FITTING THE FOUNDATION STYLE:

THE CASE OF RURAL CREDIT

Judith Tendler
October 1981

The Inter-American Foundation

INTRODUCTION

When we decided to review the Inter-American Foundation's grant-making to organizations providing credit to small farmers and peasants, we turned to Judith Tendler for assistance. Dr. Tendler's credentials included her insightful writings on development issues in Latin America and her extensive practical experience as a consultant to the World Bank, the Inter-American Development Bank, and the U.S. Agency for International Development. She did not disappoint us. Indeed, she carried her assignment beyond our expectations. After interviewing staff and reading files during two weeks last winter, she laid much of the groundwork for a continuing evaluation of our support for rural credit. Additionally, she commented thoughtfully and provocatively on the Foundations's strengths and weaknesses, its style of operation, and its approach to grassroots development.

Dr. Tendler's contribution was not confined solely to the report. Last December and again in February she discussed her observations in seminars with Foundation staff, and since then she has been in continuing communication with many of us. Her analysis and suggestions have already influenced the Foundation's work, in part because they reinforced some of our own concerns. We are, for example, drawing more on outside specialists to assist us in reviewing proposals for large or complex projects and in monitoring and evaluating such projects. We are now scrutinizing proposals for revolving credit funds more than in the past.

There are portions of Dr. Tendler's report with which we were not fully in accord. We think, for instance, that she has understated staff knowledge and attention to ongoing grants, particularly those experiencing difficulties. The Foundation seeks to avoid intruding into the management of grant-supported activities, believing grantee organizations should confront their own problems rather than have solutions prescribed from outside. But Foundation representatives are in regular communication with grantees and knowledgeable about the progress and frustrations of grant-supported projects.

Dr. Tendler also suggests that the Foundation assigns relatively little importance in its decision-making to the specifics of projects being proposed. We may give greater emphasis than other development agencies to the organizations and people who will be responsible for carrying out projects; however, we also assess the feasibility and the particular strengths and weaknesses of each project proposal before deciding whether to support it.

Finally, from prior experience, Dr. Tendler is decidedly skeptical about the potential contribution of rural cooperatives to social and economic development among small farmers. The Foundation's experience has been more encouraging. Our differing assessment may arise from the Foundation's selectivity in supporting those cooperatives able to demonstrate a capacity for managing development projects.

These and other, minor disagreements notwithstanding, we view Dr. Tendler's report as a valuable contribution to our understanding of the Foundation and its role in grass-roots development.

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Preface

This report is based on a week I spent at the Inter-American Foundation in December of 1980, meeting with staff and reading project files. I was asked to make some suggestions about how the Foundation's rural credit projects might be evaluated, to identify some issues that should receive attention, and to comment about the relationship between the Foundation's style and how it learns from its projects.

Since this was my first experience with the Foundation, my impressions had to be formed without the benefit of direct observation of Foundation projects in the field, except for a few I have run into while looking at the projects of other donors. For this reason, my report should be seen as a series of hunches, based on the sense of Foundation projects that I gained from talking with staff and reading project files, and on my field observations of projects of a similar character financed by other donors. I would expect that if I were to spend some time in the field with the Foundation's projects, I would decide that some of the judgments made here were wrong.

Not being able to be on the scene of the Foundation's projects was almost made up for by being able to spend a week talking with Foundation staff persons in Washington. The discussions we had about projects and their dilemmas were the most sustained and interesting set of conversations I have ever had with an organization about development projects and the drama of funding them. At various points in the report, staff members will recognize how much I learned from them.

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I - The Foundation and Evaluation

To evaluate the Foundation's rural credit projects, or to raise the questions that should be central to such an evaluation, is also to ask how the Foundation goes about its work, and what it does best. The Foundation has a distinct style, quite different from other donors, to which staff allegiance is strong; it has developed a comparative advantage in certain types of projects and project-design processes. Any evaluator of the Foundation's projects must always keep in mind a set of questions related to that style, in addition to the normal concerns about the operation of the project itself.

