

# Implementing Community Enterprise System for Sustainability of Agricultural Communities - A Manual

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# Preface

Seeking efficiency for individual profit has been the key to many human endeavours. The modern industrial organizational design appears to offer the maximum incentive towards this objective. However, with increasing growth of the economy and industry through this predominant form of organization, there has been growing inequity across the industrializing world. This phenomenon of industrial growth and growing inequity has been safely categorized as *development paradox*, with very little attention to resolve this paradox.

*External competition and market-based economy* are the few foundations on which the industrial organizations have grown to become large multinational corporations. While competing with others has been a means to improve efficiency, the issues of *effectiveness* and *sustainability* of this predominant thinking and methods have hardly been questioned and analysed.

Greater efficiency of the modern industrial organization has indeed drawn the attention of most people in policymaking, bureaucracy, and development sectors, and even among scholars to adopt the design of industrial organization across all sectors.

However, the issues of size, scope, technology, ownership and management of an organization with reference to

different technologies and different profit objectives have not been sufficiently addressed. The lack of understanding of the complexities and clarity on many of these issues have led policymakers, bureaucrats, governments, NGOs, and development agencies to push the marginal and small farmers along with other rural producers to adopt and be part of the industrial organizations; a process where the small producers lose out in the long run.

The foregoing issues and concerns relating to policies and practices for sustainability of rural villages, the basic units of our society, have prompted me to develop this manual. It has been developed from experiences on the ground, learning from the errors in the various stimuli used in action research, and deep reflections during about a decade through a multi-partner action research on **community enterprise system (CES)**<sup>1</sup> for sustainability of the marginal and small farmers/producers in the rural agricultural settings.

The initial thoughts on these issues evolved around the year 2000 while working on the investment strategies of multinational enterprises as part of my doctoral work in Kobe University, Japan. My wife also shared similar concerns. I began to give more time to explore these issues after I returned to India and began to work in the Xavier Institute of Management, Bhubaneswar. We began to invest a little resource to initiate this

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<sup>1</sup> Nayak, Amar KJR. Optimizing Asymmetries for Sustainability, Seminars at the Planning Commission, Government of India, New Delhi (Jan 2009), Kobe University, Japan (July 2009), Osaka University (July 2009), XIM-Bhubaneswar (Oct, 2009), CAIM-PMU, MSAMB (2009, 2010), Global Conference on Agriculture for Development-FAO, France (Mar 2010), Global Conference on Shaping the Future, UIA, Mexico (April 2010).

endeavour and in due course we formed the Sustainability Trust to support this endeavour. Subsequently, many individuals, institutions and organizations, viz., OCD, XIMB, NABARD, Rabo Bank Foundation, NISWASS and government(s) have come forward to jointly explore these deep concerns of sustainability.

The present manual presents a broad framework, basic design principles, methods, processes and strategies for developing a Community Enterprise System for sustainability of smaller agricultural communities. The ongoing action research in this regard has shown remarkable trends for communitarian

spirit, commercial viability, and sustainability of the community based-paced-owned-managed enterprise system. However, it is too early to provide a definitive programme for building sustainable community systems.

While the basic principles of design and management towards sustainability as in the manual will be applicable across communities, the degree of variations in the design parameters needs to be evolved and chiselled for your respective community context and settings. I hope this manual will be useful to you in your efforts to initiate a sustainable community enterprise system in your own community context.

Amar KJR Nayak  
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I am very grateful to NABARD for the risk it took to invest in this project. The Department of Economic Analysis and Research (DEAR) of NABARD took up the main burden to review the proposal, recommend and guide the project. Many experts in NABARD have contributed to it. Dr. Prakash Bakshi, Chairman, Dr. K G Karmakar, MD (retd.), Dr. A

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As the first phase of NABARD support was nearing completion, Rabo Bank Foundation, Netherlands saw the value of the cooperative system for sustainability of the small and marginal producers of Nava Jyoti and came forward to strengthen the capacity of the producer group for a sustainable optimal commercial scale of operation. It supported by way of a grant towards capacity building, basic physical infrastructure and other needs of the producer group for integrating its activities with value addition, integrated farming practices, credit linkages and marketing linkages. Without this critical and timely support, the project could not have stayed on its planned track. I especially express my deep appreciation to Mr. Arindom Dutta, Mr. Cherry Jacob



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# 1. Introduction

The main objective of the action research has been to develop a *community enterprise system* (CES) that would sustain the resource-poor, small and marginal farmers/producers in a developing-country context like India. Developing a sustainable CES, however, requires deep understanding of the *asymmetries* in the institutional arrangements within and outside the rural agricultural community. Most importantly, it requires *simultaneous optimization of design variables* for sustainability of its core constituents, namely, the small and marginal farmers/producers.

The present manual for implementing a CES in a rural/tribal agricultural setting has been developed based on the ongoing action research to operationalize Nava Jyoti CES in a cluster of about 55 tribal villages in a remote region of Rayagada district. For details on Nava Jyoti, please visit [www.navajyoti.org](http://www.navajyoti.org) or <http://www.ximb.ac.in/~navajyoti/index.htm>

The **purpose** of the manual is to provide some basic building blocks for developing a community-based-owned and -managed enterprise system, which can serve as a local institution to interact with all external institutions, organizations to ensure overall well-being of the community. The basic **unit** for performance analysis is the family of the CES.

The basic **principles** for implementation are: (a) sustainability of the community rests on sustainability of the weakest in the system, (b) developing faith, trust and cooperation among all members within the community, (c) developing competence of local facilitators and co-workers to systematically, professionally and responsibly operate the system.

The basic **approaches** of implementation are: (a) building blocks in the implementation are facilitated through a bottom-up and not a top-down approach,

(b) value of labour of rural producers to be enhanced by *gradually integrating* the various production activities of the small and marginal farmer/producer families in the community, and (c) resources and competences required for implementation are to be *converged* at the CES.

The manual has been presented in eight sections featuring the key issues, methods, techniques and tools that can be used for analysis and implementation. Following the Introductory section, **Section 2** explains the realities of today in terms of the contextual complexities and development paradoxes. While the manual is aimed to provide guidelines for implementing CES towards sustainability of a rural / agricultural community, **Section 3** explains the limits and logics of sustainability. **Section 4** describes the detailed design of the CES that could lead to a sustainable community system. The key design issues discussed include purpose, size, scope, technology, ownership, management, market and key functions of facilitators and co-workers.

**Section 5** focuses on the core implementation strategy, including scope of activities, steps, sequence, operational methods and processes. It describes the identification of the community, contents of baseline survey, strengthening the

communitarian spirit in the community, development of community organization structure, development of basic physical infrastructure, facilitation of community health and education, development of sustainable market linkages, provision for micro-credit security, working capital arrangement, development of value chains, introduction of integrated low-cost organic agricultural practices, creation of village-level retail shops, integrated farm activities with other agricultural, forest, and allied activities, integration of community activities with watershed management, establishing institutional linkages to converge resources and capabilities and the withdrawal plan of the institutional champions and external agencies.

**Section 6** discusses the management and governance aspects. The section includes the process of building local human competences, development of organizational routines, integration and separation of activities by the facilitators and co-workers, and convergences of resources and capabilities.

**Section 7** discusses the keys for developing sustainable cooperation. **Section 8** discusses the replication strategy of the sustainable community model in the adjacent communities.





## 2. Complexities and Paradoxes

The context of marginal and small farmers /producers in the Indian rural/tribal agricultural setting is highly complex. The complexities arise out of the various types of asymmetries in information, knowledge, skills, competences, resources, technologies, power, etc. The industrial development model that has been pursued for long by governments and non-governmental organizations across various sectors has led to higher inequality in society.

The reality of the small and marginal farmers / producers has not been sufficiently theoretically conceptualized. The lack of synergy in understanding the reality of resource-poor agricultural communities and the theoretical underpinnings of policies and practices throw up great challenges in developing a community enterprise system (CES) as a local institution for sustainability of rural agricultural communities. Let us therefore briefly review the context of small and

marginal farmers/producers and the theoretical context under which policies and practices have emerged.

### 2.1 Context of Marginal Rural Producers

The poor and small farmers/producers have several disadvantages compared to the urban and industrial market economies. Some common features are:

- small farm size
- lower capital base
- lower resource/asset base
- Some families have no land
- loss of community identity
- large scope with lower product specialization
- lower competence (information-knowledge - technology) base
- limited ownership (advantages)
- simpler management /organizational skills
- a large resource base (CPR) available but lack of access and ownership for production

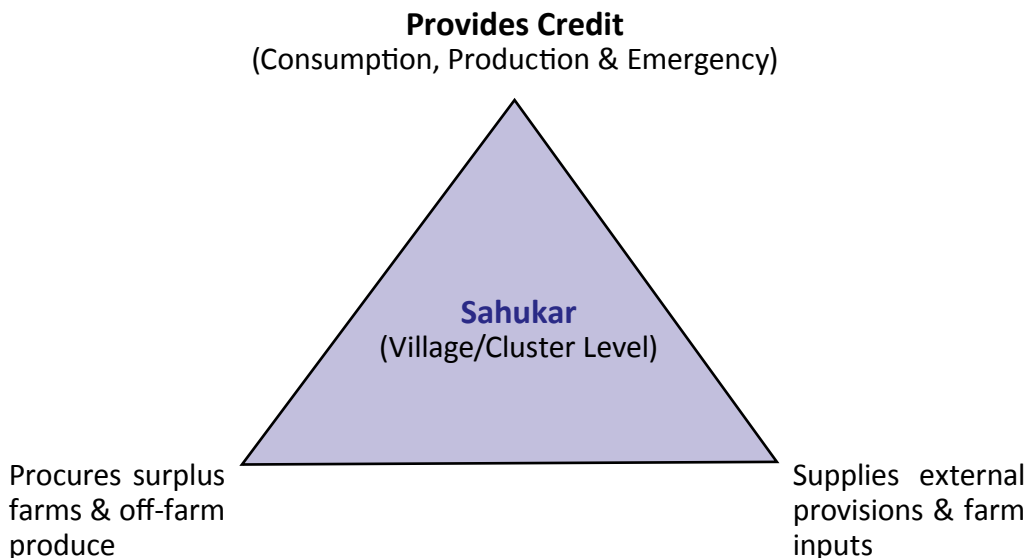
- Small and marginal farmers/producers have traditionally produced agricultural produce or gathered minor forest produce primarily to meet the food and nutritional needs of the family. Only the surplus produce was meant for marketing.

One of the most powerful traditional local or community-level institutions has been the local trader/moneylender/sahukar. This institution has been providing multiple services such as production credit, emergency credit, purchase of all types of agricultural and forest produce from the small producers/gatherers, providing retail services to supply food items, agricultural inputs, household items, clothes, etc. For all the variety of services and the flexibility of services, the rent charged by this institution is usually exorbitant. In the absence of an alternative to such flexible, single-window service, the relationship between the small resource-poor producers and

the local trader/moneylender/sahukar has been parasitic. **Figure 2.1** depicts the services of the institution of sahukar.

The marginal and small farmers/producers are usually engaged in different types of agricultural production, including forest and livestock produce. With the popularity of modern agricultural practices that have been introduced through various government schemes, many unsustainable technologies and practices are available to them as a choice, but this has not solved their long-term problems. Even the various agriculture and credit extension services set up by governments have not reached most of them. Migration of youth from these communities seeking jobs as urban and industrial labour and household workers in nearby towns and far-off cities is rising. The paucity of people working on farms is in turn showing signs of reduced food production and shortages in food supply.

**Figure 2.1: The Institution of Village Sahukar**



Today the marginal and small farmers are exposed to various risks due to four key factors, viz.

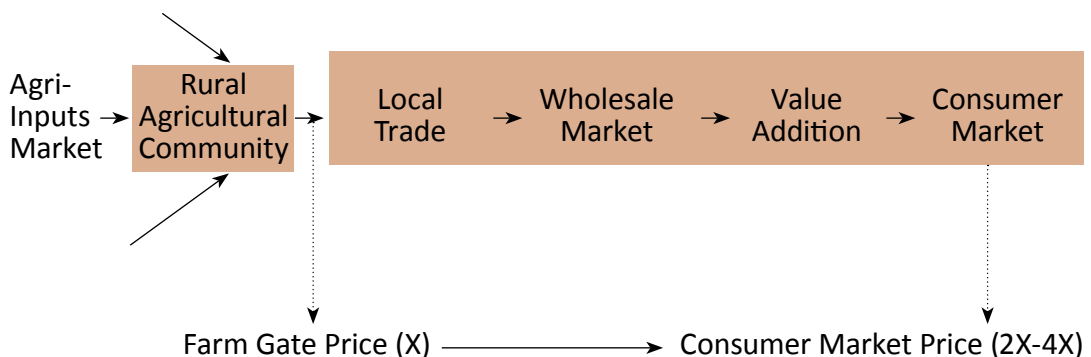
- sharp price rise in external agricultural inputs,
- weather fluctuations,
- complex dynamics in market conditions, with large buyers and unfavourable terms of trade offered by the traders and intermediaries, and
- rapid changes in the culture of agricultural communities, including migration of people from agricultural activities and owing to some government policies meant for the poor.

The two monsters of resource-poor small and marginal farmers/producers have been the *Monsoon* and the *Market*. Further, *rapid globalization* in recent years has been modifying the *culture of agriculture* and pushing more small and marginal farmers into the **vulnerable zone**.<sup>2</sup> These four factors are also heavily influenced by the strong forces of liberalization, privatization and globalization across the world. Unable to engage effectively with these forces of change, many marginal

and small farmers/producers are becoming poorer and vulnerable. Most importantly, with the gradual weakening of *local community institutions* and the absence of *local community/producer organizations*, their sustainability and the sustainability of agricultural production appear meagre.

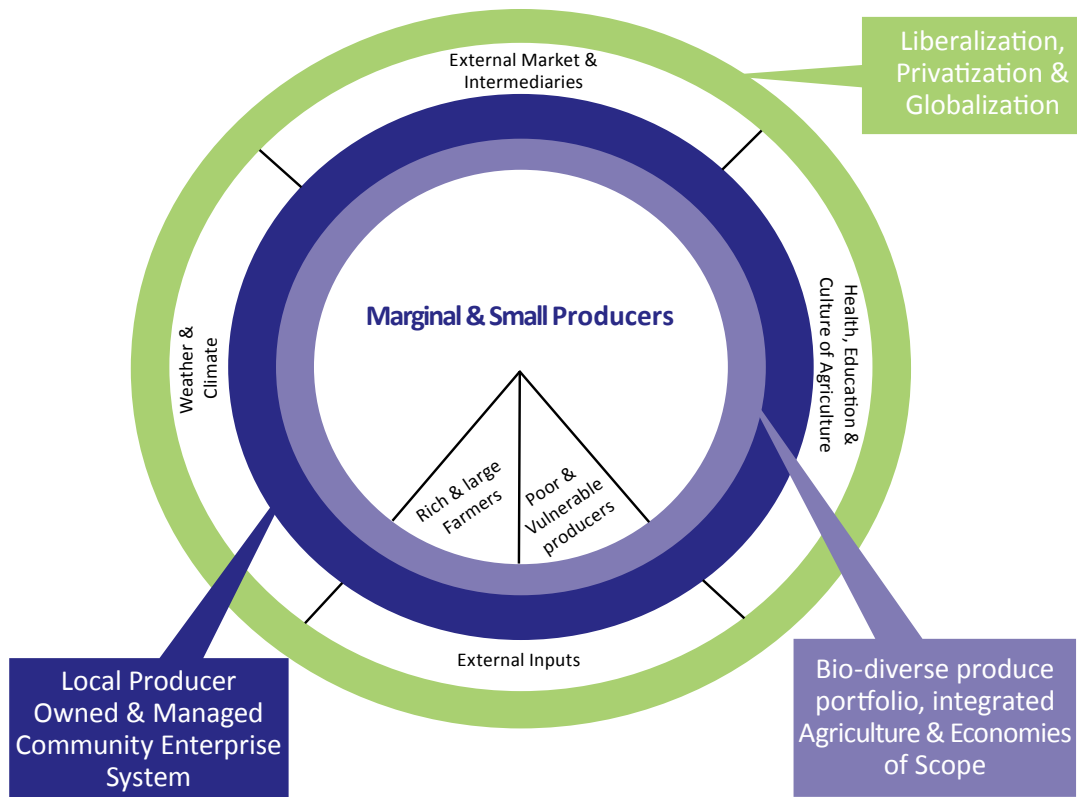
With the baggage of severe asymmetric disadvantages of resources, assets and capabilities with reference to the industrial market-based economic system, the small and marginal farmers/producers, including gatherers, fishermen, pastoralists, craftspeople, etc. are not able to improve their net incomes. The gap between the farm-gate prices and market prices has widened over the years. The various intermediaries between the producer and the final consumers, who control the value chain, leave little return for the actual producer. **Figure 2.2** shows the various players between the actual producer and final consumer and the price differential between farm gate and final consumer.

**Figure 2.2: Players in Value Chain & Price Differentials**



<sup>2</sup> Nayak, Amar KJR (2010). Globalization: A Framework for Perpetuation of Asymmetries, Vilakshan, XIMB Journal of Management, September.

**Figure 2.3: Risks, Vulnerability and Safety Measures of Small Producers**



There are two factors that the farming communities have adopted to survive in the past: (a) integrated agriculture with diverse cropping patterns, and (b) small, cohesive communities that operate on cooperative principles to meet their basic needs. However, both these protective measures have been weakened by the introduction of modern farming practices, commoditization of farm produce, growing links with international trade commodity markets, market-based policies, and emergence of new institutional arrangements.

If the traditional safety measures were to be revived, what should be the intervention strategy? How would it be implemented? Who would implement it? How should the community institution

be organized to provide single-window service to the community? Given the demand for product specialization in the competitive industrial market system, what should be the product basket of the small farmers/producers? How would this community institution interact with the market system? What management systems and processes will be required to link a community of small producers with the large buyers or traders in the dynamic competitive market structure? What should the organizational design of the community institution be, such that in the long run it retains the purpose of making the community sustainable?

**Figure 2.3** presents the risk factors and the two rings of safety measures: (a) diversified production and (b) cohesive



communities with cooperative spirit as a local institution, to increase their collective negotiating power in the competitive market.

## 2.2 Theoretical Context

We could idealize two paradigms, viz., perfect market competition and perfect community cooperation. Theoretically, the two paradigms with their respective ideal assumptions are the two sides of the same coin.

Perfect market competition is a situation where there are infinite numbers of producers and consumers in the market, there is no asymmetry in information, products and services are homogeneous, prices are determined by the market, and one can freely enter and freely exit the market.

Perfect community cooperation is a situation where there is a very high degree of external cooperation among the actors within the community. The same spirit

of cooperation also extends between communities near and far. Each actor in the cooperative context has a high degree of internal competition or seeks self-perfection.

In reality, where all the ideal assumptions are not functional, the two paradigms part ways from each other. **Competition** and **Cooperation** emerge as two different paradigms. Each has its own distinct language, logic and value base.

The purpose, approach, principles, vocabulary and language, tools and techniques, and values of both these paradigms are at two extremes. For instance, the **purpose** under competition is self, contrary to *community* under cooperation. The principle of competition is to seek *efficiency* under competition, contrary to *sustainability* under cooperation. The **approach** under competition is *top-down*, contrary to *bottom-up* under cooperation. The **vocabulary and language** of the two worlds are different. While economic rationality, market, globalization, etc.





form the basic vocabulary in competition, moral values, social harmony, cultural vibrancy, and sustainability form the basic vocabulary in cooperation. Further, the **tools and techniques** of competition include private property rights, contracts, money, capital and control, contrary to common property rights, trust, participation-democracy and social capital under cooperation. The **values**, if any, under competition are to take or draw from the externality and accumulate for self (clan value), contrary to love, service and sacrifice (universal value) under cooperation.

All enterprises or organizations in human history, whether for-profit or not-for-profit organizations, public sector enterprises, cooperatives or any form of social enterprises, fall within the two extremes of the spectrum. In other words, all forms of enterprises or organizations are hybrids of these two paradigms. Most enterprise and organization designers however seem to be unaware of the contrasting features of the two paradigms and hence create

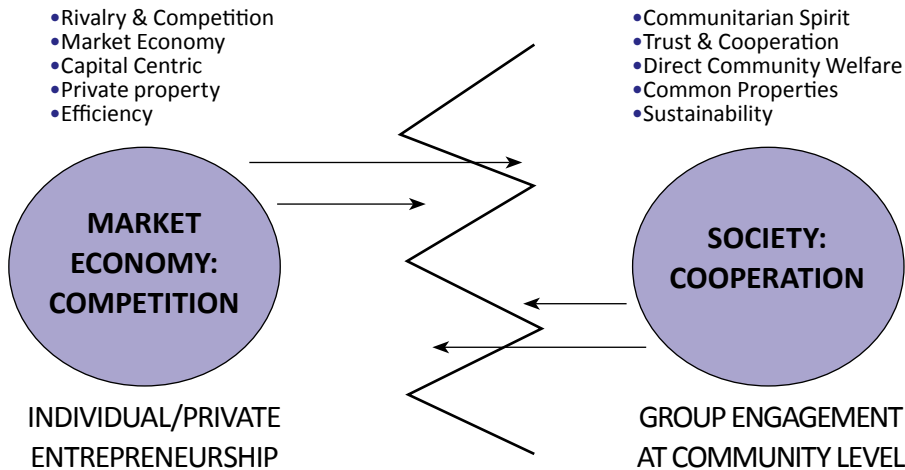
hybrid organizations that have potential for internal conflict.

