, dedicated and competent field personnel.

The policies and measures essential to the achievement of institutional effectiveness and viability range far and wide – from an administrative policy that will ensure decentralization of support services and regional planning to a system of incentives and awards for the private sector and for outstanding performance in the public service. These policies would be concerned also with training (formal and informal) to generate competent and skilled field personnel and development

managers. In some cases these will require domestic and foreign fellowships for advanced studies in the sciences and in public administration.

An administrative policy on decentralization of the national public support services and the coordination of symbiotic and related activities is needed at the regional and local levels. This will help remedy present fragmentation and tendencies toward further proliferation of local agencies serving agriculture. It must also be supplemented by the decentralization of planning activities under NEDA and their tie-up with related programming activities of the support services at the local level.

In developing the capability for harnessing local leadership potential, the supporting services need organizational skills and management competence among their top and middle personnel. To be able to establish supplementary institutions to the public support services, there should be an increase in the number of skilled organizers for cooperatives as well as farmers' associations. And for this purpose, a combination of policy measures would be essential joint training programs with institutes or development centers designed or assigned to work in the rural areas, promotional-educational programs on farmers' and consumers' cooperatives, and a system of incentives awards for outstanding field organizers or innovators.

A specified policy covering a system of incentives and awards for outstanding performance would be the motivation and generating force in establishing the linkages with the private sector as well as with institutions or agencies, both public and private, operating at the regional and local levels. Concurrently, a continuous dialogue with the leaders of private business/industry should be undertaken by the public supporting systems. Through this approach they could harness the active support of the local groups or associates for their programs of assistance and of providing guidance in the continuing review and evaluation of their programs and activities for and with the rural people.

Lastly, a development strategy for institution-building, calling for a combination of policies and policy instruments, will ensure a high pay-off in institutional effectiveness and viability as well as the proper timing of implementation. Perhaps the best guide for such a strategy is a concrete knowledge of past performance among the supporting systems and a recognition of the kind and quality of available leadership in these institutions, together with an appreciation of the prevailing socio-political situation in the country.

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Paz Eulalia L. Saplala, Discussant

In stating the functions that institutions serve in agricultural and rural development, Dr. Dalisay underscores what present structures have not been able to do. His paper gives a comprehensive view of institutions in the transformation of rural life and perhaps suggests the answer to this nagging question: Why is the poor farmer still poor?

I am essentially in agreement with points stressed by Dr. Dalisay in his paper and I feel these to be the following: (1) the need for an integrated cohesive system of institutions for the transformation of rural life, (2) the need to augment trained manpower in the field: for emphasis, may I add, the need to train or even re-train extension agents, development managers and the farmers themselves; and (3) in the area of policy making, the need to formulate a development strategy in institution building that is based on a concrete knowledge of past performance of support systems, and of the leadership available in these systems, and an appreciation of the socio-political situation in the Philippines.

Dr. Dalisay's analytical appraisal of the problem of institution building for rural development is both vertical and horizontal. On the vertical aspect, I wish to stress three points. First, there is the need to strengthen policies at the top, but such policies must be informed by what takes place in the system. A communication strategy should work up and down the ladder, with policies moving downward, but also with correct accurate information moving upward to enlighten policy makers.

A second point in the vertical appraisal is the stress laid by Dr. Dalisay on the need to decentralize planning and programming of activities of various support services and to relate them to the regional development plans and programs of NEDA. There is a need to involve people lower in the ladder in organizational and management functions.

A third point in this vertical appraisal is the need to identify the local leaders who can complement and strengthen the field force. The question that arises here is, how does one identify the local leaders or the persons with leadership potential? What role will be assigned, if any, to traditional authority figures if they are not identified as the leaders.

In the horizontal appraisal, Dr. Dalisay examines each aspect of the public support systems, pointing out where the inadequacy or the failure may lie. Undoubtedly, institution building involves a complex interlinking of various elements. The problem then is how can all the variables crucial to institution building be developed simultaneously, for any weakness in one or more parts may render the whole system inoperable. To effect a meaningful transformation of rural life and to strengthen the socio-economic-political-cultural village units, there must be a synchronization of forces.