What are the types of projects that build on the Foundation's comparative advantage, or are compatible with that unique style? What are the project types that do not fare well under the Foundation style--projects that need, for example, a kind of support or monitoring that the Foundation cannot or does not believe in delivering? When the Foundation chooses to finance this latter type of project, one of two unhappy outcomes may occur: the project and its organization may go badly, or the Foundation may have to change its style, against its better judgment, in order to make the project go well. A similar appreciation for the Foundation's style must underlie the evaluation methodology it chooses. How can evaluation be done, that is, in a way that maintains the Foundation's comparative advantage and respects its way of dealing with grantees--rather than playing havoc with those ways in the attempt to do "respectable" evaluation work?

The following discussion raises questions in three areas: (1) rural credit projects or project components; (2) rural credit projects vs. other types of projects; and (3) evaluation methodology. Since the questions raised in all three areas relate to a considerable extent to the Foundation's own perception of its mission and its strength, I start with my understanding of this perception.

The Foundation style

The Foundation seems to follow three canons of behavior: it grants funds primarily to nongovernmental organizations, it wants to support organizations in which the poor participate in decisionmaking and, most unusual, it believes strongly in a donor-grantee relationship with little intervention from the donor. This last tenet, along with the small annual volume of Foundation grants (about $23 million in 1980), makes the Foundation less akin to other donor organizations, with their much larger level of operations, than to other foundations. Yet in trying to improve the quality of its processes of project selection and evaluation, the Foundation tends to compare itself (unfavorably) to the other donors, rather than to the more kindred other foundations. The "better" and more comprehensive evaluation tactics of the other donors, after all, are partly a function of their much higher levels of lending and, more important, of a lack of compunction about intervening heavily in the project design and implementation process.

The Foundation's stand against intervention grows out of the belief that donor intervention and control are not conducive to the growth of a healthy and self-sufficient organization. If intervention stifles the kinds of organizational growth that the Foundation wants to nurture, then the project design and evaluation methodologies that go along with intervention will also stifle that growth--or, at least, will not combine very well with it. The dilemma for the Foundation, then, is to improve its methodologies not by emulating those of the more interventionist donors--of which it is so critical--but by improving upon its own noninterventionist approach.

The interventionist style of most donors, it should be pointed out, brings to the donor a certain control over project outcomes--or, at least, an illusion of control. This means that the intervening donor considers itself more responsible for how a project turns out. It can claim responsibility for project success, and it will worry over possible project failure--either trying to make it not happen, or covering it up. Because intervention makes one feel more responsible for project outcomes, this can lead to more intervention--more attempts to gain control over the outcome, or at least, over the way the outcome gets written up. These attempts to gain more control, and the acutely felt accountability that causes them, all contribute to the difficulty that the intervening donors have in being flexible during the course of project evolution --in letting a project take a different path, for example, than that on which it first started. The Foundation, in contrast to these other donors, has been less subject to unfavorable outside scrutiny--for reasons discussed below--and therefore has been able to afford the luxury of being less interventionist with its grantees than these other donors; it has not had to worry so much as the others about mistakes made by its grantees in the course of their growth. This particular aspect of its style is not only a function of its preferences, therefore, but of an environment that allowed the pursuit of those preferences.

The interventionist donor style is most successful in projects where control over project outcomes can actually be achieved, where participation of project beneficiaries is not important, and where formulae according to which the project will unfold can be laid out beforehand. Infrastructure projects approximate most this project ideal. The interventionist style is less successful, however, in areas where control over outcomes cannot be achieved, and where flexibility during implementation is necessary; in these types of projects, the interventionist style and its accountability behaviors cause donors to act as if they can control outcomes that they simply cannot. In these cases, the interventionist style can take on pathological forms--preventing, that is, the very outcomes that the project is meant to achieve (e.g., institution building, participation, adoption of new practices). It is with these latter, less controllable projects that the Foundation's comparative advantage lies since, in contrast to the intervening donors, it has made a point of not taking control.