Among industrial organizations, the Japanese companies and their supplier networks seemed to have been different from the American companies and their supplier networks. These organizational designs try to incorporate several inclusive strategies like parenting strategy, complementary strategy, corporate social responsibilities, social enterprise strategy, collaborations, partnership for co-creation etc., the biggest among them tend to control and gain more from others in the group.

As observed in the last decade, both these industry structures are giving way and no longer seem to be sustainable. Similarly, many government organizations, non-government organizations (NGOs), community-based organizations (CBOs) like self-help groups (SHGs), cooperatives, etc. and other not-for-profit organizations face several internal conflicts over time and subsequently collapse.



**Figure 2.4: Systems View of the Current Chaos & Challenges to Connect Market Based Economy to Society**



Community organizations essentially would thrive on the logic of cooperation and industrial organizations are usually designed on the premise of competitive market principle. Their language, logic and value base lie in two different paradigms. Unless proper conduits are designed for the two types of organizations to have partnership, there is likely to be tension, confusion and collapse of one, generally the small community organization. **Figure 2.4** shows the current status of chaos when producer organizations partner with industrial organizations.

With increasing industrialization and globalization, most organizations and institutions of today are getting redesigned with more features from the paradigm of external competition. Unfortunately, the reality of high levels of external competition has not shown sustainable results for society. We see that the intensity of market competition has increased inequity across the industrially

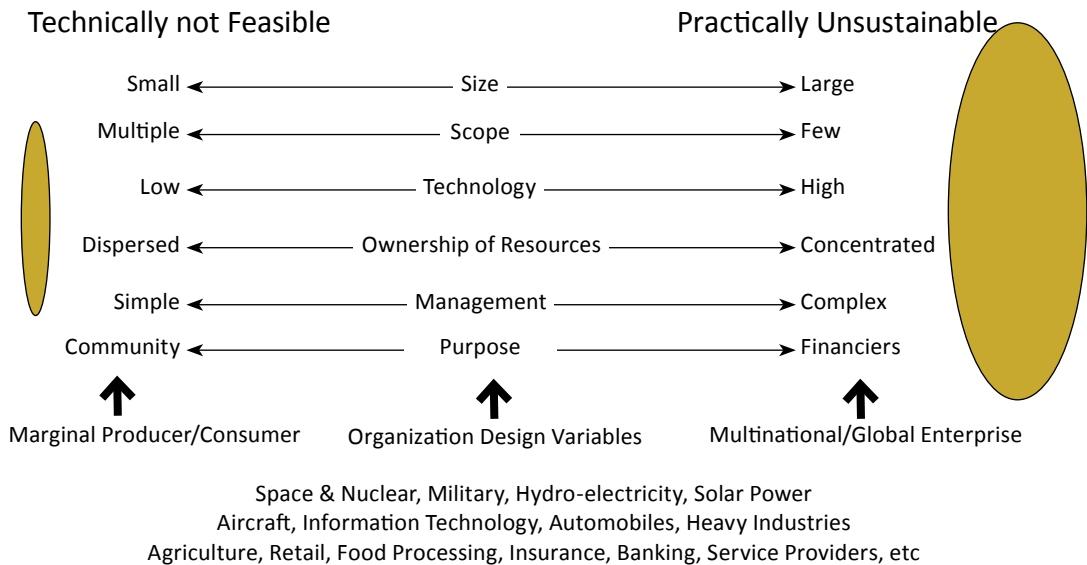
advancing countries and reduced the sustainability of society.

To add to the problem of market-based economy in a capitalistic framework, the industrial organization design seems to dominate the thinking process of managers/executives and policymakers working in various sectors, viz., corporate houses, governments, NGOs, social enterprises, cooperatives, producer companies, SHGs, etc. The traditional organizational designs are structured to control and to perpetuate control; factors that are possibly the seeds for the growing **un-sustainability**.<sup>3</sup>

From the basic axiom of inherent asymmetries in nature and human behaviour, the traditional large-industry organization design reinforces un-sustainability over time. The six steps from the basic axiom of asymmetry to un-sustainability are: (1) Asymmetry is inherent in Nature, in human beings, in

<sup>3</sup> Nayak (2011). Indian Multinationals: The Dynamics of Explosive Growth in a Developing Country Context, Palgrave Macmillan, UK

**Figure 2.5: Directions & Positions of Organization Design Variables in different Sectors/ Industries**



organizations, and in institutions. (2) The traditional firm with its objective of profit and growth is designed with different asymmetry-generating control variables like size, scope, technology, ownership (of resources and capital), and management. (3) Each asymmetry-generating control variable has a direct relationship with other asymmetry-generating control variables. (4) Asymmetry-generating control variables, individually and jointly, perpetuate asymmetries infinitely. (5) Perpetuation of asymmetries through the asymmetry-generating variables of the firm scale up the economic-social-environmental asymmetries in society. (6) Scaling up of asymmetries within society forms the basis for overall **un-sustainability**.<sup>4</sup>

A producer organization, to be sustainable to its community, would require the

designers and implementors to appreciate the logic of two other fundamental issues of sustainable systems. One, that society is structured through externally driven competition; and the locus of sustainability in that structure needs to be brought into the logic of cooperation. Two, that strengthening the weakest link in a system strengthens the whole system. This is explained by the theory of **constraints**.<sup>5</sup>

While the basic design variables for any type of organization, whether a large industrial organization or a small SHG working on cooperative principle, should be the same, the specificity of the variable leads to either asymmetry generation or asymmetry reduction by the organization. **Figure 2.5** shows the design variables and provides the spectrum for each design variable where the different types of organizations are currently located.

<sup>4</sup> Nayak (2010). Optimizing Asymmetries for Sustainability, Research Training Seminar, XIMB, India

<sup>5</sup> Goldratt Eliyahu M. & Jeff Cox (1992). The goal: a process of ongoing improvement, North River Press



In the foregoing backdrop of organizational design and sustainability issues, there is a serious conceptual vacuum regarding (a) whether the industrial organization design is suitable for small farmers/producers; (b) whether the SHG model is technically and commercially viable; (c) the design variables of a community organization that can lead to sustainability of a community; and (d) how to simultaneously optimize the different design variables for moving towards sustainability.

Empirical observations show that neither are the large global corporations practically sustainable to society nor are the small SHGs technically and commercially viable in the long run in the current overwhelming market economy. While we are aware that the optimal positions of the variables would depend largely on the context and the nature of industry, either of the extreme positions is sub-optimal. We observe that on one hand the small and marginal enterprises

are technically not feasible; on the other hand, the large multinational and global enterprises are un-sustainable in society without coercion. The answer for optimal organization design variables lies somewhere in the middle of the spectrum.

For technological indivisibility in a productive activity, the size of operation needs to be as large and concentrated as that of the large multinational corporations of the world. For technologically indivisible production technology, while the size and capital could be large, the ownership need not be concerned in a few hands but is preferably publicly held. In agriculture and allied activities, where the production technology can be decentralized, community organizations of small and marginal farmers need to be designed accordingly.

It is extremely important to be aware whether the language, logic and value base of the paradigm of competition or

the paradigm of cooperation will lead to sustainability of the small and marginal producers and society as a **whole**.<sup>6</sup> As has been observed by many, cooperation is the only way out for the small and marginal producers.

Producer organizations therefore need to be primarily designed with the features of cooperation and at the same time with some features that will enable the producer organization to interact with ease with the existing market system. The producers as we know today have to transact their

surplus produce in the market system that operates in the paradigm of competition; that is primarily driven by price and quality of products.

Further, the process of forming the community-based producer organization also involves facilitation of systematic and smooth transition of people who have moved into the paradigm of competition to the paradigm of cooperation. This implies a careful planning of appropriate steps, path, processes, and routines to reduce the tensions of transition.

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<sup>6</sup> Nayak (2011). Efficiency, Effectiveness and Sustainability, XIMB Sustainability Seminar Series 1.0





## 3. Fundamentals of Community Enterprise System

The community enterprise system (CES) that is referred to in the manual is a development prism through which a holistic and integrated development towards sustainability of a community may be achieved. Let us therefore first look into the basic logic and approaches of this development prism. Then we shall discuss the design of the system that can synthesize them.

### 3.1 The Logic

The basic logic of the development prism of CES towards the sustainability of the community is:

- (a) It is in giving to others that we as individuals and as a community grow, develop and sustain.
- (b) Trust, cooperation and sharing among the members within the community and outside are the sources of deeper inter-relationships, development of

sustainable value base and greater community bonding, factors that are keys to the sustainability of a community.

- (c) Sustainability of the community rests on the sustainability of the weakest within a community system.

### 3.2 The Approach

The basic approaches of implementation in the CES are:

- (1) Select a **Cluster** of villages/people in given micro-climatic-socio-economic condition(s) and organize it as a Producer Group. The cluster needs to be optimal in size in terms of number of members and size of natural resource base of these members for commercial viability of surplus generated for marketing.
- (2) **Family** is the basic building block of a society and hence the basic unit

for analysis and monitoring with the **Village** is the basic social unit.

- (3) Systematically initiate and sustain the community mobilization processes to rebuild **trust** and **cooperation** among the people in the cluster/community.
- (4) Facilitate **health** and **education** programme, including primary education, in the community for better utilization of resources and better absorption of skills and knowledge.
- (5) Find **market** linkages to enhance the net incomes (value of labour) of rural producers.
- (6) Develop **techno-managerial capabilities** of local facilitators and co-workers from among the rural youth through on-the-job training to systematically and responsibly operate the CES.
- (7) Adopt **Integrated Low-cost Organic Agricultural Practices** to synergize with the varied resource base (micro-ecological, land, livestock, capital, etc.) and lower capability base (information, knowledge, skills, technology, etc.) of small producers.
- (8) Gradually **Integrate Production Activities** at the individual small producer level for synergy, efficiency and to increase net incomes of the producer across 365 days.
- (9) Organize to **Converge Resources and Capabilities** into the CES that is required for implementation of the multiple tasks of health, education, increase in net incomes, and various types of infrastructure in the community.
- (10) External champions (educational institutions, civil society members) and development agencies (NGOs, trusts) need to work as catalysts to develop a sustainable CES and have a clear **plan to exit** from the community

and its enterprise system within five to seven years of intervention.

### 3.3 Purpose, Functions and Market

**Purpose:** In the proposed CES, the marginal producers form the core. The producers are not only its owners but also are the major consumers of the produce. The individual is the basic unit in the capitalistic framework. From the sustainability perspective, the CES considers **family** as the basic unit of analysis. Hence sustainability of the producer family is the prime concern and not the enterprise per se.

In India, the **village** continues to be the fundamental **social unit**, where families share and exchange goods, services, joys and sorrows by cooperating, complementing, and supporting each other. Traditionally, the common property resources in and around a village have been under the control, supervision and maintenance of the village. Therefore, in this approach village needs to be strengthened as a vibrant social unit. In the current economy and business context, aggregation of produce at village level, however, will not provide optimal surplus volume of produce/products for effective transaction in a larger market system. Therefore, to generate commercially viable marketable surplus of a set of produce/products, a **community** consisting of a few villages spread over an optimal geographic area is considered as the operational unit of the CES.

Initially, the objective of local value addition and local exchange of produce is to reduce its cost by reducing the number

of intermediaries in the process of value addition and the cost of transportation, packing and unpacking, of certification by an external agency, taxes, etc. Reducing cost and making the produce locally available would in the long run increase its internal consumption in the local community, thereby increasing the nutrition levels in the community. The surplus produce/products may be sold by the CES in different markets that it can access easily; starting with the local community.

**Functions:** The functions of CES will include a variety of activities. However, these activities need to have a strategic sequence based on the needs of the community, attractiveness to the producer members and complementarity to each other. After the initial community mobilization for cooperation, the key functions of the CES include (a) marketing of surplus produce for better net price realization for the producers/farmers, (b) providing them emergency and production credit and subsequently facilitating consumption demand by partially supporting the retail outlets in the villages of the community, (c) encouraging adoption of integrated low-cost organic agricultural methods with minimum external inputs and with better management of land, water and other natural resources, (d) planning, budgeting, scheduling and strategizing to integrate activities of the producers/farmers round the year in order to enhance total net income to the producer, and (e) continuously engaging with them to build the faith and trust of the people to cooperate with each other in the community. All these activities are to be carried out by the local youths as interns

to the CES through on-the-job training and guidance from the professionals and institutional champions of the CES.

**Market:** The market for the CES has to be strategically chosen in order to fit the produce/product basket and the competences of the producer group for the maximum net income possible for the farmer/producer. Since in the early stages the CES will largely engage in agricultural produce with very little value addition, it will only be appropriate not to transport the product to distant markets. However, the distance and the market may be chosen based on the attractiveness of net price realization.

In the initial years, for produce/products with longer shelf life the CES could target larger markets like the state capital and large industrial locations with higher purchasing capacity. This would be profitable and help establish a brand. Gradually, it could move closer to its own community, such as district headquarters, nearby commercial towns, block headquarters, local shops, hostels and anganwadi centres and the people of the community.

Market is to be seen as a point of frequent, consistent and reliable information sharing that facilitates transactions of produce/products. Hence, the market can be the village, weekly haat, panchayat, block, district, and state. Depending on the situation and context, the CES can choose to establish its markets at different points for different products. It is however not advisable to go beyond the state level in the early years of operation. As a thumb rule, the market boundary for direct selling



by the CES should be within 300 KM from its cluster. It is also advisable that the CES establishes its quality and service in the local market before venturing to far-off markets.

Developing market networks for selling the surplus produce of the community needs to be given importance from the beginning of an intervention for two important reasons. *First*, marketing of surplus produce has been one of the biggest challenges in most development interventions. Unless the surplus consumable produce or the commercial produce is exchanged for a fair price, increasing the net income of the producer, the motivation to produce declines and out-migration from agriculture takes place. *Second*, developing market networks usually takes a long time and hence work on this front needs to begin early.

Further, keeping the marketplace closer to the site of production could help stabilize the local demand-and-supply situation and reduce the risk of price fluctuations of the global markets for

the smaller producers. This practice will also be in line with a healthy way for food production and consumption in the long run.

### 3.4 Design Variables of CES

The core design variables include *size, scope, technology, ownership, and management*. These variables need to be simultaneously optimized based on the community context such as social, cultural, geography, micro-climatic conditions, basic infrastructure, etc.

System design essentially approaches the issues of sustainability from the community perspective and the capabilities of its members. Sustaining and improving the quality of life of the family of the small and marginal farmer/producer is likely to ensure overall sustainability.

#### 3.4.1 Size

While growth in size in terms of sales and revenue turnover form the basis of a traditional firm, the CES is designed for an **optimal size**<sup>7</sup> in terms of number of producer members and operational area/cluster size of the community. Geographic contiguity, ease of communication among the producer members, transport facility available and logistics issues should be considered while determining the size of the community. Logically micro-watersheds or micro-ecological units need to be used as micro-units for identifying a cluster and size of the CES.

Typically about 500-1000 farmers spread over about 2000 – 5000 hectares of natural resource base (land/forest/water) consisting of about 5 micro-watersheds can

<sup>7</sup> Nayak (2012), Size : The Design Complexity for Sustainability, XIMB Sustainability Seminar Series 7.0



provide sufficient marketable surplus for commercial viability of a CES. Depending on the topography of a region, viz., hilly, plain, or coastal the optimal geographic size of the cluster could be determined.

Given the existing political boundaries under the Indian constitution, for all practical purposes and easy cluster formation; one Gram Panchayat (with about 20 villages) in sparsely populated regions will make an optimal cluster/community. In geographically smaller GPs with dense population, if marketable surplus produced is one GP is commercially not viable for a CES, there may be a need to consider two Gram Panchayats as the community/cluster size for the CES.

### 3.4.2 Scope

While traditional firms/corporations focus on a few products or services for higher efficiency, the CES will seek economies of **scope**<sup>8</sup> for the produce/product. Aggregation of small surplus produce will be important in the early stages. Given their small landholdings, small resource base, and environment-friendly attitude, the marginal producers can only produce small quantities of different items. The surplus after consumption by the family is scanty. Further, the production relationship is linked to the natural resources and the seasons of the year. Further, every ecological system has a variety of resources to sustain its inhabitants. Given the complementarities and nature of things in a micro-ecological setting, adopting greater scope of produce for the CES would be sound and logical. Gradually, depending on availability of land

and natural resources, a few commercial crops may be added to the existing crops meant for consumption and nutritional security of the community.

Small producers are best suited to leverage bio-diversity in a given micro-climatic condition. Their nature of activities is also varied and changes in different seasons of the year. In these conditions, synergy in activities can be achieved by integrating all possible economic activities that a producer family usually undertakes in a year. The activities could include agricultural, livestock, horticultural, minor forest produce, and allied activities including craft. Through this integration the CES can assist the small producer families generate more production, net income and their own sustainable well-being.

### 3.4.3 Technology

In the given context, technology could include the process of farming, the type of farm inputs or the type of farm machinery being used. Technology intensity may be relevant in industries where the issues of indivisibility and technological compatibility matter. However, given the nature of production and consumption patterns in agriculture, farm produce, and the marginal farmers, technological intensity may not be appropriate. While intervention with appropriate technology would be effective in complex, diverse and risk-prone (CDR) agricultural settings, the current nature of technological interventions has been found to be largely deficient in most marginal producers' **agricultural settings**.<sup>9</sup>

<sup>8</sup> Nayak (2012), The language, logic & value base of cooperation versus competition in the context of Sustainability, XIMB Sustainability Series, 8.0.

<sup>9</sup> Chambers, Robert (2005). Ideas for Development, Earthscan



Technological intensity would invariably exclude the marginal producers from the production system. **Appropriate technology**<sup>10</sup> with improvisation of local technology, wherever available, could be used for achieving better efficiency of the small producer and agricultural communities. Leveraging the technical capabilities of the people and creating a mechanism to complement the local knowledge and capability would help. Adapting appropriate and people-friendly technologies could enhance efficiency. The age-old tradition and capability of integrated low-cost organic agricultural practices, including in-farm seed production, biomass and organic input generation, and in-situ water and soil conservation have been rediscovered to be the most sustainable agricultural methods.

Technology is highly path dependent and hence selection of any technology in agriculture for rural small producers needs careful scrutiny for long-term

implications. Further, high-end technology typically is capital intensive. Dependence on advanced technologies for seeds, fertilizers, pesticides, irrigation methods, machinery, storage and transport, international marketing, etc. would automatically make the small producers highly dependent on large capital and large investors. The small farmer or producer should not try to play in a market system where s/he does not have ownership advantage such as in high-end technology and financial capital. It is wise for them to adopt integrated low-cost organic agricultural practices, a technique where the total cost of production is lower, the yield is higher, the quality of produce is better, market demand is higher, and hence their net income will be better.

#### 3.4.4 Ownership

CES is to be owned by the farmer or producer families of the community. The producer could include any family that is directly engaged in any productive economic activity within the community that is socially and legally acceptable. The activities could include farming, collection of minor forest produce, horticulture, livestock, fisheries, dairy, pastoral, artisan, craft, and other agricultural and allied activities. The success and sustainability of CES relies heavily on how the people in the community own up the local institution. **Ownership**<sup>11</sup> can bring in responsibility and accountability, which in turn will reduce the overall transaction cost. The community needs to be mobilized to understand and appreciate the deep relationship between the feeling

<sup>10</sup> Nayak (2012), Integrated low cost Agriculture for Internal consistency and External Synergy for Sustainability of Small holder Farmers, XIMB Sustainability Series, 6.0.

<sup>11</sup> Nayak (2012), The language, logic & value base of cooperation versus competition is the context of Sustainability, XIMB Sustainability Series, 8.0.





of ownership and their own contribution to the formation, stabilization and operations of the CES. The producer members can contribute to it in terms of financial capital, social capital, or free labour.

The size and source of capital employed in CES should be carefully chosen. Optimal levels of capital should be employed: capital intensity would exclude a majority of the community because of the high asymmetry of resource base in it. Professional guidance to organize in the first few years and untied seed capital as grant from the government or from reliable organizations that sincerely support community development would substantially remove the capital asymmetry.

### 3.4.5 Management

Through a gradual training process, the management of the CES should be gradually handed over to the facilitators

and co-workers of the community. The local youth could be trained on the job as interns in the CES to develop competences to handle multiple tasks. Subsequently, some of these interns will emerge as key facilitators of the CES. These interns can be trained to professionally manage their respective CES through the curriculum of “**Management @ Grassroots**”<sup>12</sup> developed by XIMB-SFAC.

In other words, the local youth through a systematic training process become the facilitators to undertake various operational activities such as marketing, book-keeping, logistics, value addition, documentation, planning and coordination.

However, a clear transition strategy to transfer the management skills to the local youth needs to be developed. In the first two to three years, a layer of external professionals need to be

<sup>12</sup> Nayak (2012), Management @ Grassroots : Curriculum for training & capacity building of Farmer Produce Organizations, XIMB-SFAC Publication.

guided by wise development experts and sensible management experts. The experts need to guide and help the external management professionals to contextualize their approach of (generally) industrial organizations under competitive settings to the context of CES of marginal producers under cooperative logic. The outside professionals need to be briefed about and trained on the critical difference between the logic of competition, a paradigm in which they would have been trained earlier, and the logic of cooperation that is necessary for sustainability of the rural community. These capabilities could be drawn from among the experienced scholars working on these theories, principles and practices. Such scholars are available in the good management institutions and well-known universities in India.