Perhaps one of the most crucial factors, if not the most crucial factor, in institution building is the human element: The people — such as the farmers, the extension agents, the scientific workers, the policy makers; and their values, atti-

tudes, motivations, knowledge, work ethic, aspiration, and vision of the good life. If institution building is to be integrative and cohesive, as it must be, attention must be paid to the human element, for it is man who puts up the system *for* man and it is man who can make the system work or fail. As Dr. Dalisay points out, it is necessary to educate the farmer so that he will know how to make use of the service systems available to him. Furthermore, it is also necessary to identify the potential leaders on the local level and to train such persons so that they can help in the implementation of programs.

The training and education program for farmers, extension agents and development managers should include not only technical information but also socio-cultural material that will help the trainee understand the national and local value systems and cultural milieu. The socio-cultural training of our field men always lags behind technological and scientific training, and yet is this socio-cultural understanding that is crucial to successful implementation of innovations and new programs. It was gratifying to learn, for example, that in an irrigation project being set up in Sri Lanka, an anthropologist is part of a team composed of an engineer, an agriculturist, an economist, and other technical people.

Dr. Dalisay mentions the need for an awards and incentive program, particularly for outstanding field organizers and innovators. In addition to these external motivations, I believe there should be developed in the people engaged in institution building an inner-directed force, a sense of mission, so to speak. One writer attributes much of the success of the kibbutz in building up rural Israel to the dedication of the men and women assigned to manage the kibbutz. For these young people, work on the kibbutz was an ideological and a moral, not just an economic, commitment.

Our country has been engaged in institution building for rural development for many years now, but as Dr. Dalisay points out, there is an inadequacy in each of the support systems. My question is, who or what group of people will correct this situation. Who will be ultimately responsible for the *reconstruction* of our institutions into an integrated cohesive system? When all these words will have been expressed in this chamber, where will they go and who will next listen and take action.

In a research work my colleagues and I conducted among Central Luzon rice farmers, one farmer sadly but perhaps accurately expressed his status in our society: The small rice farmer is the forgotten man in Philippine economy. Many of the farmers we talked to in the field looked upon their state as that of being in bondage to the soil. Their dream was to obtain freedom for their children, if not for themselves, from captivity to the soil. If the development of rural life through institution building is effective, the farmer and his family should be able to increase his productivity to a substantial degree but at the same time, he and his family should also be active participants in the meaningful transformation of his village into a strong socio-political-cultural unit of the nation. He should find his freedom through the soil and not away from it.

Virginia PB. Samonte, Discussant

The paper of Academician, Dr. Amando M. Dalisay, brings to sharp focus institutions as crucial and vital forms and forces in the transformation of community life in rural Philippines. It has been propounded that institutions serve as channels for the adoption of innovations and provide the means to support development in the countryside. As such, technology generating functions as well as technology extending and diffusing functions have become institutionalized to a large extent by the public sector. In this connection, there has also been an almost contemporaneous emergence of agriculture-based organizations and on a wider scale integrated rural development-based organizations, as witness such organizations on the rural social landscape as supply, credit and marketing cooperatives, irrigators' associations, agrarian reform beneficiaries associations, Samahang Nayan, Seed Growers Association, Philippine Coconut Producers Federation, Swine and Feed-grain Association, Federation of Free Farmers and myriad others. In most instances these organizations serve as the structure for action programs but in some daringly conceived strategies, these organizations serve as the setting for the double purpose of action-cum-research programs.

In relation to the concept of institution building as presented in the paper, conceptual contributions may be derived from Philippine experience as empirically documented in many studies which analyzed the nature, structure, multi-functions and effectiveness of rural based organizations; also touching on the dynamics of perceptions and role performance of the members and leaders, the communication flow, and the social and economic forces in which they operate; and even further on to the qualitative aspect of the level of satisfaction of the persons concerned. What may not be very apparent and this needs more empirical investigating is that agricultural technology, many times not singly but packaged and even at times large scale integrated rural development programs which form sets of innovative ideas and practices by themselves, use these organizations that are likewise novel or innovative social structures by themselves, still alien and untried in the life of the farmers. What may further compound the organizational set-up is for instance a building-up situation where an agricultural project is an undertaking of three parent organizations following a system of division of labor in terms of technological and financial requirements, personnel, legitimation, and field support.¹