The Foundation's doctrine of minimized intervention has two implications for its attempts to improve its project-evaluating processes. First, it should try to identify types of projects that are less vulnerable than others to a lack of donor presence or, put more positively, types of projects that do best when left alone by donors. Second, the Foundation must gain a systematic understanding of its failures and successes so that it knows which types of projects and project environments to choose the next time around. After all, the moment of choice and, previous to that, of encouraging would-be applicants, are moments at which it exercises considerable control.

As a result of these differences between the Foundation and other donors, its sense of responsibility is quite different from that of the others. Failures can be attributed to a bad Foundation decision, or to a "lemon" project, but not to a lack of close monitoring--a commonly heard explanation for failure of the projects of the intervening donors. In this sense, the Foundation is more free and, at the same time, more constrained than the intervening donors. On the one hand, its non-intervening credo means that it has less responsibility for the way its projects evolve--for their successful aspects as well as their inadequacies. This means that it can be more relaxed and flexible, precisely the qualities that are needed for certain types of projects. On the other hand, the Foundation has even more responsibility than the other donors to make the right decision in the first place--to be very knowledgeable about what works and what doesn't among its own projects.

People vs. tasks

How does the Foundation now go about making its decisions about projects? Like many other foundations and unlike other donors, it devotes most of its time and reflections to making judgments about the people involved in the organizations requesting support--are they honest, are they dynamic and, most important to the Foundation, are they committed to helping poor people? This process will sometimes receive more thought and attention than the contents of the project itself--rural credit vs. agricultural marketing, the purchase of agricultural inputs vs. the supply of consumer goods, etc. Here and elsewhere in the report, I will therefore refer to certain aspects of Foundation decisionmaking as "people-oriented," "people-centered," "people-related," etc. My understanding of a "people-oriented" style is one that judges a project by the organization that proposes it--more than by the type of project being proposed or by the formula for carrying out that project type. Judgments about the organization, in turn, are made more in terms of the people who manage it and the way they serve or involve the poor, than in terms of certain "technical" features of the organization itself.[1]

What does the people-oriented kind of decisionmaking process involve? It means "hanging around" with the applicant, being on the scene to see how the poor are treated by an applicant organization, finding out the opinions of others on the scene whose commitment is known. This means that if the Foundation's process of judging projects is to yield good decisions, certain skills are essential--mainly a high degree of fluency and familiarity with the project environment. These are precisely the skills in which Foundation staff excel--language fluency, knowledge about the history and politics of the project's environment, and a keen taste for being around the people and

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[1]I use the term "people" for lack of a more accurate, shorthand way of referring to this characteristic--and even though the term causes problems for Foundation staff, because it harks back to a time when they feel they relied too much on the ability of a charismatic leader to make a project successful. When I say "people-oriented," I am including the organization as well; I do not instead say "organization-oriented" because it implies additional criteria that the larger donors, I feel, have sometimes placed excessive reliance on--bookkeeping procedures, organization charts, "modern" organizational procedures, etc. For purposes of the discussion in this paper, I feel that the contrast to the other donors is more relevant than the maturing in the Foundation's way of thinking about charismatic leaders.

the culture where the project is taking place. These skills and sensitivities are also those that other donors have been faulted for not having--and that other donors have tried at great pains and with mixed results to inculcate in their staffs. To the Foundation staff, they seem to come easily.

The Foundation, of course, has deliberately looked for these skills in recruiting new staff members. Just as important, however, its people-oriented style of operating has constituted a reward to staff for the continued development and use of these skills. The more technocratic orientations of other donors, in turn, have represented rewards to the mastery of standard techniques of analysis and the management skills required to produce and monitor many large projects. Correspondingly, these organizations have done better with these more technical skills and the kind of subject-related rather than people-related analysis that goes along with them.

People-judging talents in choosing projects are not accorded the legitimacy in the donor-assistance world that technical skills are. This results in part from the prevailing concept of development as a technical task rather than as also influenced and constrained by events of a political and institutional nature.[1] Whether right or wrong, the

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[1]That this technical conception of development continues to predominate after so many years of experience with development projects is not only a result of inadequate understanding about how development occurs. It is also a result of the difficulties of incorporating criteria of a political and institutional nature into the decisionmaking of large organizations engaged in financing large projects--and of arriving at a consensus on what these criteria should be. Because the Foundation is so small in relation to other donors, it has been able to maintain a nonspecialist, generalist, and remarkably homogeneous staff in terms of skills and commitment. (Of a total staff of 63, approximately 30 evaluate grant proposals.) Hence, it is able to incorporate less quantifiable criteria into decisionmaking without ever having to make explicit what those criteria are.