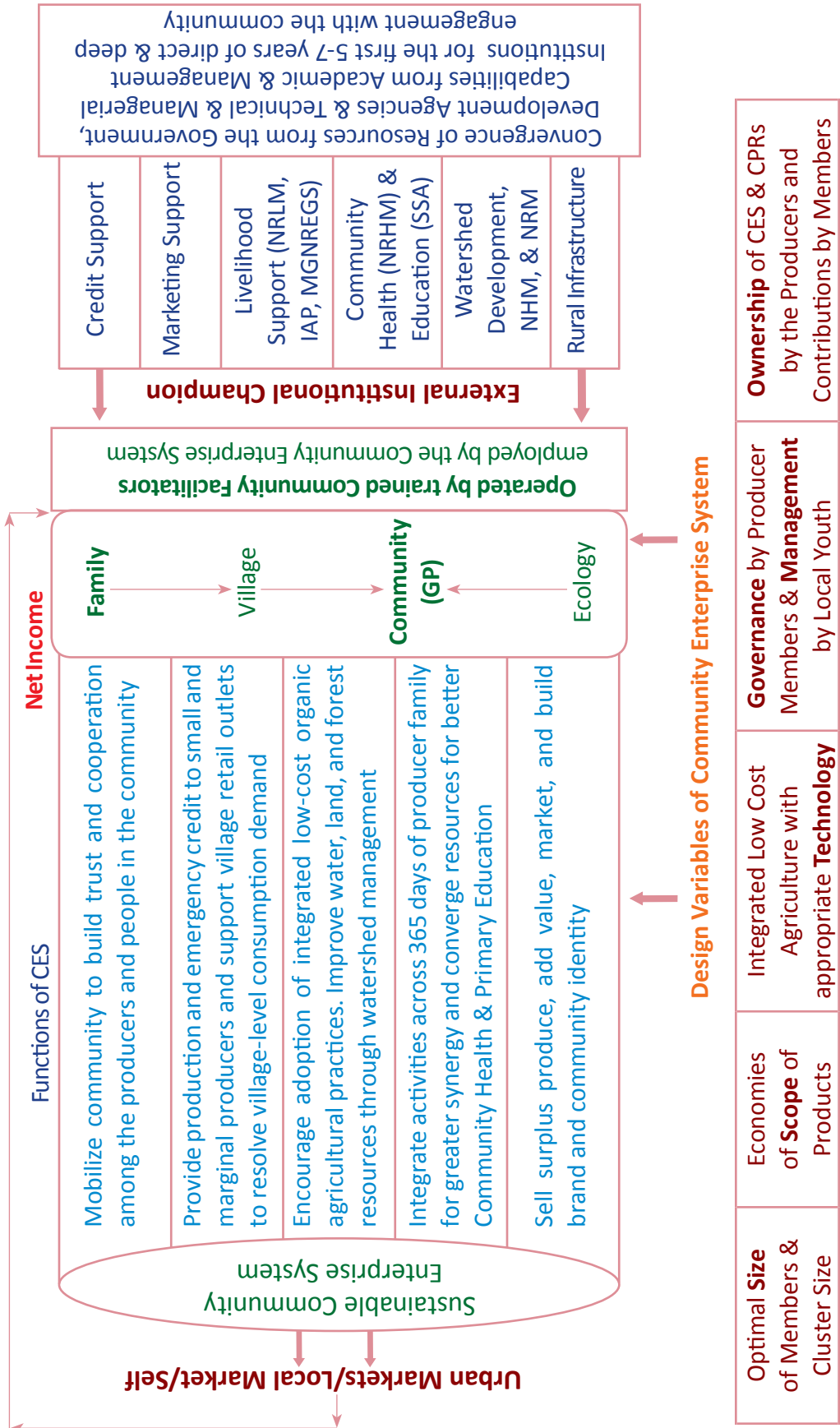
Given the various institutional issues and other problems in a typical rural/tribal agricultural village setting, the CES should be appropriately paced such that the people in the community can appreciate and accept the processes to form and develop it. The CES should not only be

community owned and managed but also be based in the community.

**Optimal Positions** of size, scope, technology, ownership and management in the CES design can not only make it *efficient* but also *sustainable*. In other words, it is critical to note that simultaneous optimization of all the design variables (size, scope, technology, ownership and management) and all its functions is fundamental to the CES for taking the community towards sustainability. In determining the optimal positions of the design variables, it is to be noted that the basic characteristics (DNA) of the creation (CES/FPO/PC/PACS) should be compatible to that of the creators (small and marginal producers/ farmers). Further, seeking external synergies to the CES should not be at the cost of internal consistency of the CES.

The basic framework of CES with optimizing design variables, integrating the functions of farmers/producers, institutional linkages for converging resources, marketing surplus produce, coordination and management of CES is shown in **Figure 3.1**.

Figure 3.1: Design, Functions, Resources, Markets and Management of CES





## 4. Stages and Processes of Intervention

The steps and sequences of intervention are critical for sustainable development of a community of small and marginal producer families. Since a rural community can be sensitive to external interventions and change, the steps of interventions need to be carefully planned and implemented. The proposed intervention strategy has been based on the experiences and learning from Nava Jyoti CES in a remote tribal pocket of Rayagada district in Odisha state. The challenges and asymmetries faced in this learning experience were truly daunting, and therefore can form the basis for other implementation procedures. However, the interventions may require minor adaptations depending on the socio-economic-political-environmental settings of a cluster/community. The implementation procedure includes the following fifteen steps.

### 4.1. Identify the Community

The community consists of a cluster of villages, both revenue villages and hamlets. For technical and commercial viability of CES, an optimal size of the cluster based on factors such as number of producer families, amount of resource base available, level of economic activities possible, transport and communication facilities, and topography need to be decided. The feasibility for the village-level facilitators to meet frequently (say two to four times a month) for decision-making should also be kept in view. Ideally, the boundary of the cluster should be fixed based on the micro-watershed boundaries. However, taking the cultural, political and existing administrative boundaries, a Gram Panchayat (GP) is the most viable cluster or community size.



## 4.2. Building Trust, Cooperation and Community Spirit

Building trust, cooperation and a culture of feeling and love for each other in the community or cluster is a key step in the implementation process and for its sustainability. Although several interventions relating to the income of producers, community health, primary education, etc. may be undertaken, the key to a harmonious and sustainable community is the trust and cooperation among the members of the CES. It is therefore imperative to systematically and gradually build the awareness of the people and particularly among the small and marginal producer members on the virtues of cooperation. Community mobilization activities will need the greatest attention among all other activities and should be pursued consistently during the whole phase of intervention. It is also strategic to create a system in the CES that will continue the process of building cooperative spirit and culture of empathy in the community.

To begin with, identify people especially from among the local youth of both sexes for different responsibilities. A team of community champions in the form of volunteers, facilitators and directors need to be groomed over time. It usually takes a long time to identify the right kind of people and hence adopting an iterative process will be wiser. It will be important to have patience in identifying the right kind of community leaders and champions. These people will indeed serve as the social glue, provide the foundation to the CES and guard the sustainability of the community.



Share the idea of forming a single institutional platform in the cluster that may be at the level of Gram Panchayat or cluster. Explain to the community how the CES will serve as a common and single institutional platform to resolve the problems of various production issues, value addition, marketing and better net income realization for the labour of the producers. The community mobilization team needs to be trained to understand the overall functioning of the CES to explain these correctly to the people from the beginning.

The mobilization team also needs to share the idea of community identity and togetherness to solve the various social and infrastructure problems of the community such as improvement in community health, primary education, ownership and management of common property resources and convergence of resources and competences from the central government, state government, line departments, district administration, NABARD, or other external development agencies.

The methodology of engagement with the community needs to be participatory and community driven, even if it is slow. However, a few stimuli may be provided to create visibility, generate interest and bring in greater participation. Community mobilization process will involve explaining and jointly determining the potential activities of the CES and roles and responsibilities of the members/owners. Regularly discuss the short-term and long-term benefits of the various engagements to the members/owners, local people and the community as a whole. Share various bits of information on the activities and benefits received by members/owners. Fix a date in a month for a meeting of all facilitators, including volunteers and directors. Fix a date for weekly meeting of the facilitators and interns in their respective locations, viz. the community office and marketing offices outside the community, if any.

As the CES activities increase in the local community, some members of local PRIs, local sahkars, moneylenders and local government officials will develop curiosity in the CES. Therefore, within 6-12 months of the initiation of the activities of CES, it is advisable to create a platform for dialogue between different social groups and interest groups in the community as part of the community mobilization process. These stakeholders of CES can be initially invited to meetings where broader issues of the community are discussed, and gradually to meetings with more specific issues of CES and the community. The strategy of these regular meetings is not only to resolve the issues and find solutions to various problems of the CES and the community but also to gradually

build trust and cooperation among the small producers and all the people within the community. Community mobilization should be aimed to gradually include all the people in the decision-making process in the community and develop the communitarian spirit of care and love for each other.

### 4.3. Baseline Survey

Undertake the baseline survey of the producer families that become members (seek ownership) in the CES within the first six months of the engagement. In addition to mapping the individual producer families, village mapping including the common resource base, agricultural practices, marketing practices, etc. need to be undertaken for every village. The details of the survey questionnaire are provided in the Annexure.

The unit of analysis in this approach is the producer/farmer family. The prime objective of this intervention is to improve the well-being of every family beginning with focus on the weaker families with the overall purpose of making the





community or cluster sustainable in the long run. Hence the survey has to focus on collection of family data. A family is defined to consist of a married couple with children who are not married and live together in the same household; old parents who are not able to work and are dependent on the couple are also part of the family. A widow or a single parent with children and any dependant also qualify to be a family.

#### 4.4. Develop Community Organization Structure

As the awareness among the people in the community increases, the formation of their CES can be discussed with the people. The CES could be subsequently registered as a producer cooperative as per the Self-Help Cooperative Act of different states or as a producer company as per Section IXA of Companies Act, India. Other forms of legal entity that follow the principle of cooperation with equal right and ownership to the producer members may also be considered. The institutional arrangement in terms of the norms, regulations, procedures and relationship should also be gradually developed in consultation with the members and the people in the community. More than registering the producer organization as a suitable form of legal entity, the core design of the organization needs to be paid greater attention for ensuring sustainability of the CES and the community of small and marginal agricultural producers in rural/tribal settings.

It is advisable that the producer group be registered keeping the broad objectives of sustainability of the community; as



soon as possible say by the end of the first year of intervention. The MOU and MOA could be suitably amended, if necessary after about two years, by when a larger number of producers would have joined the producer organization. Registration, opening a Bank Account, obtaining TIN number, etc help develop a quicker identity of the community with the external agencies and the market and will help smoother transition for the producer organization.

Taking the members that joined the CES, say during the first one year, discuss and draft the memorandum of understanding and memorandum of association. Register the CES as a **producer cooperative** or a **producer company** based on the preparedness of the people. Please see Annexure for **sample MOU** and **MOA** for a producer organization or CES. Sample Job descriptions of Activity Coordinators/ Executives/Local Interns are also provided in the Annexure as a ready reference.

Based on the wise decision of its members, the producer organization can register itself for becoming a legal entity that is

either as producer cooperative under the Self Help Cooperative Act as in different states or as a Producer Company as per Section IXA of the Companies Act 1956. The detailed procedure for registration, statutory requirements and other guidelines to function professionally can be obtained from the respective Central Ministry or State Departments. See Annexure for the key steps to be followed for incorporation of a producer company. For Section IXA Companies Act, please refer <http://www.mca.gov.in> and for self help cooperative Act, please contact the respective state governments like <http://www.orissa.gov.in/co-operation/SHG.aspx?GL=28> for the state of Odisha.

To develop a local managerial pool, the local youth, both boys and girls, can be taken on short-term internship in the CES to find their suitability, especially on commitment to cooperation and community development, honesty, integrity and hard work. The potential facilitators during their internship can be paid an honorarium and a salary thereafter. The salaries should be carefully planned to cater to the basic standard of living in the given community. Since some of the facilitators will have some of their own engagement, they may be relieved without pay for some months during the year.

A selected group of local interns among the educated unemployed youth from the local community need to be trained on basic managerial functions to professionally operate the community enterprise system. The training programme “Management @ Grassroots” developed by the Xavier Institute of Management

(XIMB) with the support of Small Farmers Agribusiness Consortium (SFAC) has been specifically developed for training such interns. This training of the interns can be completed within year 1 of the intervention.

Following the short term systematic training on concepts, principles and good management practices, the local interns need to go through the **on-the-job training** with the producer organization. The other local facilitators including volunteers and directors of the CES also need to be given sufficient exposure and systematic training during the first two years. The trained facilitators, volunteers, and directors could be groomed to form the social glue for keeping the community together and work towards its well-being. This process needs to be planned in order to gradually hand over complete charge of management and ownership to the producer members and the community over a period of about five to seven years. From among the trained interns and facilitators, the local coordinators can be subsequently appointed by the end of year 2.

Gradually, introduce and improvise the management systems and processes through systematic documentation of the various activities, performance review system of CES facilitators, planning and budgeting methods. Gradually develop and introduce the methods, systems and procedures for operation of the producer organization. Please see the Annexure for the formats for management, including monitoring and controlling the activities of the organization.

As the capacity of the local interns, coordinators and facilitators increases, the external resource persons need to be gradually replaced by the local coordinators. By the end of year 3, it is possible to replace all the functional coordinators of the CES by local youth. However, to provide better balance among the interns, coordinators, and facilitators within the CES, it is advised that the Principal Coordinator be an outsider for about 5 years. Once the interns, coordinators, and facilitators of CES mature & its operations stabilize, a suitable local coordinator should take over as the Principal Coordinator.

The broad institutional arrangement and governance structure on membership and terms of cooperation could be the following, as in the case of Nava Jyoti CES.

1. The families in the community who produce some agriculture, forest, horticulture or livestock are eligible to become producer members/shareholders/owners of the company.
2. Every producer member has only one vote and hence has equal power in management decisions on price, policy, profit sharing, etc.
3. The local people, including the local youth, are to become volunteers/community workers / facilitators / employees.
4. The CES is operated by professionals, including the local youth selected by the community and gradually trained on the job by a few professionals from outside.
5. The yearly additional income (profits) from the sale and marketing of the

produce is shared proportionately among the members based on their contributions. The amount to be shared by the producers and incentives to be given to the volunteers and directors are discussed by the board of directors and an external advisory board and then presented to the general body for approval. Additional income of the company is proportionately shared among the producer members at the end of every season. Collection, sale and distribution of additional income of the produce/products shall be in three steps, viz.

Level 1: Base price paid to producer member at the time of collation of produce.

Level 2: Final price is the sale price in the market.

Level 3: Additional income (Final price less marketing expenses and base price) will be distributed among the contributing producer members every three months in the beginning and later as the volume of business increases, it may be distributed every year.

A sample organizational structure as in Nava Jyoti CES is provided in **Figure 4.1** for reference and use in respective community settings.

#### 4.5. Develop Basic Physical Infrastructure

With some level of awareness on communitarian spirit in the community through social mobilization process, building some basic infrastructure including a small community office with a meeting hall is



necessary. Subsequently, two motorcycles or mopeds for the movement of facilitators for organizing people/producers in the community will also be necessary. Gradually, a storage facility for grading and storing local produce for subsequent marketing will be required. Based on the overall acceptance and aggregation capacity of the farmers/producers, the other necessary processing, storage and value addition facilities could be created.

To facilitate the activities of the CES, a provision for about four acres of land will be highly helpful. The community office, producer training facility, storage, value addition, farming demonstration, nursery and seed bank, credit services and all services required by the cluster/community can be built on this common land.

At the individual village level, a few common facilities, viz., common drying yard, common meeting and training hall and common cattle sheds need to be provided. The common hall can also be used for evening tuition of children and

as a unit for medical check-up, whenever required. This can also serve as a common information centre at the village level.

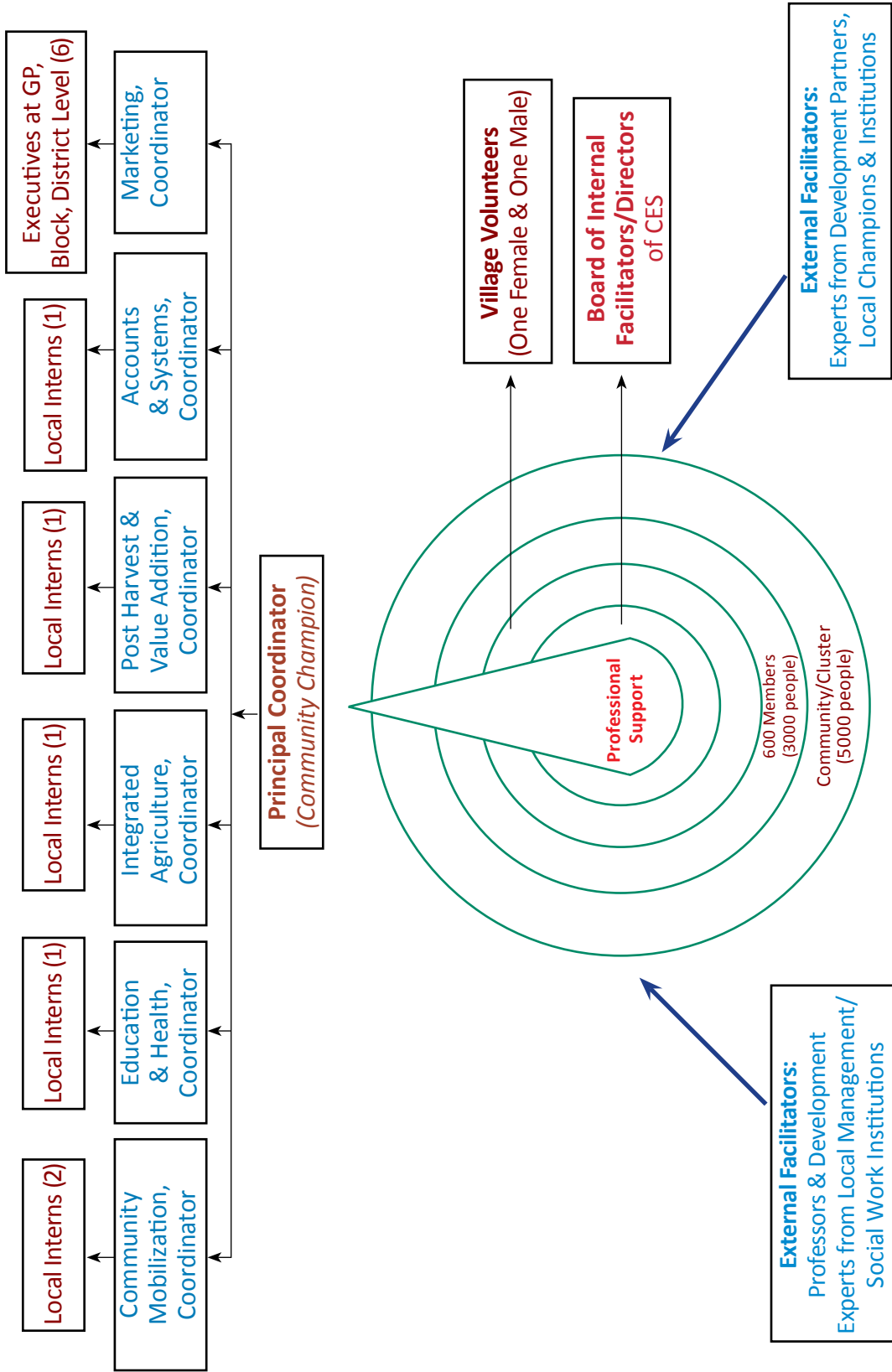
#### 4.6. Facilitate Community Health and Primary Education

In most rural agricultural communities, health and primary education of children are prime areas of concern for the small and marginal producers/farmers. Over 25 per cent of person days are usually lost due to poor health. Due to lack of good schooling, their children easily get excluded from the larger mainstream society.

To facilitate community health and primary education, the following steps may be adopted: (a) Develop a network of midwives in every village and link them through the CES to a network of doctors for consultation and advice; (b) Converge with local government support for a mobile health van and to cover the fuel expenses for it to go to the villages for consultation and providing medicines to people with the common diseases (panchbadhya) such as cold and cough, malaria, tuberculosis,



Figure 4.1: Organizational Structure of CES





diarrhoea, dysentery, etc.; (c) Network with doctors, pharmaceutical companies, traditional vaidyas for medicine; (d) Develop a holistic healthcare facility for the community; (f) Identify qualified youth at village level to guide and teach children or tutor them after school time; and (g) Offer services for adult education through professionals of CES.

#### 4.7. Ensure Micro-credit Security

Ensure the micro credit requirements. The three common credit needs are (a) emergency credit for sickness and education, (b) production credit for agricultural and allied activities, and (c) consumption credit like child's wedding, festival, etc.