Institution building involves in the ultimate analysis the taking on of institutional roles and norms by the individual actors concerned such as farmers or change agents as they interact in the day-to-day transactions of these support organizations. However when these institutional roles only reach farmers who are initially already advantaged by socio-economic access, these support organizations may degenerate into elitist enclaves and fall short of evolving into institutions that can meet the

¹Cuyno, R., *Organizing for change: the Philippine rainfed upland rice project, a temporary cooperative system for developing and diffusing agricultural knowledge*, Ph. D. Dissertation, Michigan State University, 1974, pp. 264-265.

problems and needs of the great mass of small farmers. What is proposed in the paper is the need for an intermediate organizational structure between the individual farmer and the service or support organization which should be scaled to the barrio level just as analogously the indigenous sari-sari store is structurally and culturally comfortable to the great mass of small farmers.

As part of institution building particularly for farmers' associations, one study conceptualized their development as consisting firstly of the organizational stage when positions were structured and the roles and functions of these positions were learned and performed by position holders, secondly by the operational stage when the organizations engaged in activities in pursuit of their objectives, and the final stage when the organizations had stabilized and integrated their operations with other organizations. It was reported however that some of these farmers' associations were usually organized by mother agencies and thus they had not yet been completely weaned from their mother agencies either because they did not develop fast enough to fend for themselves or they were not given the proper care and sustenance, thus stunting their development.²

The paper gives due emphasis on the evaluation of the performance of support organizations or institutional effectiveness in terms of direct contributions to the farmers and as strategies to meet the needs and aspirations of the rural people. In evaluating these organizations, many problems and constraints particular to specific organizations or common to several organizations have been documented. One cited problem is the need to harness local leaders to supplement the personnel of some organizations in rendering support services. This being the situation, it is important that the actual and influential leaders be identified and not go only by the readily visible or formal leaders. Methodological devices and studies have to be designed and conducted to uncover the actual and influential leaders. Furthermore, the members need equal attention and training in the ways of being active and concerned members for as one study revealed the member-participation could not check the excesses of the officers and employees of a cooperative.³ Furthermore with regard to the evaluation of these support organizations, while their effectiveness is usually measured against their specific objectives and goals, in a larger sense a societal appraisal should show how these organizations reflect and contribute towards the attainment of the social values of economic security and social well-being considering conditions of low incomes and status loss due to unemployment or disemployment.

Closely related to this is the deplorably significant lesson brought to the fore by Dr. Dalisay that our existing agricultural research and extension support institu-

²Dumagat, F., Some reflections on the factors of effectiveness and viability of rural organizations, *Journal of Agricultural Economics and Development*, Vol. XI, No. 1, January, 1981, pp. 23-45.

³Dumagat, F., Studies of member-participation and business operation of three types of cooperative organizations, Terminal Report, Agricultural Credit and Cooperatives Institute, UPLB, College, Laguna, September 1979, p. 41.

tions have not succeeded in bringing improved technology to the small and underprivileged farmers to this very day. For certain there are many factors involved here but it seems that farm technology in the form and manner that it is being generated and extended may be now becoming a stratifying criterion among the farmers when before it was mainly land tenure. Consequently, the social gap or distance between the small farmers and the big farmers may be ever "widening."

On the other hand institutions need time to grow and flourish into a viable and regular part of the life in the barrios; they cannot be hurried or rushed on a crash basis nor press released into instant impact. This calls for an historical perspective or a long term view on institutions as underscored in the paper. Fortunately there is now a growing body of literature on support organizations and institutions since the 1950's to the present and concomitantly there is this pressing need to review these studies with the end in view of extracting theoretical or conceptual paradigms as well as deriving pragmatic or action-oriented propositions or principles for better understanding and implementation of development programs. Recently some starting efforts have been made toward this direction on the part of PCARRD in the form of state of the art papers or reviews but a more theoretical and pragmatic synthesis of the literature is needed to capture both the substance and soul of what Dr. Dalisay calls "institutions in the transformation of rural life."