The traditional local institution of trader/merchant has been highly flexible; it does not ask for guarantor, may not ask for collateral and offers different types of credit and of different amounts, and is available round the clock. It also procures produce/products of all types and quality and also makes available all types of consumables and agricultural inputs.

The micro-credit facility can also precede the marketing of surplus produce in the implementation sequence. In case the marketing of surplus produce is undertaken first, the need for micro-credit will soon arise.

Gradually, the CES could develop a local/community banking service. With the participation of the community leaders it can develop a clear set of rules and regulations for different types of banking transactions. On behalf of the community, the CES can transact with the formal banking system. The systems and processes needs to be kept simple.

#### 4.8. Support Village-level Retail Outlets

Let the people in the village identify a family or a self-help group of the village to take this forward. Initially, this retail outlet needs to be provided with some credit. Subsequently, as more villages develop their retail outlets, the CES can arrange for bulk purchase and bulk supplies, to attain better terms of procurement and lower cost of logistics and transport. A committee shall be formed in each village to supervise and guide the operations.

#### 4.9. Develop Sustainable Market Networks

Within a year of awareness building and organizing the community, efforts to build sustainable market networks need to begin. The first step could be through marketing of surplus produce. This activity can also serve towards community mobilization for self governance. This may signal competition to the local traders.







The level of intervention has to be carefully phased. In the first year, undertake marketing of a few products with longer shelf life. If producers/farmers are indebted and have promised to supply their produce to the local traders, do encourage them to fulfil their commitments before transacting through the CES.

Gradually, undertake marketing of more products and subsequent value addition of the products first through outsourcing and then by the producer organization

itself. Based on the volume of production and shelf life, CES needs to carefully and systematically select a mix of produce/products. Establishing market networks initially and gaining market knowledge early on are important for ensuring higher net incomes. It is advisable to save much of the additional income from the sale proceeds in the common fund from early on.

With the support of the external facilitating organization, the CES needs to set up retail outlets in the nearby towns and a marketing set-up in the state capital. It also needs to create organized marketing platforms at the village and local weekly haats. The CES can also take the help of the state marketing board and other state and district level government agencies for different types of marketing support. It can also develop a calendar for sales through various exhibitions organized by the state departments and district administration.

Inability to market the surplus produce at a remunerative price has been a weak link in most development interventions. Developing stable market networks also



takes a long time, as most supply systems are usually occupied by some players. The CES therefore needs additional support to break through the existing supply systems and institutional arrangements. Establishment of its own supply system with an objective to reach the final consumer should be aimed at. It is important to carefully choose the **market landscape**<sup>13</sup> for building a sustainable CES. It is to be noted that the market landscape for direct marketing by the CES should be within say 300 KMs from the community.



#### 4.10. Tie-up for Working Capital

Increasing economic activities will generate the need for larger working capital by the second or third harvest period. Since the efficiency of the CES at this stage will be lower, the cost of capital should be kept low. Working capital at lower rate of interest is available from various government sources such as SGSY scheme, NRLM scheme, Regional Rural Banks, cooperative banks, and other specialized marketing agencies such as Orissa Rural Development and Marketing Society in Odisha. It is wise to seek working capital from government agencies with lower rates of interest; gradually, the open market, banks, etc. may be tapped.

#### 4.11. Develop Local Value Addition

As higher incomes are realized by the producers from the initial marketing, the volumes of collection of produce/products from the community will increase. At this stage, it will become difficult to sell the

large volumes of unprocessed produce. It is therefore necessary to plan for value addition, through outsourcing of some items but mostly through setting up mini-processing and decentralized processing facilities wherever possible in the local community.

To meet the diversified production portfolio, the CES has to plan for value addition of a basket of agricultural, horticultural, forest, livestock, local art/craft and allied products in a phased manner. To begin with, select a few surplus products with greater shelf life for primary value addition in the community and secondary value addition in mills outside. Subsequently, undertake local value addition of higher volume of agricultural, forest, horticulture, and livestock produce. Local value addition also improves the income generation of the people in the local community. SHGs and unorganized individuals could be invited to engage

<sup>13</sup> Nayak (2012), Optional market boundary with minimal characteristic distance between small producers and customers, XIMB sustainability series, 3.0.





in the local value addition activities. Gradually expand the marketing of these products in nearby metropolitan, urban and rural areas, and within the same community.

#### 4.12. Introduce the System of Integrated Agriculture

Integrated low-cost agriculture with natural farming practices invariably reduces the input cost of farming and agriculture, by reducing dependency on inorganic chemicals, fertilizers and pesticides. Increasing on-farm biomass production and organic manure from livestock are the basis of natural farming practices. Not only livestock but also horticulture, forest, and allied activities need to be integrated with farming activities for developing integrated agriculture. Such integration can help in complementing activities in a diversified agricultural system and increases productivity and efficiency from the economies of scope. Such integrated agriculture and natural farming practices can also withstand better the climatic changes.

The integrated low cost agriculture can be achieved if a few basic components are attended to viz., (a) Soil health; retain the rich microbial life of the soil, (b) Water management through in-situ water conservation methods, (c) Seed conservation and crop diversity. Farmers should be encouraged to retain their own seeds from the farm and form a local community seed bank and nursery and not to rely on seeds that are one-time producing or are genetically modified. (d) Plant protection through organic and natural methods, (e) Livestock; farmers should be advised to maintain a health population and mix of livestock with provision for fodder. However, introduction of these practices requires gradual training and demonstration of integrated low cost farming practices. It will be a time-consuming process as the farmers over time have lost the traditional practices of good agriculture and lack the patience to reap the long-term benefits of integrated farming.

Also, the success of integrated farming will depend upon whether the whole community or a cluster of villages will adopt these practices. Further, rural/tribal producers have got used to burning



of forest, cutting of trees and free grazing of animals/livestock. These habits die hard. Land is getting fragmented in highly populated regions and integrated farming may then become very difficult. It is therefore strategic to demonstrate the benefits of integrated natural farming and to promote group farming or community farming practices.

A key strategy should be to identify successful farmers or farmers who have been following good farming practices and train them to become the local guides on integrated low-cost agricultural practices.

#### 4.13. Integrate Farm Activities with Other Economic Activities

Integrate farm activities with various non-farm and allied activities, including livestock, horticulture, forestry, art, craft, etc. in each family and village. Depending on the interest and skills, the members in each family could engage in tailoring, carpentry, masonry, goatery, poultry, duckery, fishing,

pastoral activities, etc. that will create income opportunities for each family and immediately meet the requirements of the local community. Integrating the various income-generating activities for every family whether with land or little land in a village will greatly help towards improving the well-being of a family and village.

#### 4.14. Establish Institutional Networks for Converging Resources

The number of producer members/owners will increase in the CES with the increase in the number of its activities. Gradually, the CES will be required to get better linked to the local institutional network of the state government, whose primary goal is local development of the community. If the CES by this time has exhibited success towards improving the quality of life of the people, the state is likely to extend its cooperation to it. At this stage, it is necessary to make efforts to converge the various development schemes of the state and central governments (especially of the Departments of Panchayati Raj, Rural







Development, Cooperation, and Agriculture) and other development agencies at the level of sustainable community system. The gradual layering of various development aspects of the community should move the CES to a sustainable community system (SCS) that will be engaged in the holistic development of the families in a village and in the cluster/community.

To facilitate rejuvenation of the local ecological balance and to improve soil, and water availability in the community, integrating micro-watershed programme will be highly helpful. Through their prior activities in the community, its members would be better conscious to implement watershed management. All components of the watershed, including community awareness of social harmony, ecological balance, practices of in-situ water conservation, ridge-to-valley analysis and restoration, joint forest management, year-round growing of fodder for livestock, etc. should be shared with the community. These will help rejuvenate the local ecological balance that can

support higher productivity and larger production of crops and resources.

Similarly, there will be a need to integrate the rural infrastructure development, including drinking water, electricity, small bridges, transport, telecommunications, storage facilities, marketing yard, etc. These can be layered onto the other livelihood, health and education activities to foster holistic development of the families. Several of these layers of integration will require larger resource requirements and hence, the institutional champion for the community has to facilitate the community to seek convergence of resources from various programmes of government and non-government development organizations.

NRLM, MGNREGS, NRHM, SSA, Watershed Mission, Integrated Action Plan, Rural Infrastructure, Rural Electrification, etc. are some of the schemes and programmes that can be converged into the CES at the cluster/GP level for better implementation, efficiency and sustainability.

### 4.15. Withdrawal of External Champion(s)

As the sustainable CES (or Producer Organization) takes root in the community, the external champion(s), whether individual or institutional, should gradually withdraw from the key coordinating functions and completely withdraw by Year 7 and may remain only as advisor or guide thereafter. The institutional champion has to begin to exit from day one. During the first two years, it should be an active animator; from Year 3, it needs to gradually exit; and in Year 7, it should keep away from active engagement with the community system but watch its operation from a distance. The ability of the community enterprise system to manage its activities

and operation for the well being of the community without the direct engagement of the external institutional champion will indicate the extent of success of the external champion.

Local youth of both sexes need to be selected and trained in marketing, book-keeping, quality of products and services, storage, transport and logistics, computer and documentation, integrated low-cost agriculture and organization of community. In the beginning, the local youth trained as general practitioners on these subjects can work as interns with more experienced external coordinators/facilitators. Subsequently, they may begin to take up the role of coordinators and facilitators. Community members should always be involved in the selection process.

Please see Chart 4.1 for the activities and timeline for establishing a sustainable CES over a period of seven years.

**Chart 4.1: Activities and Timeline to establish a CES for sustainability of a Rural Agricultural Community**

	Activities	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
1	<p><b>Identify the Community/Cluster &amp; undertake Baseline Survey</b>                      Identify the cluster of villages / community / GP. Seek optimal size of farmer/producer members for greater participation with optimal geographic base for technical and commercial viability.</p> <p><b>Baseline Survey :</b> Producer-Family Mapping and Village Resource Mapping (Mapping of local farming, collection, Quality Assurance practices, etc). Map the local institutions in the cluster.</p>							
2	<p><b>Convergence of Basic Services</b>                      Converge basic social and community health services of the government with the poor and needy in the selected cluster/GP.</p>							



	Activities	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
3	<p><b>Develop Local Organizational and Institutional Structures</b></p> <p>Seek membership/ownership by the farmer/producer members.</p> <p>Identify potential local people for professional on-the-job training for operating the Producer Organization.</p> <p>Identify the Facilitators, Directors, and volunteers and initiate, form and register the Producer Organization as a Producer Cooperative or as a Producer Company.</p> <p>Develop the terms of reference for their engagements.</p>							
4	<p><b>Build Trust, Cooperation, and Community Spirit by organizing of people at the Village level &amp; Cluster Level.</b></p> <p>Identify people as social glue that can develop the communitarian feelings among the people in the community.</p> <p>Identify village volunteers, potential community leaders, retired teachers, etc. for deeper engagements.</p> <p>Build awareness on the virtues of communitarian spirit for sustainability of the community. Share the idea of community identity and togetherness to solve the common problems of the community, whether community health, education, agricultural production, marketing, common resources or external resources.</p> <p>Share all issues and develop plans for the community through participation.</p> <p>Gradually build trust and cooperation among the small farmers/producers in the villages and the whole cluster/community.</p> <p>Share the idea of forming a single institutional platform at the cluster level or the CES for resolving the various production, value addition, marketing issues and for better net income realization for the labour of the producers.</p> <p>Create a platform for dialogue between different social groups and interest groups in the cluster/GP/community.</p>							

	Activities	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
5	<p><b>Facilitate Community Health and Primary Education</b></p> <p>Develop a network of midwives in every village and link them through the CES to a network of doctors for consultation and advice.</p> <p>Converge with local government support for a mobile van, paying fuel expenses to cater to the health needs of the community.</p> <p>Network with doctors and pharmaceutical companies for medicine.</p> <p>Develop a holistic healthcare facility for the community.</p> <p>Identify qualified youth at village level to guide and teach children after school time in respective villages.</p> <p>Offer services for adult education through professionals of CES.</p>							
6	<p><b>Build Physical Infrastructure</b></p> <p>Meeting hall &amp; Drying yards for the farmers/producers at the village level.</p> <p>Village-level facility for tutorials for children and for community health, improved cattle, kitchen gardens, fodder growth.</p> <p>Make the following provisions at the cluster/GP level:</p> <p>Small Office with basic record keeping facility.</p> <p>Storage facility of agricultural produce.</p> <p>Basic transport (1 pick-up van, 2 motorcycles, 2 cycle)</p> <p>Facility for local value addition.</p> <p>Small Nursery &amp; Seed Bank</p>							

	Activities	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
7	<p><b>Develop Sustainable Market Networks</b></p> <p>Begin with marketing of the surplus produce.</p> <p>Select a mix of produce and not one produce.</p> <p>The selection will be based on economical volume and shelf life of the produce.</p> <p>Discover the price, intermediaries and the final set of buyers.</p> <p>Set up retail outlets in nearby towns and a marketing setup in the district/ state capital.</p> <p>Create organized marketing platforms at the village and local weekly haats.</p> <p>Develop a calendar for sales through various exhibitions organized by the state departments and district administration.</p>							
8	<p><b>Tie-up for Working Capital</b></p> <p>Seek working capital from the government with lower rate of interest.</p> <p>Seek capital from the open market, banks, etc.</p>							

	Activities	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
9	<p><b>Provide Micro-credit Security and Community Banking Services</b></p> <p>Provide credit for emergencies arising out of sickness, education, etc.</p> <p>Provide production credit for agricultural and allied activities.</p> <p>Provide limited credit as consumption credit for children’s wedding, festival, etc.</p> <p>Develop a community banking service. On behalf of the community, the CES can transact with the formal banking system.</p>							
10	<p><b>Create and Support Local Retail to cater for Local Consumption Needs</b></p> <p>Identify a family/SHG from each village to put up a village retail shop; wherever necessary.</p> <p>Provide financial credit to set up a retail shop in each village in the cluster, if necessary.</p> <p>Arrange for bulk supplies of items to the retail outlets established in the villages.</p>							
11	<p><b>Develop Local Value Addition for:</b></p> <p>Agricultural produce</p> <p>Horticultural produce</p> <p>Livestock/fisheries</p> <p>Forest produce</p> <p>Local art and craft products.</p>							
12	<p><b>Introduce the System of Integrated Agriculture</b></p> <p>Integrated agricultural system adopting low-cost agricultural practices.</p> <p>Train farmers about on-farm inputs.</p> <p>Enhance farm biomass generation.</p> <p>Identify successful local farmers to train them to be the trainers/experts to the community of producers.</p>							

	Activities	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
13	<p><b>Integrate Farm Activities with Other Economic Activities</b></p> <p>Integrate farm activities with the various non-farm and allied activities in the community to realize maximum value for the labor put in by the marginal &amp; small producers.</p>							
14	<p><b>Converge Resources from the State and Central Government schemes for an integrated and holistic development</b></p> <p>Converge livelihood schemes like NRLM, IAP and MGNREGS at the cluster level and CES.</p> <p>Converge health and education programmes like NRHM and SSA to the CES.</p> <p>Improve the natural resources like forest, soil and water of the community by converging forest and watershed development at the cluster level and CES.</p> <p>Activate joint forest management practices and stop forest burning and excessive felling of trees.</p> <p>Converge the rural infrastructure such as road, bridges, electricity, public transport and telecommunication services at the cluster level.</p> <p>Activities of the various extension services of the government, PDS, horticulture, livestock, etc. can be converged at the CES for a cluster (GP).</p>							



	Activities	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
15	<p><b>Withdrawal Process of the External Champion</b></p> <p>As the sustainable community enterprise system (Producer Organization) takes root in the community, the external champion needs to gradually withdraw from Year 5 and completely by Year 7. The external institutional champion shall animate the cooperative movement in the community during the first 2 years and then gradually replace itself with the local facilitators of the CES.</p>							

**Annual Review:** The Annual Review and Evaluation will cover producer participation, increase in net income to producer, involvement of local youth, cost of operation and percentage absorbed by the local youth, and sustainability of customer bases (size,

variety and reliability of the customer base). The review need to assess (a) social capital formation, (b) Financial capital formation, (c) Capacity built-up of the members/producers, (d) Market-Institutional Networks of CES, and (e) Diversity of engagement of CES.



## 5. Management and Governance

The steps and sequences for intervention as outlined in the previous section towards catalysing cooperative action explain briefly the management and governance issues. This section will elaborate the significance of a few crucial steps and the methods that will help people in the community adopt and internalize through participatory management. The issues discussed here are local human capabilities, organizational processes, integration and coordination of activities, and convergence of resources.

### 5.1 Local Human Capability Development

Grass-rooting the democratic process for good self-governance and imbibing professional managerial skills to operate a CES require systematic development of local human capabilities.

Development and grooming of the local or **community champions** who shall take

charge of the **Board of Facilitators** to facilitate the governance issues as well as of the local youth of both genders who shall work as **coordinators**, interns, volunteers, and co-workers of CES needs to be systematically undertaken.

Given that the community champions need to work like glue for the community, they need to be chosen by the members and should represent different subsections of the community, no matter how homogeneous the community may appear. This team of local champions for the cause of unity, harmony, peace and development of the community needs to be exposed to the probable stages of development and then encouraged to chart out the course of action. They need to be trained and exposed to the various advantages, possibilities and challenges in their journey towards building a sustainable CES and the potential methods, routes and processes that could be adopted and internalized to make their community a sustainable system.



As members of the board, the local champions will be required to interact with various local government and external agencies as a means to build bridges, define synergies, and establish networks to be able to interact without fear or inhibitions on behalf of the people of their community. Wherever the local communities have high disadvantages or asymmetries with the mainstream system, the local champions would have very little access to the external institutions and agencies. People of such communities usually find little representation of their problems. Hence, in such communities, there has to be sufficient emphasis on developing and grooming the local champions.

Training of local youth who could systematically and professionally operate the enterprise system on a day-to-day basis will be fundamental to sustainable operations of the CES. The technique for identification and selection process could involve (a) seeking village-level volunteers, (b) possibly choosing a few from among the volunteers to work as interns with

a few other outside professionals/facilitators, (c) training local interns on the job in different functions of the CES for a few years before giving them full responsibility of different coordinating functions, and (d) paying local interns a stipend during their internship. For reference, the sample **job descriptions of the Principal Coordinator** and a few local interns are attached in the Annexure.

While a number of systems and procedures have to be evolved through active participation of the members, the institutional champion(s) have to identify and post suitable coordinators to facilitate these activities in the CES. These coordinators are to guide the members and help the local interns to learn to gradually evolve appropriate norms, systems and procedures for different functions of the CES. These can be validated and tested by the institutional champions through trial runs of these within the CES.

The local youth in most rural/tribal agricultural settings would not be used to working in a system-bound setting. They

are also likely to be irregular, particularly during the monsoon season. Many of them are also likely to fall ill regularly. It is important for the institutional champion(s) to be aware of these challenges and plan in terms of number and type of volunteers and facilitators. Each local intern can be on a short tenure to begin with, to allow them to experience the work culture before s/he is confirmed. More intensive training could be provided to those who are likely to understand and appreciate the need for cooperation and voluntarism and will commit themselves to work for the community in the long run.

## 5.2 Organizational Systems and Processes

Organizational systems and processes refer to documentation of the activities of the CES that can be understood and used by newer members, volunteers, facilitators, and the board of facilitators. The purpose is to increase efficiency, effectiveness and subsequent sustainability of the systems, processes and methods developed from time to time.

The basic unit process of operation is called an activity. While each independent activity is called a routine in management and repetition of an activity is called routinization, routine or repetition of routines independently might not produce any meaningful output. Coordination of several activities produces a useful or meaningful output. Hence the coordination of the interrelated activities produces more desired output than the routine itself.

Activities or routines and processes relating to various functional areas,



viz., production, operations, marketing, human resources, finances, net incomes to the farmer/producer members, communitarian spirit, external linkages, etc. need to be documented and used in the subsequent stages of the CES. As it undertakes or integrates other activities like community health and primary education, etc., the CES needs to develop the systems and processes for the same. In other words, for every activity that the CES undertakes, members' approved system and procedure needs to be developed.

Documentation relating to production would typically include documents relating to collation/collection of different types of produce from different members, basis for fixing base prices, written specifications of different items, mode of payment to the producers, methods of providing agricultural inputs to farmers including the type of input, timing of providing inputs, sources of inputs, etc. Subsequently, this will also include the type of farming practices, methods of natural farming, procedures of generating





Documentation relating to finances would include documents relating to bank transactions, cash flow statements, statement of expenses, agreements for loans and credits, procedure to advance loans, procedure for selection of family/producer member to obtain loan for retail outlets, labour and material payment statements, and statement of incomes received by individual producer/farmer family. Procedures for filing returns as per the Company Act or Cooperative Act, and other regulatory requirements need to be developed and retained within the organization.

on-farm inputs, methods of application of manures, methods of maintaining livestock, treatment of different plant and animal diseases, etc.

Documentation relating to operations could include product inventory report, sales transactions, credit sales, cash sales, customer list with contact details, procedures for processing, agreements with processors and transport providers, cost of transport, quality reports, items for value addition, procedure for value addition for different items, operating cost of value addition, etc.

Documentation relating to human resources would include job descriptions, including that of the chief coordinator, other coordinators, key facilitators, interns, volunteers and co-workers. The procedure for selection of each type of facilitators needs to be clearly laid down and communicated to the people/members. The formats for application of candidates for various responsibilities need to be developed and circulated. The grooming and growth plan for facilitator have to be indicated to the chosen candidate.

Documentation relating to marketing will include price information for different items in different locations, sales record, inventory, revenue generated, marketing expenses, log books for vehicles, fuel expenses for vehicles, customer list with contact details, packaging material suppliers, transport and logistics, location-wise sales volumes, etc. Procedures and addresses for filing sales tax and other taxes on a regular basis also need to be documented.





Regular training and exposure visits for the facilitators in various functions of management and the governance structure need to be planned, shared with all concerned and implemented. An appropriate management curriculum that will be useful and can be absorbed by the local interns and local facilitators (typically with about high school level education) needs to be identified and trained using the curriculum “Management @ Grassroots” developed by SFAC-XIMB.

### 5.3 Integration and Separation of Activities

The CES may need to demonstrate the benefits of integrated agriculture to convince the farmers/producers. For this, (a) identify a few farmers in every village and develop them as role models; (b) expose them to communities practising integrated agriculture; (c) provide them technical and financial support; (d) handhold them to organize their activities towards low-cost integrated natural farming practices; and (e) adopt a few homogeneous and smaller villages where all the farmer families can be encouraged and supported to practise integrated agriculture with low-cost natural farming principles.

While integrated agriculture is essential for synergy with nature and seasonality and for higher efficiency, the varied post-harvest activities for the surplus produce can be dysfunctional to overall efficiency. A small farmer/producer family is indeed like a mini-enterprise engaged in multiple activities of production, operations, marketing, finance, external linkages, etc. For them the

challenges of engaging in multiple functions in an environment of growing specialization due to industrialization and globalization are enormous. Neither can s/he sufficiently leverage the natural resource base nor add sufficient value to it to be able to get better prices in larger and distant markets.

The small producer family could therefore best integrate all the production activities, including farming, harvesting, gathering, drying and grading of agricultural items. The crop variety should be carefully chosen; such that it can meet the food and nutritional security of the producer family and generate surplus of some crops that can be sold in the market to meet the other expenses of the producer family. All post-harvest activities of the surplus produce of the individual farm family can be undertaken by the CES. Such division of functions at the community level itself will enhance the competitiveness of the small producers. The subsequent work of (a) creating volume by aggregation, (b) value addition to the agricultural produce as ready to consume, and (c) packing, transport, logistics, and marketing shall be undertaken by the CES.

The CES has to play the overall role of both integration and separation of activities at the farmer, village and cluster level. Its approach should be to decentralize all possible activities at the farmer family and village-level organizations like the self help groups, farmers clubs, village development councils, etc. Subsequently, the CES needs to intermediate and network with the external agencies and formal institutions for improving community health, primary education, natural resource management and rural

infrastructure.

For the purpose of efficiency of different functions that will be undertaken by the CES at the cluster level or provide them as services to the members of the community like support to organize themselves as a producer group, integrated low cost agricultural methods, post harvest management, value addition, marketing, accounting, computer and information management, community health, primary education, community banking, etc., the CES needs to have dedicated persons with adequate expertise in such functions to professionally carry out these activities. These specialized functions need to be carried out at the cluster level or by the CES. **Figure 4.1** shows the structure for separation of activities at the cluster level.

## 5.4 Convergence of Resources

The existence of several asymmetries between the small producers and the mainstream economy, market and society, and their interconnectedness make the task of resolving these asymmetries



very challenging and frustrating. Rebuilding sustainable rural agricultural communities will therefore require a number of simultaneous and systematic interventions. The inter connectedness among the asymmetries suggests that they need to be resolved simultaneously and not in a piecemeal, departmental target-based approach.

The engagements or interventions can be from three broad levels. (a) First, initiate a communitarian spirit through the CES that can ensure increase in net incomes for producers. Building the governance and management systems to make grassroots-level democratic processes function is an essential part of this stage. (b) Second, rejuvenate agricultural production through integrated low-cost sustainable agricultural practices. Creating conducive conditions of land, arresting soil erosion, in-situ water conservation, biomass generation, forest conservation and bringing in overall stability and balance in micro-ecology are essential to this process. (c) Third, strengthen the villages of the cluster/GP/community for long-term sustainability by converging resources for



community health, primary education and rural infrastructure through the window of the community that is geographically bounded by the CES.

For undertaking the multiple tasks for holistic and sustainable development, the available resources and capabilities/expertise need to be converged, rationalized and directed through a single window, viz., the CES.

All livelihood-related production activities, both farm and off-farm, including various income-generating activities, can be directly undertaken by members of the community. Similarly, all service-related activities like coordination and management of micro credit, public distribution system, primary education, and community health services can also be undertaken by members of the community.

Management of natural resources like forest, common land, soil, water bodies, etc. can also be undertaken by people from the respective villages in the cluster. Construction of simple rural infrastructure like storage facility, community buildings, small check dams, culverts, village roads, and small bridges can also be easily taken up by community members. The CES can coordinate all these activities.

The experience of Nava Jyoti CES is that the budget for establishing a CES in a given cluster/GP will not be too high. The total investment per family at current prices will be about INR 80,000 over a period of five to seven years. The budget provision of the Government of India under the National Rural Livelihood Mission alone is indeed much higher than this amount. However, a scientific method of choosing or



creating a local institutional platform and systematic rationalization of resources is required, in order to be efficient, effective and sustainable. CES is an appropriate local institution that can coordinate all the activities at the cluster/GP level.

The convergence of resources from the other four departments viz., Panchayati Raj, Agriculture, Cooperation and Rural Development would provide sufficient resources to the community. The resources and capabilities of National Horticulture Mission, National Rural Health Mission, Sarva Shikshya Abhigyan (SSA), Integrated Action Plan (IAP), etc. need to be converged with the CES at the cluster/GP level. Most of the asymmetric disadvantages of the small producers and the rural poor can be resolved easily with coordinated activities of the CES. External institutional champions from among the educational institutions, management institutions, social work institutions, NGOs, and members of the civil society could be invited to provide technical and coordinating expertise in the formation and operationalization of CES in respective clusters.





It is very promising to note that during these first seven years of intervention, the total average earning for the family will be about INR 120,000. The total credit linkage through banks with the community/cluster will be about INR 90 millions. Most importantly, the small producers and people in the community would reach a critical mass

to develop themselves as a sustainable community system. The burden on the Government and other development agencies for sustaining such clusters/communities will gradually reduce over time. Detailed proposals for these budget estimates and outputs and outcomes have been worked out and are available with the author.



## 6. Keys to Sustaining Cooperation in the Community

Faith and Trust are the keys to sustaining cooperation in a community. This will be experienced more by the champions involved in the implementation of the CES when the initial asymmetric conditions of the community are greater.

The challenges are many. For highly disadvantaged communities, this endeavour may take even up to seven or eight years, requiring enormous amounts of patience. The proposed sustainable community system is designed to systematically transit from the paradigm of competition to the paradigm of cooperation, which in itself is a quantum jump in sociological terms.

Transition from one paradigm to another is usually difficult or very slow because of existing interlocks of interest and mutual gains among individuals, organizations, and institutions in the existing paradigm.

The transition process could even lead to minor violence among the local traders and various interest groups in the community.

This manual presents some systematic steps that could gradually recreate an organization and institution of a community of producers as a CES that can lead a community to sustainability. However, this is possible only if there is a mechanism to perpetuate faith and trust among the members within the community.

A number of activities could be undertaken to initiate the process of building faith, trust and cooperation. Some of the key steps would be: (a) Identify a few local champions to speak on the value of communitarian spirit; (b) Identify volunteers in each village to carry the message of communitarian



spirit and voluntarism; (c) Identify a few local champions who could be the potential key facilitators for the CES: the people of the community should endorse or vote in favour of them; (d) Discuss at great length, coach and train the team of local champions for community mobilization, voluntary activities, and the coordinators and key facilitators about the activities of the CES and the overall objectives of making each family in the community sustainable; (e) Build awareness among the people of the community about the features of the CES as a step towards recreating the faith and trust among the people; (f) Regularly share information on the various activities of the CES to remain connected with the people; (g) Hold regular meetings of all the community members at a single

location to share information about progress of work; (h) Increase the frequency of meetings by organizing meetings at mini-cluster of villages; (i) Regularize the meetings of key facilitators, coordinators, interns and volunteers on a particular date of every month; (j) Gradually develop an organizational arrangement for overall governance and management.

A steady and consistent effort to recreate a strong community glue of community champions who will keep lighting the candle of cooperation among the people of the community is extremely important. A quarterly training of this team on positive thinking and reiteration of community efficiency and sustainability by living together has to be planned and organized.



## 7. Spreading Cooperative Spirit to Other Communities

As the benefits of the CES are received by its members, more people will begin to seek its membership. People from other adjacent communities will also opt to join it. For instance, in the case of Nava Jyoti CES, villages in a radius of about 50 km have been requesting to become members.

Should the project be scaled up? That size of membership is optimal where grassroots-level democratic governance is possible. Hence, it is better to replicate the CES rather than scale up a community enterprise system to accommodate producers from far off villages.

The synergy of cooperation within the community is directly proportional to the spirit of cooperation in the community and around it. In other words, the spirit of cooperation has to spread all around to keep it burning. Replication promotes

this. This is an internationally accepted principle of cooperation.

From the adjacent communities that come forward to adopt CES, it is advisable to get at least one local champion from each of the interested communities to work as an intern/coordinator in the CES that is operational.

In the early stages of replication, building human capabilities for democratic governance at the grassroots level is crucial. On-the-job training of local champions can serve as a good grooming mechanism. A small group of producers/farmers and community champions from respective clusters could be invited to visit the existing CES for observing, sharing and learning.

The existing CES needs to help the new CES to build human capabilities and provide

guidance and support on methods of community mobilization and community organization. Methods of community awareness about cooperative spirit, a sustainable CES, and organizational aspects of CES could be shared by the existing CES with the new CES. Some coordinators, interns and key facilitators from the existing CES can also be sent to work

with the new CES for short periods. While contributing to the new CES, this process can also improve the capabilities of the coordinators, interns and key facilitators. Most importantly, these methods of collaborations increase the cooperative spirit and social capital or social culture across the collaborating communities and help strengthen individual communities.





## 8. Institutional Architecture and Relationships

As we design and gradually build a sustainable community enterprise system (CES), a farmer producer organization (FPO), we also need to create an ecosystem of institutions at the block levels and district level of respective districts.

Without the appropriate institutional architecture of different producer organizations at the cluster/GP level, higher value addition facilities of the cluster level surplus produce at the block level and district level marketing facilities of surplus products generated at the block level, we may not be provide an environment of stable relationships among these different producer organizations that we have discussed in the previous seven chapters. No matter, how well the producer organization may be designed as in this manual; it may not be able to survive the external institutional inconsistencies in its ecosystem viz., the block and district.

It is therefore important to conceptualize a balanced **institutional architecture**<sup>14</sup> where the relationships of the different producer organizations at the cluster/GP(s) level in the long run will be better coordinated across the whole district. Better coordination will ensure stable and healthier relationship in the overall institutional architecture of producer organizations in the whole district.

The basic unit of the overall institutional architecture shall be the CES/FPO that is the farmer producer organization (FPO) at the cluster/GP(s) level. This entity may be registered as a producer company or a section 25 company. The existing primary agricultural cooperative societies (PACS) could also be slightly redesigned and revitalized to be the CES at the cluster/GP level. This basic unit will gradually evolve to be the single window service provider for the farmer/producer in the cluster of villages of the CES. The holistic nature of activities / engagements of CES are detailed out in the previous chapters of this manual. The cluster level CES has the right to value add and market all the produce it collates from its members. For items that it cannot add value locally and market it directly, it may transfer them to the block level facility.

The surplus produce and products of all CES in a block will be aggregated at the respective block of the CES. The Block level Processing Unit has to pay the CES for the items received from the CES. For better price stability for producers and consumers in the district, the pricing of the items needs to be decided at the district level.

Each Block in a district will have the provision and infrastructure for storage, greater value addition, and packaging of

<sup>14</sup> Nayak (2012), Institutional & Organizational Asymmetries: Small Producer and Sustainability of Rural Agricultural Communities, XIMB Sustainability Series 2.0.

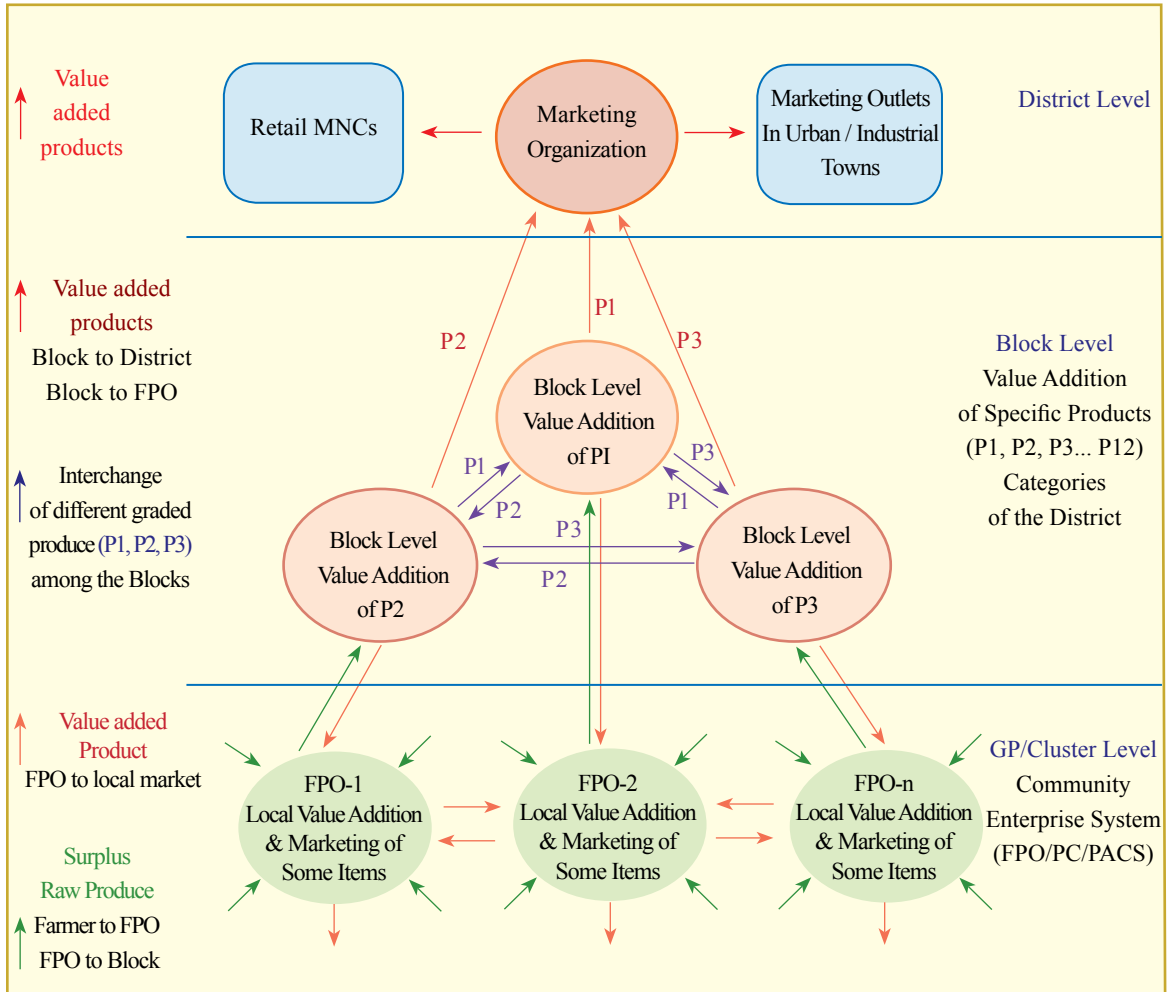
a specific category of products among the different produce categories that are produced in the whole district. Depending on the value addition specialization at the respective block level, the respective Block shall retain the particular produce category that it will take up for greater value addition and transfer the other categories of produce to other Blocks within the district depending on their respective specialization on value addition.

The value added products in the different blocks can be procured by CES through

their respective block level processing units. The surplus quantities of value added products from different block level processing units will then be transferred to District level Marketing Unit. The district level marketing unit can then market these items to the urban wholesalers, retailers, and larger multinational retail chains. The institutional architecture and inter-relationships among the different producer organizations at different levels viz., cluster/ GP level, Block level, and District level and the depiction of the overall institutional architecture for the whole district are shown in Figure 8.1 and Figure 8.2.



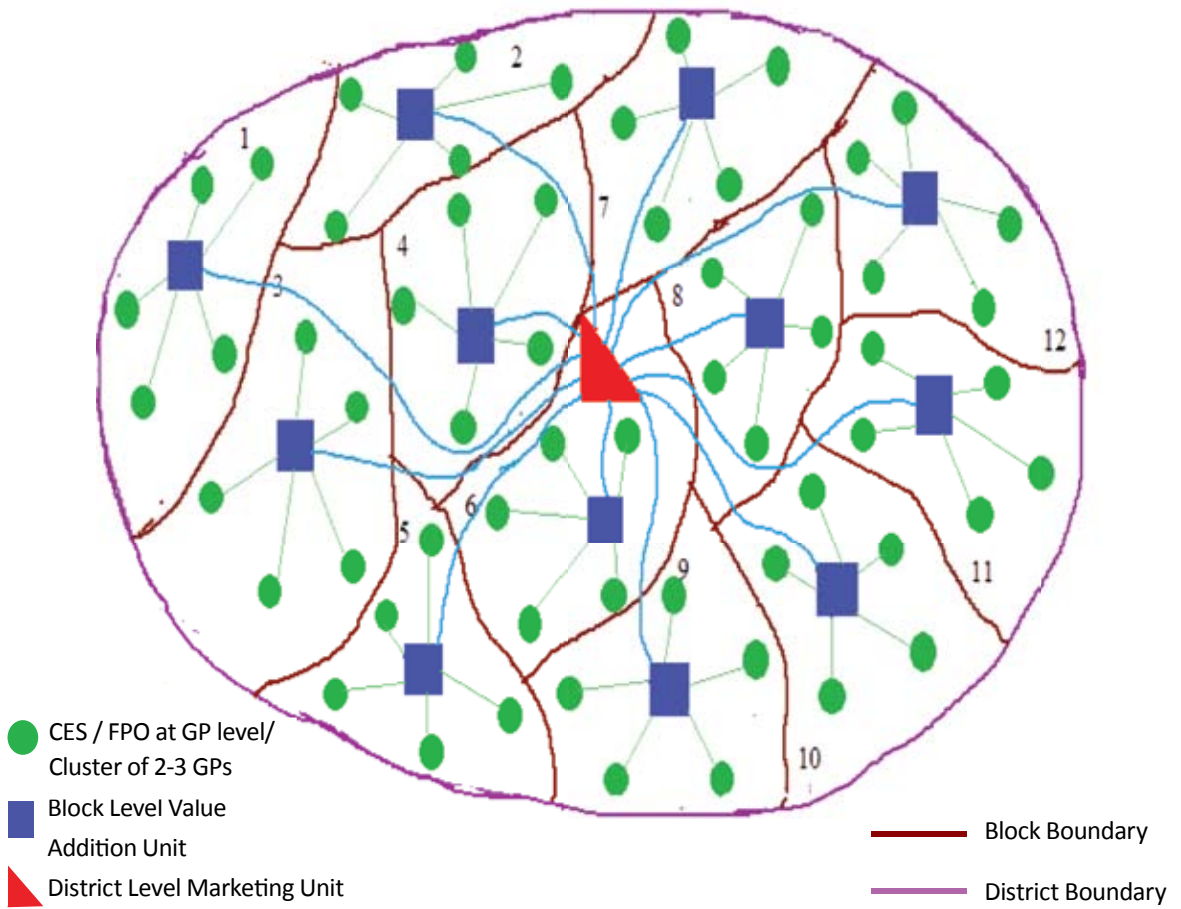
## Institutional Architecture & Relationships



**Figure 8.1: Institutional Architecture & Inter-Relationships among the different producer organizations at the cluster/GP level, Block level and District level<sup>15</sup>**

<sup>15</sup> Different colored Arrows indicate the flow of raw materials and value added products, at different levels.

## District Level Institutional Architecture



**Figure 8.2: Overall Institutional Architecture at Cluster/GP, Block & District Level**

# Annexure

# Baseline Survey Formats

## Format 1.1

# Producer-Family Mapping

**Date:**

**Interviewer:**

## 1. Family Information:

Head of the Family:

Village:

Gram Panchayat:

District:

Detailed Information:

Sl. No.	Name	Relation with HOF	Age	Education	Sex	Caste	Religion	Occupation	
								Primary	Secondary



## 2. Land Ownership:

Particulars	Total land (Ac)	Cultivable (Ac)	Irrigated (Ac)	Fallow (Ac)	Wasteland (Ac)	In whose name
Inherited						
Bought						
Allotted						
Leased in						
Leased out						
Sharecropping						

## 3. Other assets:

- a) House type: Kacha / Pacca
- b) Have you got patta for it? Yes / No
- c) Back yard area (Acres):
- d) House Land Area (Acres):
- e) Mode of transport:
- f) Electricity: Yes / No

## 4. Financial Position:

- a) Total Debt Amount (as on date): From whom:
- b) Total Saving (as on date): Where:

## 5. Family Expenses:

Monthly Consumption:

Sl No.	Item	Qty. (Kg)	Subsidized (Y/N)	Price/ Kg (INR)	Total amount (INR)
1	Rice				
2	Dal				
3	Wheat				
4	Cooking Oil				
5	Vegetables				
6	Meat/ Fish				
7	Spices				
8	Kerosene				
9	Tea/ Sugar				
10	Bhang/Gudhaku/Wine				
11	Tiffin				
12	Cloth				
13	Cooking wood				
14	Soap/ Detergent				
15	Oil/Cosmetics				
16	Education				
17	Medicine (Allopathy)				
18	Medicine (Herbal)				
19					
20					

6. Annual Agriculture Input Expenses (including family labour):

Sl No.	Particulars	Units	Staple Crop I			Staple Crop II		
			Qty.	Rate	Amount	Qty.	Rate	Amount
1	Land preparation							
2	Seeds							
3	Fertilizers							
4	Pesticides							
5	Sowing							
6	Inter-cultivation							
7	Weeding							
8	Thinning							
9	Transportation							
10	Harvesting							
11	Transportation							
12	Crop yield/acre							

## Annual Agriculture Input Expenses (including family labour):

Sl No.	Particulars	Units	Crop III – Pulses			Crop IV - Vegetables		
			Qty.	Rate	Amount	Qty.	Rate	Amount
1	Land preparation							
2	Seeds							
3	Fertilizers							
4	Pesticides							
5	Sowing							
6	Inter-cultivation							
7	Weeding							
8	Thinning							
9	Transportation							
10	Harvesting							
11	Transportation							
12	Crop yield/acre							

**Annual Agriculture Input Expenses (including family labor):**

Sl. No.	Particulars	Units		Crop V- Horticulture			Crop VI		
		Qty.	Rate	Qty.	Rate	Amount	Qty.	Rate	Amount
1	Land preparation								
2	Seeds								
3	Fertilizers								
4	Pesticides								
5	Sowing								
6	Inter-cultivation								
7	Weeding								
8	Thinning								
9	Transportation								
10	Harvesting								
11	Transportation								
12	Crop yield/acre								

**7. Livestock Details:**

Name	Number	Type of feed	Amount used in feed/month	Revenue generated/year





**9. Other Economic Engagements (Local Art/Craft, etc.):**

Name of Product/ work	Qty.	No. of days engaged	Input Cost/unit	Price Kg/ Unit	Total Earnings

**10. Labour Engagement (excluding family labour):**

Source/person	Place of work	Period	Activities there	Daily wage	Total Earning
Local					
Migration					



12. Producer Family Earning Chart:

Item	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total Earning
On Farm Produce	Staple Crop												
	Pulses												
	Vegetables												
	Horticulture												
	MADP												
Animal Husbandry	Any Other												
	Cow												
	Goat												
Forest produce	Any other												
	MADP												
	Honey												
	Leaf-making												
	Lac												
Labor Wages	Any Other												
	Labor-NREGS												
Art/Craft / Any other	Labor-Others												

### 13. Producer Family Activity Chart (Farming, Collection of Forest Produce, Animal Husbandry, Trading, NREGS, Others / None):

Name of Producer Member:

Village:

G.P.:

Producer Member	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Father												
Mother												
Child-1												
Child-2												
Child-3												
Child-4												
Child-5												





**16. Agriculture & Horticulture Produce:**

Sl. No.	Item	Weight (in Kg)	Month	Average Price/Kg	Any comments
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					

**17. Forest Produce:**

Sl. No.	Item	Weight (in Kg)	Month	Average Price/Kg	Any comments
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					

### 18. Livestock:

Sl. No.	Name	Quantity (in number)	Purpose / Contribution of Livestock
1			
2			
3			
4			
5			
6			
7			

### 19. Local Art / Craft / Others:

Sl No.	Item	Quantity (in number)	Month	Average Price/unit
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				

# Organizational Systems and Processes







**Format 2.3**

**Monthly Vehicle Expense Record**

**Location Name:** \_\_\_\_\_ **Month:** \_\_\_\_\_

Sl. No	Date	Particulars	Amount (INR)	Person	Nature



**Format 2.5**  
**Monthly General Expenses**

**Location Name:** \_\_\_\_\_ **Month:** \_\_\_\_\_

Sl.No.	Date	Purpose	A/C Type	Amount (INR)	Name	Sign









**Format 2.9**  
**Nava Jyoti CES**  
**Price List**

Sl.No.	Items	Amount/Kg (INR)
1	Jhudungo Dal	
2	Biri Dal (Urad Dal)	
3	Biri Whole (Urad)	
4	Turmeric Powder	
5	Desi Arhar Dal	
6	Seemba Manji	
7	Broom (Jhadu)	
8	Kolotho	
9	Seemba Manji	
10	Ramtil Oil	
11	Jana	

**Date:**

**Signature:**



## Articles of Association

## Schedule 1

**THE COMPANIES ACT, 1956**  
**COMPANY LIMITED BY SHARES**  
**ARTICLES OF ASSOCIATION**  
**OF**

.....**PRODUCER COMPANY LIMITED**

### **I. Preliminary**

1. The regulations contained in table 'A' in the first schedule to the Companies Act, 1956 shall not apply to this CES.

### **2. Interpretations**

2. (1) In these Articles unless there be anything repugnant to the subject or context the following words shall have the meaning written against them:
  - a) CES shall mean Community Enterprise System.
  - b) "The Act" or "The Companies Act" means the Companies Act, 1956 and its statutory modifications from time to time and all rules made there under.
  - c) "The Company" or "this company" when used with reference to this company shall mean ".....PRDUCER COMPANY LIMITED".
  - d) "Articles of Association" means these articles, which may be amended by the Company with approval by a General Meeting and filed with the Registrar of Companies.
  - e) "The Seal" shall mean the Common Seal of the company approved by the Team of Key Facilitators from time to time.
  - f) 'Member' means a person admitted as a member of the Company under the provisions of these Articles.
  - g) 'Active Member' means a member of this CES, which fulfils all qualifications for active membership as laid down in the Articles (Clause No. 6.5)
  - h) "Person" shall include any Association, Corporation, Company as well as individual.
  - i) Key Facilitator means a member & Internal Facilitator of the CES who has been elected as Chairperson or Directors by the rest of the members under the provisions of these Articles.
  - j) 'Team' means the Team of Internal Facilitators constituted under the provisions of these Articles
  - k) 'Commodity' includes Cereal, Pulses, Oilseeds, Fruits, Vegetables, Seed, grains, milk, handicrafts, Milk Products and other allied products -raw or processed, other inputs, packaging material, equipment and machinery.

- l) "General Meeting" includes annual and special general meetings.
  - m) 'Chairperson' an individual, who has been elected by the producer members to directly manage the affairs of the Company under the provisions of these Articles.
  - n) 'Mutual Assistance Principles' means the principles set out in these Articles.
  - o) 'Patronage' means the use of services offered by the Company to its Members by participation in its business activities;
  - p) 'Patronage Bonus' means payments made to members of the Company from out of the resultant additional income.
  - r) "Withheld price" means part of the price due and payable for various crop produces and inputs supplied by any Member to the SCES; and withheld by the SCES for payment on a subsequent date.
  - s) "Auditors" shall mean and includes those persons appointed as such for the time being by the company.
  - t) "Special Resolution", "Ordinary Resolution" and "Resolution requiring Special Notice" respectively by the Act shall have the meaning assigned thereto.
  - u) "The Office" means the Registered Office for time being of the company.
  - v) "The Registrar" means the Registrar of Companies with whom the company is registered for the time being under section 2(4) of the Act.
  - w) "Proxy" includes attorney duly constituted under a power of attorney.
  - x) "Ex-Officio Director" means the Director appointed by some person by virtue of a power contained in these articles or in agreement between the company and the appointer.
  - y) Words importing the singular shall include the plural and the words importing the plural shall include the singular.
  - z) Words importing the masculine gender include the feminine gender and vice versa.
- (2) Unless the context otherwise requires, words or expressions contained in these Regulations shall bear the same meaning as in the Act or any statutory modification thereof in force.

### 3. The Company To Be A Private Company:

- (a) The Company is a Private Company by virtue of provisions of section 581C(5) of the Part IX-A of the Companies Act 1956 and according to which there shall not be any limit to the number of members.
- (b) The right to transfer shares of the company is restricted in the manner and to the extent hereinafter provided.
- (c) No invitation shall be issued to the public to subscribe for any share or debenture of the CES.
- (d) No deposits shall be accepted from the public by the CES except from the members, facilitators or their relatives.



#### 4. Mutual Assistance Principles:

The company shall adopt the following mutual assistance principles, namely: -

- (a) The membership shall be voluntary and is available to all eligible members of the respective community who can participate and avail the facilities or services of the CES, or to persons engaged in providing any organizational, technical or financial assistance to the CES, and who are willing to accept the duties of membership;
- (b) Each member shall, save as otherwise provided in the Part IX A of the Companies Act, have only a single vote irrespective of the share holding;
- (c) The CES shall be administered by a Team consisting of persons elected or appointed as facilitators in the manner consistent with the provisions of the Part IX A of the Companies Act and the Team shall be accountable to the Members;
- (d) Save as provided in the Part IX A of the Companies Act, there shall be limited return on share capital;
- (e) The surplus arising out of the operations of the CES shall be distributed in an equitable manner by-
  - (i) Providing for the development of the business of the CES;
  - (ii) Providing for common facilities; and
  - (iii) Distributing amongst the Members, as may be admissible in proportion to their respective participation in the business;
- (f) Provision shall be made for the education of Members, employees and others, on the principles of mutuality and techniques of mutual assistance;
- (g) The CES shall actively co-operate with other Producer Companies (and other organizations following similar principles) at local, national or international level so as to best serve the interest of their Members and the communities it purports to serve.

#### 5. Funds:

##### (i) Funds may be raised by:

- a) Shares from new members;
- b) Additional shares in proportion to the business transacted with the CES from time to time on the terms and conditions as decided by the Team of the CES and communicated to the members
- c) Deposits and/or Debentures from members;
- d) Loans from any financial institution;
- e) Grants, aids and subsidies;
- f) Donations
- (ii) The Funds of the kind specified in c) and d) above to be raised, shall not exceed ten times the total of paid up share capital and reserve fund less accumulated losses.

- (iii) The CES may accept funds from any development agency or any other financing institution in the form of loans or grants or in any other forms except equity capital, as per the terms and conditions prescribed by such institutions as may be mutually agreed upon.

**(ii) Capital**

1. The Authorized Share Capital of the Company is such that stated in clause V of the Memorandum of Association of the company or altered thereat, from time to time. The Company has the power from time to time to increase or reduce its capital. Any of the said shares and new shares hereafter to be created may, from time to time, be divided.
2. The shares shall be under the control of the Team of Facilitators who may allot or otherwise dispose of the same to such institutions on such terms as the Team of Facilitators think fit and to give any persons any shares whether at par or at premium and for such consideration as the Team of Facilitators think fit.
3. Subject to these presents and the provisions of the Act, the shares of the Company whenever issued shall be under the control and the disposal of Team of Facilitators who may allot, issue or otherwise dispose of the same or any of them to such institutions or on such terms and conditions and at such times and at par or premium or discount as they may, from time to time, think fit and proper, may also allot and issue shares in capital of the Company in payment or part payment for any property sold or transferred to or for service rendered to the Company in or about the conduct of its business and the shares which may be so allotted may be issued as fully paid up shares and if so issued deemed to be fully paid up shares.

**6. Membership:**

- 6.1 The CES shall consist of members who are primary producers or persons engaged in providing any organizational, technical and financial assistance to the CES or any member of the community who are willing to accept the duties of membership.
- 6.2 A Producer Institution who fulfils eligibility conditions under the provisions of these Articles may apply for membership in the prescribed form to the Team of the CES undertaking to carry out the responsibilities of membership in writing.
- 6.3 Where admission is refused by the team, the decision with the reasons for refusal shall be communicated to the concerned person by registered post within fifteen days of the date of the decision, or within thirty days from the date of application for membership, whichever is earlier.
- 6.4 Qualifications for obtaining membership:  
Any person desirous of becoming a member shall subscribe at least one share to the CES. Any member who has not contributed any produce consecutively for 2 years shall cease to be a member subject to provisions of clause-10.

## 7. Benefits To Members:

- 7.1 Every Member shall initially receive only such value for the produces supplied to the CES as the Team may determine, and the with held price may be disbursed at a later date during the financial year in cash or in kind or by allotment of equity shares, in proportion to the value of various produces supplied to the CES to such extent and in such manner and subject to such conditions as may be decided by the Team.
- 7.2 The surplus, if any, arising after setting aside provision for payment of limited return and after making provisions for reserves as per the provisions of Article No. 18 may be disbursed as patronage bonus amongst the Members, in proportion to their participation in the business of the SCES, either in cash or by way of allotment of equity share or both, as may be decided by the general meeting.

## 8. Provisions For Special User Rights:

- 8.1 The Team of the CES may from time to time, based on measurable criteria, issue special user rights valid for a specific duration to the active members, to promote the business interests of the CES. Such user rights shall be issued in the form of appropriate instruments.  
The instruments so issued shall, subject to the approval of the Team in that behalf, be transferable to any other active member of the CES.  
Provided voting rights as provided in clause 11 shall remain unaffected irrespective of such issue.

## 9. Transfer of Shares:

- (a) Subject to the provisions of Section 108 of the Companies Act, 1956, A member of the CES may, after holding the shares for a period of at least one year, may transfer the whole or part of his shares along with any special rights wherein he must notify to the Team of Facilitators of the number of shares and the value the Team of Facilitators must offer to the other active members. The shares so offered at this value if accepted shall be transferred to the acceptors. In case of any dispute, regarding the fair value of the share it shall be decided and fixed by the experts appointed by the team for this purpose, whose decision shall be final.
- (b) The Team of Facilitators may refuse to register any transfer of shares (1) where the CES has a lien on the share, or (2) where the share is not a fully paid up share, subject to Section 111 of the Act.

## 10. Surrender of Shares:

- 10.1 If any member has ceased to be a producer institution, or has failed to retain qualifications to continue as a member as specified, the Team shall serve with a written notice to the concerned member/s and provide an opportunity of being heard in the next Team meeting.
- 10.2 If the Team is satisfied it may direct the member for surrender of shares together with special rights, if any to the CES, at par value or the Team may determine such other value.

## 11. Voting Rights of the Members:

- 11.1 Newly admitted members shall have no voting right for at least one year. Every active member shall have one vote.

## 12. General Meetings:

- 12.1 The general meeting shall consist of the following:
  - All members of the CES or any authorized representative as has been respectively appointed.
  - The Chairperson of the CES shall preside over the general meeting. In case of his absence, the members present and entitled to vote shall elect one of them as Chairperson for the meeting.
- 12.2. The first general meeting shall be held within 90 days from the date of its incorporation and have the same powers as are given to the annual general meeting.

## 13. Annual General Meeting:

The Annual General meeting shall be called once in every year within quarter ending 30th June. However, not more than 15 months shall elapse between the date of one general meeting and that of the next.

- 13.1 The annual general meeting of the CES shall be called by the Team with not less than fourteen days' notice, which shall specify the date, time, venue and the agenda. The notice of the annual general meeting shall be sent to each member along with the following documents.
  - (i) The agenda of the meeting;
  - (ii) Minutes of the previous annual general meeting or extra ordinary general meeting, whichever occurred later;
  - (iii) Names of candidates for election, if any, to the Team of Facilitators including a copy of a statement of qualifications in respect of each candidate;
  - (iv) Audited balance sheet and income and expenditure statements of the CES and its subsidiary if any, together with a report of the Team of Facilitators with respect to:

- a) The state of the CES's affair,
  - b) The amounts proposed to be carried to reserves,
  - c) Any appropriations as provided in clause 18.
  - d) Material changes and commitments, if any, affecting the financial position of the CES and its subsidiary, if any, which have occurred in between the date of the annual accounts of the CES to which the balance sheet relates and the date of the report of the Team and
  - e) The text of the draft resolution for appointment of the auditors, if any,
  - f) Any other matter of importance relating to energy conservation and environmental protection, foreign exchange earnings or outgo, etc.
  - g) The text of any resolution or proposed amendment to the Memorandum of Association or articles of association to be considered at the annual general meeting along with the recommendations of the Team with respect to each;
  - h) Any other matter that is required to be, or may be, specified by the team.
- 13.2 The proceedings of every annual general meeting along with Facilitators Report, the audited balance sheet and the income and expenditure statement of the CES and its subsidiary, if any shall be filed with the Registrar within thirty days from the date on which the annual general meeting is held, with an annual return along with the filing fees as applicable to a private limited CES.
- 13.3 The notice of annual general meeting and extra-ordinary general meeting shall be placed on the notice team of the CES and will also be published at least in one newspaper.
- 13.4 Attendance of one third of the total number of active members shall form a quorum for the general meeting.
- If there is no quorum within an hour from the time of meeting, the meeting shall stand dissolved if it was called upon requisition. But in other cases the meeting is automatically adjourned to reassemble on the same day in next week. And if at the reassembled meeting also quorum is not present within an hour, as many members as are actually present shall constitute the quorum.
- 13.5 Functions of the General Meeting:
- The annual general meeting shall, among other things, deal with the following:
- i. Confirm the proceedings of the previous General Meeting.
  - ii. Declare the names of Team of Facilitators elected as per the election rules.
  - iii. Approve the excess expenditure over the sanctioned budget.
  - iv. Receive from the Team the Annual report together with income and expenditure statement and balance sheet as on 31st March of preceding financial year of.

- v. The CES and sanction the appropriation of additional income.
- vi. Approve the budget and program of activities of the CES for the next year as recommended by the Team.
- vii. Consider and adopt the audit memorandum and audit rectification report.
- viii. The limit of the outside borrowings subject to the conditions specified in the Articles.
- ix. Fix the allowances to be paid to the members of the Team and the members attending the Team meeting and other meetings including village level volunteers.
- x. Appoint auditors and fix their remunerations.
- xi. Amendment of the Articles as and when necessary.
- xii. To take note of admission of new member during the year.
- xiii. Approve the expenditure incurred on any of the elected members of the Team.
- xiv. Remove member(s) of the Team by simple majority of the active members present and voting at the General Meeting in accordance with provisions of section 284 of the ACT.
- xv. Consider any other business brought forward by or with the consent of the Chairman.
- xvi. With the permission of 2/3rd of the members present at the General Meeting any member may bring forward any matter not specified in the notice of the meeting provided that he may not propose an amendment in the Articles and removal of a Internal Facilitator of the Team of the CES.

#### **14. Extra Ordinary General Meeting:**

An Extra Ordinary general meeting may be called at any time:

- (I) by a majority of the Team or
- (II) by the Mentor within one month of requisition in writing from not less than 1/3rd of the active members of the CES;

An extra ordinary meeting of the CES shall be called by the Team with not less than fourteen days' notice, which shall specify the date, time, venue and the agenda.

#### **15. Team of Internal Facilitators:**

15.1 Team of Internal Facilitators of the CES shall consist of not more than 15 members as follows:

- i) 5 members elected from amongst the members;
- ii) There may be up to 3 co-opted facilitators drawn from amongst experts with relevant experience and proven competence in the main business dealt by the SCES and / or nominated by financing institution(s) ;



- iii) Mentor shall be the ex-officio director of the team;
  - iv) The Minimum and the Maximum number of Internal Facilitators of the Company shall be 5 (Five) and 15 (Fifteen) respectively. The First Internal Facilitators of the Company shall be:
    1. Rupa Jagaranga
    2. Sukru Raika
    3. Hitringa Majhi
    4. Suna Majhi
    5. XXXX
- 15.2 The conduct of elections of internal facilitators to the team of the CES shall be the responsibility of the incumbent team of the CES, in the manner specified in these articles of association and election rules at least 10 days before the term of office of the outgoing facilitators comes to an end. The outgoing facilitators shall cease just after the expiry of the term and new internal facilitators shall takeover from the very next day.
- 15.3 Election of internal facilitators shall normally take place at the annual general meeting. The election rules shall be formulated by the Team and approved by the general meeting.
- 15.4 The first election of the Team after its incorporation shall take place within one year but after 10 months of its incorporation. The candidates for contesting the election shall have to fulfil all the qualifications required for obtaining the membership except in case of the first election of the Team after its incorporation.
- 15.5 Where a team fails to conduct elections before the expiry of the term of the facilitators or where there are no facilitators remaining on the team, the chief executive of the Company shall call an extra ordinary general meeting, within twenty days after the expiry of the term of the facilitators for the purpose. If the Team is not constituted in the meeting, a three-member ad-hoc team shall be appointed from among members for the specific purpose of conducting elections and to perform all functions of the articles of association.
- 15.6 The term of the ad-hoc team so appointed shall not exceed three months and the ad-hoc team shall cease to function as soon as a regular team is elected in accordance with the articles of association.
- 15.7 The term of the elected team shall be 2 years from the date of assumption of office, except for the first Team. After the third year of incorporation, at the end of every two-year after the constitution of the Team, one third of the elected team members shall retire and be eligible for reappointment. For the first such retirement, the facilitators who shall retire shall be determined by draw of lots. Provided, however, that no member can be a member of the Team for a consecutive period of more than eight years.

- 15.8 Every year after the constitution of the Team, in the first Team meeting, the Team shall elect the Mentor of the CES for a period of two years.
- 15.9 The Mentor shall preside over the meeting of the team. In case of his absence, the facilitators present shall elect one of the elected internal facilitators as the Mentor of the meeting.
- 15.10 The Team may meet as often as it may consider necessary for transaction of the business. However, it shall meet at least once in every two months.
- 15.11 The Team meeting shall be called generally with seven days' notice, but in case of exigencies it can be called at a shorter notice
- 15.12 The presence of at least three Facilitators or one third of its total strength, which ever is higher, shall form the quorum for the Team's meeting.
- 15.13 Each member of the Team shall have one vote.
- 15.14 Decisions at the meeting of Team shall be arrived at by majority votes of the internal facilitators present. In case of a tie the Chairperson of the meeting shall have a casting vote in addition to his usual vote except in case of election of the Chairperson. Tie in case of election of chairman, the matter shall be decided by draw of lots.
- 15.15 An elected member of the Team who absents from three consecutive meetings of the Team without obtaining the leave of absence shall cease to be a member of the Team.
- 15.16 No member shall be present at discussion or vote on any matter in which he has personal interest.
- 15.17.1 A member shall also not be eligible for election and continue as such, if -
  - i) he is convicted by a Court of any offence involving moral turpitude and sentenced in respect thereof to imprisonment for not less than six months.
  - ii) he has made a default in repayment of any advances or loans taken from the CES in which he is a director;
    - a) he has direct or indirect interest in any contract made with the CES or any property sold or purchased by the SCES or any other transaction of the CES except in any investment made in or in any loan taken from the CES.
    - b) he is engaged directly or indirectly indulging in running the same type of business as that of the CES, or is having direct or indirect interest in such activities.
- 15.18 Vacation of office by the facilitators:

The office of the internal facilitator of a CES shall become vacant if, the CES, in which he is a internal facilitator-

  - i) has not filed the annual accounts and annual returns for any continuous three financial years commencing on or after the 1st day of April, 2004; or
  - ii) has failed to, repay its deposit or withheld price or patronage bonus or interest thereon on due date, or pay dividend and such failure continues for one year or more.

- iii) has defaulted in holding elections for the office of facilitators, in the CES in which he is a director, in accordance with the provisions of this Act and articles.
- iv) has failed to convene the annual general meeting or extraordinary general meeting of the CES in which he is a director, in accordance with the provisions of this Act except due to natural calamities or such other reason.

#### 15.19 Powers and Functions of the Team of Facilitators:

Without prejudice to the generality of the foregoing, such power and functions of the Team of Facilitators shall include:

- (i) To admit members;
- (ii) To formulate an enterprise and imbibe in it community vision and values.
- (iii) To approve community enterprise's objectives and plans ;
- (iv) To make periodic appraisal of operations of the CES in relation to its mission and objectives;
- (v) To formulate, approve and periodically review community enterprise's policies related to major functional activities of the CES;
- (vi) To appoint Mentor/ as per the provisions of Articles.
- (vii) To finalize the proposed annual budget, and supplementary budget, if any, for approval at the General Meeting;
- (viii) To cause –
  - a) Proper books of accounts to be maintained by the CES, including in computerized form as permitted by the Companies' Act
  - b) The annual accounts to be prepared for the financial year,
  - c) The annual accounts to be duly audited by a qualified chartered accountant appointed for that purpose by the General Meeting, and the duly audited accounts to be placed before the general Meeting at the annual general meeting.
- (ix) To ensure the calling of annual and other meetings of the general Meeting including the delivery of formal notice; the agenda of the meeting; the names of candidates for election to the Team and a statement of their qualifications; the text of any amendment proposed to the Memorandum of Association and/or articles of association and the rationale for such amendment; and the audited statement of accounts with comments on the auditor's qualification or adverse remarks; and the proposed annual or supplementary budget to be considered by the General Meeting;
- (x) To ensure that elections are conducted as provided in the articles of association;
- (xi) To determine the quantum of withheld price to be disbursed at the end of any year;

- (xii) To acquire or dispose property in the ordinary course of business;
- (xiii) To raise funds as provided in these articles.
- (xiv) To cause adequate security, insurance of the assets of the CES.
- (xv) If required, the Team may constitute Committee/s each for specific duration in framing policies or seeking suggestions in any matter that Team may deem fit under section 581U of the Act. The advisory committee shall cease to exist after finalizing its suggestions and recommendations in the matter for the Team.

The committee/s may be formed of the following members;

1. Up to two members of the team
  2. Expert/s in concerned field from outside as decided by the Team,
  3. The Mentor of the CES as member secretary,
  4. Institute conduct, defend, compound or abandon any legal proceedings by or against the CES or its officer or otherwise concerning the affairs of the CES and also allow time for payment or settlement of any debt due and settle any claims and/or demands by or against the CES any arbitration or otherwise.
- (xvi) Delegate to the Mentor any of its powers under these articles of association of the CES.
  - (xvii) To ensure compliances, terms and conditions of agreement with the financing institution for loan and grant as mutually agreed upon.
  - (xviii) The Facilitators shall exercise their powers regarding the affairs of the CES only at meetings of the Team.

(xix) **Borrowing Powers.**

Subject to Section 58A and 292 of the Act, and Regulations made there under and Facilitators issued by the RBI the Team of Facilitators shall have the power, from time to time and at their discretion to borrow, raise or to secure the payment of any sum of money for the purpose of the Company in such manner and upon terms and conditions in all respects as they think fit and in particular by the issue of debentures or bonds of the Company or by mortgage charged upon all or any of the properties of the Company both present and future including its uncalled capital for the time being.

## 16. Chairperson:

- 16.1. The CES shall have a full time Chairperson who shall function as the main coordinator & facilitators of all activities in the CES undertaken by the professionals of the CES. The chairperson shall be appointed by the Team of Internal Facilitators/Director and the Producer Members preferably from amongst persons other than Members.

- 16.2 The Chairperson shall be ex officio director of the Team having voting rights equal to any other Director, but he shall not vote in the election of the Facilitators or key facilitator or on any matter in which he is an interested party. He shall not retire by rotation.
- 16.3 Save as otherwise provided in these articles, the qualifications, experience and the terms and conditions of service of the Mentor shall be such as may be determined by the Team.
- 16.4 The Chairperson shall be entrusted with substantial powers of management as the Team may determine.
- 16.5 Without prejudice to the generality of sub-section (4) the Chairperson may exercise the powers and discharge the functions namely: -
- (i) Do administrative acts of a routine nature including managing the day-to-day affairs of the CES.
  - (ii) Operate bank accounts or authorize any person, subject to the general or special approval of the Team in this behalf, to operate the bank account;
  - (iii) Make arrangements for safe custody of cash and other assets of the CES;
  - (iv) Sign such documents as may be authorized by the Team, for and on behalf of the company;
  - (v) Maintain proper books of account, prepare annual accounts and audit thereof; place the audited accounts before the Team and in the annual general meeting of the Members;
  - (vi) Furnish Members with periodic information to appraise them of the operation and functions to the CES;
  - (vii) Make appointments to posts in accordance with the powers delegated to him by the Team;
  - (viii) Assist the Team in the formulation of goals, objectives, strategies, plans and policies;
  - (ix) Advise the Team with respect to legal and regulatory matters concerning the proposed and on going activities and take necessary action in respect thereof;
  - (x) Exercise the powers as may be necessary in the ordinary course of business;
  - (xi) Discharge such other functions, and exercise such other powers, as may be delegated by the Team.
  - (xii) Decide as per approved Team's policies, procedures and limits, purchase price and sale price of various products, purchase of materials, sale price of processed items, purchase of packaging materials, and all other items pertaining to the business and activities of the Union subject to budgetary provisions.

- (xiii) Arrange to purchase machinery; equipment, and such capital items as are required for the Business of the SCES as per policies and procedures set for the purpose and subject to approved budgetary provisions.
- (xiv) Decide the charges on services rendered by the CES.
- (xv) Arrange for adequate security against embezzlement, stealing, and misappropriation and for damage by employees handling cash, goods and securities.
- (xvi) Arrange for insurance against loss of property and take up agency for insurance work.
- (xvii) Shall make all the necessary arrangement for conduct of the business of the CES.
- (xviii) Shall carry out negotiations with the Government and other organizations.
- (xix) Shall arrange to keep in custody all documents, promissory notes, bonds, etc.
- (xx) Subject to the provisions of the articles of association, the mentor shall have full authority to carry out the business of the CES.
- (xxi) In absence of the Mentor, a senior officer authorized by him shall discharge the work of the Mentor.
- (xxii) The Mentor shall manage the affairs of the CES under the general superintendence, direction and control of the Team and be accountable for the performance of the CES.

## **17. Appointment of the Company Secretary:**

- 17.1 If the average annual turnover exceeds five crore rupees in each of three consecutive financial years, the CES shall have a whole-time secretary.
- 17.2 No individual shall be appointed as whole time secretary unless he possesses membership of the Institute of Company Secretaries of India constituted under the Company Secretaries Act, 1980.

## **18. Appropriation of Additional Income:**

- 18.1 From the additional income out of the operations of the CES shall be distributed in an equitable manner by-
  - i) The CES shall maintain a general reserve fund in which 25% of the additional income or INR One lakh, which ever is more, shall be transferred to the general reserves for development of the community enterprise system.
  - ii) 25% for distribution amongst the Members, as may be admissible in proportion to their respective participation in the business;
  - iii) 20% for the education of Members, employees and others, on the principles of mutuality and techniques of mutual assistance;



- iv) 10% for community health services & other services in the community;
- v) 10% for emergency medical support to the members, employees and others in the Community.
- vi) There shall be a limited return up to 5% per annum, or as may be specified by the Team and approved by the General Body from time to time, on fully paid share capital;
- vii) 5% towards the development of similar community enterprise systems in other adjacent communities.

## 19. Miscellaneous:

- 19.1 In addition to the sum as provided in the provision of these articles of association all subsidies, entrance fees, receipts on account of forfeited shares and fines other than those collected from the employees shall be carried to the Reserve Fund.
- 19.2 Any other income other than normal trading income, excess provisions and reserves, donations other than those for specific purposes etc. can be carried to a General Reserve Fund and shall be utilized with the permission of the Team from time to time.
- 19.3 The accounting year of the CES shall be from 1st April to 31st March. The books of accounts and other records shall be maintained as prescribed.
- 19.4 The CES shall not alter the conditions contained in its memorandum except in the cases, by the mode and to the extent for which express provision is made in the Act.
- 19.5 The CES may, by special resolution, not inconsistent with section 581B, alter its objects specified in its memorandum.  
A copy of the amended memorandum, together with a copy of the special resolution duly certified by two.  
Facilitators shall be filed with the Registrar within thirty days from the date of adoption of any resolution.
- 19.6 Any amendment of the articles shall be proposed by not less than two-thirds of the elected facilitators or by not less than one-third of the Members of the CES, and adopted by the Members by a special resolution. A copy of the amended articles together with the copy of the special resolution, both duly certified by two facilitators, shall be filed with the Registrar within thirty days from the date of its adoption.

## 20. The Seal:

The Team of Facilitators shall select a common seal for the Company and provide by resolution for the safe custody and affixing thereof. Unless otherwise determined,

the Director may use and affix the seal of the company to any document and the Director in accordance with these articles sign every document to which the seal is so affixed.

## **21. Secrecy Clause:**

Subject to the provisions of the Act, no member shall be entitled to visit or inspect works of the Company without the permission of the Director or Mentor or of the officer authorized by the Director to grant such permission or to require inspection of any books of accounts or documents of the Company or any discovery of any information or any detail of the Company's business or trading or any other matter which is or may be in the nature of a trade secret, mystery of trade or secrete processor which may relate to the conduct of business of the Company and which in the opinion of the Mentor or the Facilitators will not be expedient in the collective interest of the members of the Company to communicate to the public or any member.

## **22. Facilitators and Others' Right to Indemnity:**

- a) Subject to the provisions of section 201 of the Act, every director and officer of the company shall be indemnified by the company and it shall be the duty of the Facilitators to pay out of funds of the Company all costs, losses and expenses (including travelling expenses) which any such director, officer or employee may incur or become liable to by any reason of any contract, or deed entered into by him as such Director, Officer or servant or in any way in the discharge of his duties.
- b) Subject to aforesaid every Director, Mentor, Manager, Secretary, or other officers or employees of the company shall be indemnified against any liability incurred by him/them in defending any proceedings whether civil or criminal in which judgement is given in his favor or in which he is acquitted or in connection with any application under section 613 of the Act in which relief is given to him by the Court.

We, the several persons whose names and addresses and occupations are subscribed below are desirous of being formed into a company in pursuance of this ARTICLE OF ASSOCIATION and we respectively agree to take number of ordinary shares in the capital of the Company set opposite our respective names.

	Name, Description, Occupation and Address of the Subscriber	Number of equity shares taken by each subscriber	Signature of Subscriber	Signature of witness with address and occupation
01				
02				
	<b>TOTAL</b>			

Place:

Date:

# Memorandum of Association

## THE COMPANIES ACT, 1956 COMPANY LIMITED BY SHARES MEMORANDUM OF ASSOCIATION OF

### .....PRODUCER COMPANY LIMITED

- I. **The name of the Company is “.....PRODUCER COMPANY LIMITED”**
- II. **The registered office of the company will be situated in the State of Odisha.**
- III. **The objects for which the Company is established are:**
  - (A) **The Main Objects to be Pursued on Its Incorporation Are:**
    1. To carry on the business of production, marketing, processing, storage, bottling, packing, marketing and trading of all agricultural, horticultural, vegetables, medicinal, spices crops, Handicrafts, poultry, goat-keeping, Beekeeping and trading of all Agro inputs like Seeds, Manure, fertilizers, pesticides, farm machinery and Farm Tools etc for the benefit of the producer members.
    2. To undertake holistic, integrated agriculture following the organic principles of agriculture.
    3. To manufacture, sell or supply machinery, equipment or consumables mainly to the members and non members also.
    4. To render technical services, consultancy services, training, research and development and all other activities for the welfare and promotion of the interests of its members.
    5. To enable producers to get insurance for themselves, their family members, employees, and for the there livestock and other productive assets as also for their primary produce.
    6. To promote the techniques of mutuality and mutual assistance, including thrift and savings among member and collaboration & linkage with similar organizations.
    7. To undertake any welfare measures or provide facilities for the benefit of the members, as decided by the Board.
    8. To finance the production, procurement, processing, marketing and other activities mentioned above, including the extension of credit facilities or any other manner of financial services to the members of the company.

9. Any other activity ancillary or incidental to any of the above mentioned activities (1-9) or other activities, which promote the principles of mutuality and mutual assistance amongst the members in any other manner.

The objects of the company shall not be confined to only one state and they shall extend to the whole of India and outside India also

**(B) The Objects Incidental Or Ancillary To The Attainment Of The Main Objects Are:**

1. To carry on the business of Agro input procurement and distribution, production related extension support, produce storage, processing, Trading, marketing and selling, regarding all agricultural, Grain, cereal, Pulse and Oil Seeds crops like Rice, Soybean, wheat, Gram, Maize, Pigeon- Pea, Pea, Black & Green Gram, Lentil, Mustard, Groundnut etc, all vegetables like Tomato, Potato, Onion, Chilli etc, all Spices like Coriander, Turmeric, Ginger, fruits and medicinal crops grown by its members and items that are suitable in the micro-climatic conditions of the producer members.
2. To undertake the activity of seed production (including nursery raising, plant saplings) and seed marketing of various crops.
3. To contract/outsource some of the services like seed, seed procurement, ploughing, implements to other bodies/agencies for the promotion of the interest of its members.
4. To acquire and take over any business or undertaking carried on, upon or in connection with/without any land or building which the Company may desire to acquire as aforesaid or become interested in the whole or any of the assets and liabilities of such business or undertaking and to carry on the same or to dispose or remove or put an end thereto.
5. To acquire, purchase, start, run, erect and maintain lands, building, factories, workshop, nursery raising on common lands or private lands, seed go-down, cold storage, warehouses, branch offices, depots and showrooms for the business of the company.
6. To acquire and/or give to/from any person, firm or body corporate incorporated whether in India or elsewhere, technical information, know how, processes, engineering, manufacturing and operating data plants, layouts and blue prints useful for the design, erection and operation of plants required for any of the businesses of the Company and to acquire any grant of licenses and other rights and benefits in the foregoing matters and things.
7. To invest any money of the Company in the equity or preference shares or debentures of any company where such investment fulfils the business objects of the Company and to invest any money of the Company not immediately required for the purposes of its business in

such investments or securities as may be thought expedient including, but not limited to, securities issued and/or guaranteed by Central or State Government, Corporations, Trusts and Financial institutions.

8. To carry out in any part of the world all or any part of the Company's objects as principal, agent, factor, trustee, contractor either alone or any conjunction with any other person, firm, association, body corporate or government agency or the government department.
9. To secure or discharge any debt or obligations of or binding on the Company in such manner as may be thought fit and in particular by mortgage, charges upon the undertaking and all or any of the assets and properties (present and future) and the uncalled capital of the Company or by the creation and issue on such terms as may be thought expedient of debentures, debenture-stock or other securities of any description or by the issue of shares credited as fully or partly paid up.
10. To purchase or otherwise acquire, sell, dispose off, concerns and undertakings, mortgages, charges, annuities, for certain period or on deferred basis, patterns, license, securities, concessions, policies, book debts and claims, any interests in real property and any claim against such property or against any person or company.
11. To amalgamate, enter into partnership or into any arrangements for sharing profits or losses, union of interests, co-operation, joint ventures or reciprocal concessions with any person or company carrying on or engaged in or about to carry on or engage in or which can be carried on in conjunction there with or which is capable of being conducted so as directly or indirectly to benefit the Company and to give or accept by way of consideration for any of the acts or things aforesaid or properties acquired, any shares, debentures, debenture-stock or securities that may be agreed upon and to hold and retain or sell, mortgage and deal with any shares, debentures, debenture-stock or securities so received.
12. To become member of and to communicate with any Chamber of Commerce and other mercantile and public bodies in India or abroad and to advise on, consult, promote and support measures for the protection, advancement, growth of commerce and industry and for protection and welfare of persons engaged therein.
13. To undertake and execute any trust or discretion the undertaking whereof may seem desirable and the distribution amongst the beneficiaries, pensioners or other persons entitled to thereof, any income, capital, annuity or other sums or moneys or other properties whether the periodically or otherwise and whether in money or in specie in furtherance of any trust, discretion or other obligations or permissions.



14. To lend money to and guarantee the performance of the obligations of and the payment of interest on any stocks, shares and securities of the company, firm or person in any case in which such loan or guarantee may be considered likely directly or indirectly to further the objects of this Company and generally to give any guarantee whatsoever which may be deemed likely, directly or indirectly, to bank to benefit the company or its members.
15. To apply for tender, purchase or otherwise acquire any contracts, sub-contract, license and concessions for or in relation to the objects or business herein mentioned or any of them and to undertake, execute, carry out, dispose off or otherwise turn to account the same.
16. To dedicate, present or otherwise dispose off either voluntarily or for value any property of the Company deemed to be of national, public or local interest to any national trust, public body, museum, corporation or authority or any trustees for or on behalf of the same or on behalf of the public.
17. To promote, assist or take part and appear or plead evidence before any commission, investigation, inquiry, trial or hearing whether public or private relating to matters connected with any trade, business or industry.
18. To sublet all or any of the works, contracts from time to time and upon such terms and conditions as may be thought expedient.
19. To form, manage, join or subscribe to any syndicate or pool for the business of the Company.
20. Subject to the provision of the Companies Act, 1956 to distribute among the members in specie any property of Company or any proceeds of sale or disposal of any property in the event of winding up.
21. To enter into any arrangement with any Government Authority, state, municipal, local or otherwise or any person or company that may seem conducive to the Company's objects or any of them and to obtain from any such Government authority, person or Company any rights, privileges, charters, license and concession, which the Company may think fit and desirable to obtain and to carry out, exercise and comply therewith.
22. To apply for, promote and obtain any act, charter, order, regulation, privilege, concession, license or authorization of any Government, State or Municipality or any Authority or any Corporation or any Public body which may be empowered to grant for enabling the Company to carry on its objects into affect or for extending any of the powers of the company or for affecting any modification of the Company's constitution or for any other purpose which may seem expedient and to oppose any bills, proceedings, applications which may seem calculated directly

- or indirectly to prejudice the Company's interest and to appropriate any of the Company's shares, debentures, debenture-stock or other securities and assets to defray the necessary cost, charges and expenses thereof.
23. To make donations to such persons or institutions either of cash or any other assets as may be thought directly or indirectly conducive to any of Company's objects or otherwise and in particular to remunerate any person or corporation introducing businesses to this also to subscribe, contribute or otherwise assist or guarantee money for charitable, scientific, religious or benevolent, national, public, cultural, educational or other institutions or objects or for any exhibitions of any public, general or other objects.
  24. To refer or agree to refer any claims, demands, disputes or any other questions by or against the Company or in which the Company is interested or concerned and whether between the Company and the member or members or his or their representatives or between the Company and third parties to arbitration in India or any places outside India and to observe and perform awards made thereon and to do all acts, deeds, matters and thing to carry out or enforce the awards in accordance with the provisions of law relating to arbitration from time to time.
  25. To pay, out of the funds of the Company, all expenses which the Company may lawfully pay with respect to the promotion, formation and registration of the Company.
  26. To pay for any rights of properties acquired by the Company and to pay or to remunerate any person or company for services rendered or to be rendered in placing or assisting to place or guaranteeing the placing of shares in Company's capital or any debentures, debenture-stocks or other securities of the Company or in or about the formation or promotion of the Company or the acquisition of properties by the Company for the purpose of the Company whether by cash payment or by the allotment of shares, debentures, debenture- stocks or other securities of the Company credited as paid-up in full, part or otherwise as the case may be.
  27. To open current or fixed deposit accounts with any bank, bankers, or merchants and to pay into and draw money from such accounts and to draw, make endorse, discount and execute all types of negotiable instruments.
  28. To insure the whole or any part of the property and personnel of the Company either fully or partially, to protect and indemnify any part or portion thereof either on mutual, principal or otherwise basis.
  29. To employ experts to investigate and examine into conditions, value, character and circumstances of any business, concerns and undertakings having similar objects and generally of any assets, property or rights.

30. To carry on any branch of business any where in India, which this Company is authorized to carry on by means or through the agency of any subsidiary company or companies and to enter into any arrangement with such subsidiary company for taking the profits and bearing the losses of any business or branch so carried on or for finance any such subsidiary, guaranteeing its liabilities or to make any other arrangement which seems desirable with reference to any business or branch so carried on including the power and provision at any time either temporarily or permanently to close any such branch or business.
31. To take part in the management, supervision, conduct and control of the business or operations of any company or undertaking having similar objects and for that purpose to appoint and remunerate the directors, trustees, accountants or other experts, personnel or agents for any such operations or purpose.
32. To accept as consideration for or on lieu of the whole or any part of the Company's properties either land or cash or Government security or securities guaranteed by the Government or shares in joint stock companies or partly the one and partly the other and such other properties or securities as may be determined by the Company and to take back or acquire the property so disposed off by repurchasing or taking lease the same at such price or prices and on such terms and conditions as may be agreed upon by the Company.
33. To let on lease or license or on hire purchase or to lend any properties belonging to the Company and to finance for the purpose of any article whether made by the Company or not by way of loans or by hire purchase system.
34. To sell, purchase, mortgage, grants, easements and other rights over and in any other manner deal with the undertakings, properties, assets both movable and immovable, rights, effects of the Company or any part thereof and whether real or personal for such consideration as the Company may think fit and in particular for share, debenture, debenture-stock, securities of any other company whether or not having objects altogether or in part similar to those of the Company and to make advances upon the security of land and/or buildings and/or other properties movable and/or any interest therein and to take or hold mortgages, liens and charges, to secure the payment of the purchase price or any unpaid balance of the purchase price of any part of the Company's property of whatsoever kind sold by the Company and money due to the Company from the purchaser and others
35. To create any depreciation fund, reserve fund, sinking fund, insurance fund or any other special fund whether for depreciation or for repairing, improving, extending or maintaining any of the properties of the

Company or for redemption of debentures or redeemable preference shares or any other purpose whatsoever conducive to the interest of the Company.

36. To adopt such means of making known the business/activities of the Company as may seem expedient and in particular by advertising in the press, by circulars, by purchase and exhibitions of works of art or interest, by publication of books and periodicals by employing audio-visual media or by granting prizes, rewards and donations.
37. To raise or borrow money from time to time for any of the purposes and objects of the Company by receiving advances of any sum or sums with or without security upon such terms as the Directors may deem expedient and in any particular by taking deposits from or open current accounts with any individual or firms, including the agents of the Company, whether with or without giving the security or by mortgaging or selling or receiving advances on the sale of any lands, buildings, machineries, goods or other properties of the Company or by the issue of the debentures or debenture-stocks, perpetual or otherwise, charged upon all or any of the Company's properties (both present and future) including its uncalled capital or by such other means as Directors may in their absolute discretion deem expedient.

**IV. The liability of the members is limited.**

**V. The authorized share capital of the company is Rs. 500,000/- (Rupees Five Lakhs only) divided into 1000 (One Thousand) Equity Shares of Rs.500/- (Rupees Five hundred only) each.**

We, the several persons whose names and addresses and occupations are subscribed below are desirous of being formed into a company in pursuance of this MEMORANDUM OF ASSOCIATION and we respectively agree to take a number of ordinary shares in the capital of the Company set opposite our respective names.

	Name, Description, Occupation and Address of the Subscriber	Number of equity shares taken by each subscriber	Signature of Subscriber	Signature of witness with address and occupation
01				
02				
	<b>TOTAL</b>			

Place :

Date :

## **Steps and Legal Formalities for Incorporation of a PC**

## Schedule 3

### Steps to be followed for Incorporation of Company:

1. Meeting with the villagers and introduce the concept.
2. Exposure visit to a Producer Company.
3. Motivating eligible members to become shareholders.
4. Meeting the shareholders and discuss objectives/possible business ideas
5. Drafting of Memorandum and Articles of Association
6. First Informal meeting of the shareholders to approve:
  - Approval of Memorandum of articles of association
  - Selection/election of promoter (effort to be made by initiator to avoid election in this stage as it can lead to drift among members)
  - Authorized Capital and Cost of each share

### Legal Formalities of Formation:

1. Obtain Director Identification Numbers (DIN)
2. Obtain Digital Signature of the Nominated Director
3. Choose four (04) names of the producer company in order of preference.
4. After availability of name necessary documents are to be prepared like:
  - Memorandum of Association
  - Articles of Association
  - FORM No – 18 for registered Office
  - FORM No - 32 for Director's Appointment
  - Apply online for DIN for Proposed Directors
  - FORM – 1
  - Affidavits by subscribers to Memorandum of Association in case if they have signed in Hindi
  - Power of Attorney in favour of consultant to authorize him to make necessary changes
5. Documents to be submitted to the ROC for the Incorporation of Producer Company
6. Obtain Certificate of Incorporation



## **Sample Job Description of Coordinators/ Executives/Interns of CES**

## Format 3.1

# Xavier Institute of Management, Bhubaneswar

## SPECIAL SERVICE AGREEMENT (INDIVIDUAL CONTRACTOR)

### Agreement No. XIMB-NABARD-Rabo Bank Foundation/C/1

An Agreement between XIMB and Bineesh, E J hereinafter referred to as “The Contractor” (Principal Coordinator) in XIMB-NABARD-Rabo Bank Foundation Action Research Project on Sustainable Community Enterprise System)

### Address

At: Avila Bhawan, Nuagada PO  
Rayagada District  
Telephone No. 9337840346

*This agreement shall commence on **01.6.2011** and shall expire on the satisfactory completion of the services described below, but not later than **31.5.2012** (extendable up to 2 years) unless terminated sooner under the terms of the agreement.*

The performance of the candidate will be reviewed every season/quarter by the Principal Investigator for his/her further continuation in the project.

**THIS AGREEMENT IS SUBJECT TO THE ATTACHED CONDITIONS OF SERVICE.**

### Terms of Reference:

**Purpose of the Work Assignment:** The purpose of the assignment is to make a sustainable Community Based-Paced-Managed-Owned Enterprise System operational in the Nava Jyoti community.

### Overall Responsibilities:

- To make the small and marginal farmers of Nava Jyoti PC/CES sustainable.
- Strengthen the cooperative spirit and trust among people in the community and among the others working in NJ PC.
- Share information on sustainability of family, community, & ecology to all stakeholders.
- Document the processes & systems on planning, logistics, marketing, accounts, finance, farming, primary value addition, secondary value addition, review of quality of life and sustainability indicators.
- As the Principal Coordinator to oversee all the functional aspects of Nava Jyoti CES and identify and develop the local champions and build the social glue of the community that will take charge of the operations of the Nava Jyoti CES by the end of year 2013.

### Specific Responsibility:

- Undertake the overall responsibility of building communitarian spirit, introducing integrated low cost agricultural practices, marketing, accounts, administration, external linkage and stabilizing the community base-paced-managed-owned enterprise system.
- Supervise and facilitate the activities of all Professionals/Facilitators in the CES on a daily basis and administer their salaries every month.
- Supervise the expenses of all training, capacity building, field visits, meeting of producer members, storing, marketing, logistics and all office expenses.
- Operate and verify the Accounts of contributions/supplies made by the producer members and the amount paid to the producer members.
- Operate the Bank Account of the CES along with the Main Facilitators and distribute the proportional profits with the producer-member upon the approval of the Main Facilitators.
- Facilitate Baseline sustainability data collection and then enter data, process and store the baseline data of all the producer members and few non members in the computer (for comparative purpose) of the community.
- Undertake social audit (on seasonal /quarterly basis) of the community on the effectiveness of the Professionals/Facilitators and the benefits of the CES activities on their well being.
- Any other related responsibilities given by the Principal Investigator, Action Research Project of NABARD-XIMB-Rabo Bank Foundation from time to time.

### General Principles & Values:

Sincerity, honesty, hard working, willingness to learn, respect to others, ability to work in multi-functions, timeliness, and maintaining discipline are basic principles and values of Nava Jyoti that are non negotiable. Violations of any or more of these principles and values shall lead to immediate termination of the contract.

### Qualifications or specialized knowledge/experience:

This Contractual Appointment is made on the basis of your qualification and experience as indicated below:

- Ability to work with people in the community and have their trust and cooperation in him/her.
- Graduation
- Relevant experience in rural settings.
- Understanding of the rural situation of the community
- Good communication skills
- Good sales / marketing / administration / planning / accounts / documentation / systems / Farming skills

Other terms & conditions governing your employment shall be subject to the Staff Service Rules of XIMB.

**Reporting:** To the Coordinator/Principal Investigator of the NABARD-XIMB-Rabo Bank Foundation supported Action Research to develop a sustainable community enterprise system.

**Leave:** Leave up to 10 days per year can be taken on prior permission. For any leave beyond a total of 10 days in a year, an amount on a pro-rate basis on the maximum salary earnable per month shall be deducted.

**a. Deliverables :** Regular and need-based assistance to the Project (extendable up to 2 years) till 31.5.2012.

**b. Consideration :** As full consideration of your services as Contractor under the terms of the agreement, XIMB shall pay you a consolidated amount of 7000/- (Rupees seven thousand) only.

The consolidated amount is payable at the end of every month subject to statutory deductions.

AUTHORISED OFFICER'S NAME & SIGNATURE	SIGNATURE (CONTRACTOR)
NAME : P.T. Joseph, SJ.	I acknowledge that I have read and I accept the attached conditions.
DESIGNATION : Director	
DATE : June 1, 2011	NAME : Bineesh, E J
PLACE : XIMB	DATE :
SIGNATURE :	PLACE :
SIGNATURE :	SIGNATURE :

**Copy to:**

1. Dean, Administration
2. Dean, Finance
3. Dean, HR & External Linkages
4. Prof. Amar KJR Nayak, Project Coordinator, Action Research Project of NABARD-XIMB-Rabo Bank Foundation
5. PF, EBS and S&W Section

## Format 3.2

# NAVA JYOTI PC

A Sustainable Community System supported by XIMB-NABARD-RABO BANK  
FOUNDATION

## SPECIAL SERVICE AGREEMENT (INDIVIDUAL CONTRACTOR)

*An Agreement between Nava Jyoti PC and Mr. Amos Beero hereinafter referred to as  
"The Contractor" CES Coordinator (Community Organization) in Nava Jyoti Community  
Enterprise System*

### Address

At: Daborkona, Nuagada GP, Padampur Block, Rayagada district, Orissa.

*This agreement shall commence on **01.4.2012** and shall expire on the satisfactory  
completion of the services described below, but not later than **31.3.2013** (extendable  
up to 1 year) unless terminated sooner under the terms of the agreement.*

The performance of the candidate will be reviewed every season/quarter by the  
Principal Investigator for his/her further continuation in the project.

THIS AGREEMENT IS SUBJECT TO THE ATTACHED CONDITIONS OF SERVICE.

## Terms of Reference

Purpose of the Work Assignment: The purpose of the assignment is to make  
a sustainable Community Based-Paced-Managed-Owned Enterprise System  
operational in the Nava Jyoti Community.

## Overall Responsibilities:

- To make the small and marginal farmers of Nava Jyoti PC sustainable.
- Strengthen the cooperative spirit and trust among people in the community and among the others working in NJ PC.
- Share information on sustainability of family, community, & ecology to all stakeholders.
- Document the processes & systems on planning, logistics, marketing, accounts, finance, farming, primary value addition, secondary value addition, review of quality of life and sustainability indicators.

## Specific Responsibilities:

- Build Awareness among the people in the community.
- Identify and strengthen cooperative spirit, communitarian values and trust among the people.
- Train and build capacity among local people for community building.
- Develop gender sensitivity in the community and bring women participation in the activities of the community enterprise system.
- Register all producer members to the CES and organize Farmer's Club in each village with the cooperation of the volunteers and representatives of respective villages in the community.
- Organize meetings of producer members, volunteers and Facilitators at regular intervals at the village level and at the community level.
- Share information & knowledge on sustainability of family, community & ecology.
- Organize the various convergence programmes such as Watershed Development, Panchayat Development Fund, Tribal Development Fund-NABARD Convergence Fund, etc for sustainability of the community and its enterprise system.
- Undertake marketing of various produce/products of NJ PC wherever and whenever required.
- Any other related responsibilities given by the Principal Coordinator, Nava Jyoti PC from time to time.

## General Principles & Values:

Sincerity, honesty, hard working, willingness to learn, respect to others, ability to work in multi-functions, timeliness, and maintaining discipline are basic principles and values of Nava Jyoti that are non negotiable. Violations of any or more of these principles and values shall lead to immediate termination of the contract.

## Qualifications or specialized knowledge/experience:

This Contractual Appointment is made on the basis of your qualification and experience as indicated below:

- Ability to work with people in the community and have their trust and cooperation in him/her.
- Understanding of the rural situation of the community
- Ability to communicate effectively with people in different languages viz., Odiya, Soura & Kondho.
- Basic Reading and Writing Skills

**Reporting:** To the Principal Coordinator, Nava Jyoti PC Ltd under the XIMB-Rabo Bank Foundation-NABARD supported Action Research to develop a sustainable community enterprise system.

**Leave:** Prior approval of the Principal Coordinator is to be taken for any leave during the official working days in a month. Official holidays will include Sundays and the National Holidays only. For working on official holidays, compensatory leave may be granted by the Principal Coordinator. For the number of days of leave taken on official working days, a pro-rata based deduction from maximum monthly salary will be made.

### Consideration:

As full consideration of your services as Contractor under the terms of the agreement, Nava Jyoti shall Pay the Contractor a consolidated amount based of the following provision upon certification that the services have been satisfactorily performed.

Component	Amount (in Rs.)
Basic Pay	4000
Discipline & Accountability (up to)	250
Innovations & new initiatives for sustainability (up to)	250
Collegiality & supporting others- multi skills ability (up to)	250
Understand and communicate the concept of NJ PC (up to)	250
<b>Total (up to)</b>	<b>5000</b>

The consolidated amount is payable at the end of every month subject to statutory deductions.

AUTHORISED OFFICER'S NAME & SIGNATUTRE	SIGNATURE (CONTRACTOR)
NAME : Bineesh E J	I acknowledge that I have read and I accept the attached conditions.
DESIGNATION : Principal Coordinator, Nava Jyoti PC	NAME : Amos Beero
DATE : April 1, 2012	DATE :
PLACE : Nava Jyoti Kendra, Nuagada	PLACE :
SIGNATURE :	SIGNATURE :

### Copy to:

1. Director, XIMB
2. Prof. Amar KJR Nayak, Principal Investigator, Action Research Project of XIMB-Rabo Bank Foundation-NABARD.



### Format 3.3

## NAVA JYOTI PC

A Sustainable Community System supported by XIMB-NABARD-RABO BANK  
FOUNDATION

### SPECIAL SERVICE AGREEMENT (INDIVIDUAL CONTRACTOR)

*An Agreement between Nava Jyoti PC and Mr. Dibakar Singh hereinafter referred to as "The Contractor" (CES Coordinator, Sales & Marketing) in Action Research Project on Community Based-Paced-Managed-Owned Enterprise System)*

#### Address

At: Saramuli, Daringbadi Block, Kondhamal district, Orissa.

*This agreement shall commence on **01.3.2011** and shall expire on the satisfactory completion of the services described below, but not later than **31.2.2012** (extendable up to 1 years) unless terminated sooner under the terms of the agreement.*

The performance of the candidate will be reviewed every season/quarter by the Principal Investigator for his/her further continuation in the project.

THIS AGREEMENT IS SUBJECT TO THE ATTACHED CONDITIONS OF SERVICE.

### Terms of Reference

Purpose of the Work Assignment: The purpose of the assignment is to make a sustainable Community Based-Paced-Managed-Owned Enterprise System operational in the Nava Jyoti community.

### Overall Responsibilities:

- To make the small and marginal farmers of Nava Jyoti PC sustainable.
- Strengthen the cooperative spirit and trust among people in the community and among the others working in NJ PC.
- Share information on sustainability of family, community, & ecology to all stakeholders.
- Document the processes & systems on planning, logistics, marketing, accounts, finance, farming, primary value addition, secondary value addition, review of quality of life and sustainability indicators.

## Specific Responsibilities:

- To protect and safeguard all the stocks in Kenduguda storage and marketing office.
- To coordinate and maintain records of all sales, inventory, internal transfers, and logistics at the storage and marketing office in Kenduguda.
- Grading, drying, packaging, storage and transportation of the produce/products.
- Undertake direct marketing of all the NJ produce/products where ever required.
- Assist in value addition and logistics support for all the produce/products.
- Build Awareness on various farming practices among the people in the community by organizing with other facilitators and the local Krishi Vikas Kendra and horticulture department.
- Organize meetings of producer members, volunteers and Directors at regular intervals at the village level and at the community level.
- Any other related responsibilities given by the Chief Executive, Nava Jyoti PC from time to time.

## General Principles & Values:

Sincerity, honesty, hard working, willingness to learn, respect to others, ability to work in multi-functions, timeliness, and maintaining discipline are basic principles and values of Nava Jyoti that are non negotiable. Violations of any or more of these principles and values shall lead to immediate termination of the contract.

## Qualifications or specialized knowledge/experience:

This Contractual Appointment is made on the basis of your qualification and experience as indicated below:

- Ability to work with people in the community and have their trust and cooperation in him/her.
- Under Matric /Matriculate/ Graduation
- Relevant experience in rural settings.
- Understanding of the rural situation of the community
- Good communication skills
- Good sales / marketing / administration / planning / accounts/ documentation / systems / Farming skills

**Reporting:** To the Chief Executive, Nava Jyoti PC Ltd under the NABARD-XIMB-Rabobank Foundation supported Action Research to develop a sustainable community enterprise system.

**Leave:** Leave upto 10 days per year can be taken on prior permission from the Chief Executive. For any leave beyond a total of 10 days in a year, an amount on a pro-rate basis on the maximum salary earnable per month shall be deducted.

## Consideration:

As full consideration of your services as Contractor under the terms of the agreement, Nava Jyoti shall pay the Contractor a consolidated amount based on the following provision upon certification that the services have been satisfactorily performed.

Component	Amount (in Rs.)
Basic Pay	4000
Discipline & Accountability (up to)	250
Innovations & new initiatives for sustainability (up to)	250
Collegiality & supporting others- multi skills ability (up to)	250
Understand and communicate the concept of NJ PC (up to)	250
<b>Total (up to)</b>	<b>5000</b>

For sales achieved above Rs. 20,000 per month, a performance incentive of 5% on the additional amount of sales shall be provided.

The consolidated amount is payable at the end of every month subject to statutory deductions.

AUTHORISED OFFICER'S NAME & SIGNATURE	SIGNATURE (CONTRACTOR)
NAME : Bineesh E J	I acknowledge that I have read and I accept the attached conditions.
DESIGNATION : Principal Coordinator	NAME : Dibakar Singh
DATE : May 1, 2011	DATE :
PLACE : Nava Jyoti Kendra, Nuagada	PLACE :
SIGNATURE :	SIGNATURE :

### Copy to:

1. Director, XIMB
2. Prof. Amar KJR Nayak, Principal Investigator, Action Research Project of NABARD-XIMB-Rabo Bank Foundation

# NOTES











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*Dr. Amar KJR Nayak is Professor of Strategy and NABARD Chair Professor at the Xavier Institute of Management, Bhubaneswar, Odisha (XIMB), India. His research has been in understanding asymmetries in human actions and the consequent issues of control and freedom. Within the framework of asymmetry, his research has been around asymmetry-generating actions and asymmetry reduction actions. This has devolved around contextual understanding of traditional firm design, growth of enterprises, institutional issues, globalization and control, and optimal enterprise system design criteria for long-term sustainability of the global system.*

*Professor Nayak's research engagement has been on issues of sustainability (size, scope, technology, ownership and management) and transition strategies towards sustainability, like examining methods of optimizing asymmetries of small producers in rural agricultural settings for long-term sustainability. He has also been guiding doctoral students working on institutional issues and organizational issues for sustainability. For more details, please see: [www.navajyoti.org](http://www.navajyoti.org)*

*Revised & Reprinted : October 2013*