"technical" concept of development has been a fairly workable approach to certain types of projects, mainly infrastructure; but it has turned out to be inadequate for decisionmaking about projects that have high recurrent expenditures in relation to capital expenditures, a characteristic of many projects which attempt to redistribute resources to the poor. Other donors have come to understand that in many of these latter types of projects, outcomes have been more dependent on the degree of commitment of the agencies executing the projects than on the technical features of the projects. Because the Foundation's funding has always been oriented toward the poor--in contrast to the change in this direction by the other donors in the early and mid-1970s--the Foundation has had more years of experience in gauging that type of commitment and has become good at it.

The Foundation, then, has a different way of thinking about projects than the other donors: it first chooses persons or institutions for their commitment, and then lets the type of project fall into place, as desired by the applicant. The other donors, in contrast, search for places where they can do certain <u>types</u> of projects--agricultural credit, agricultural extension, potable water, rural health--and then try to hook these types of projects up to the government agencies that are where such project types "belong." The Foundation, in short, determines who the "desirable" people and organizations are, while other donors determine whether the technical components of a project make economic and financial sense--disregarding, somewhat, who the people are.

Clearly, a considerable amount of people-judging is also done by the other donors. Indeed, the other donors have sometimes been criticized for relying too much on a certain person in charge of a project-executing agency--judging that person to be dynamic and charismatic enough to overcome the constraints of the project environment. This people-judging process of the other donors, however, is still subordinate to their emphasis on project type. Though reliable people are also sought out by the other donors, this is for the purpose of carrying out already-conceived notions of projects; people or institutions deemed to be dynamic and trustworthy are rarely allowed to carry out the activity that they think is best for their organization. This contrasts with the Foundation, which proceeds as if it believes that reliable people and organizations can be counted on, if supported, to improve conditions for the poor. What these people choose to do--rural credit or people's theater--is secondary.

To compare the people-centered vs. project-centered approaches to development assistance is not to say that one is better than the other, but, to point out the extent to which the Foundation is doing something very different from the other donors. It has developed comparative advantage in an area where the other donors are quite lacking. At the same time, it is lacking in the technical skills that are being developed by the other donors in response to their conception of development as a technical task. The Foundation may find it difficult to improve its project design and evaluation skills simply by acquiring the technical expertise of the other donors, or by doing evaluation that looks like what the others do and is as "respectable." If the Foundation attempts to become more technically respectable, it runs the risk of losing its own comparative advantage and extending itself into an area where it has a distinct comparative <u>dis</u>advantage.

All this is not to say that there is no room for improvement or no ground for criticism of the Foundation's way of doing things. It means, rather, that the models for needed improvement cannot necessarily be sought at the other donors. These models will have to be found within the Foundation itself, and by looking at organizations that have similar ways of making decisions--whether or not they are working on development or in third-world countries.

It is ironic that Foundation staff have a certain sense of inferiority about the fact that their technical expertise falls short of that possessed by other donors. Though Foundation staff have become more sophisticated in recent years about technical aspects of project analysis, many still feel that they could bring about the necessary improvements in their project evaluation procedures by acquiring some of that expertise possessed by the other donors. This sense of inadequacy can also be interpreted as a faltering of belief by Foundation staff in their own people-centered approach, as a desire to become more like those of whose methods they disapprove. It is a testimony to the strength of technical approaches to problems in our culture that this fiercely people-centered staff would consider themselves inadequate by the very standards with which they so heartily disagree.

The Foundation's failings, then, do not lie in its lack of skills possessed by the other donors, but in its lack of a better understanding of how to take full advantage of its own particular approach and expertise--including an understanding of the areas in which its style works well, and the areas in which its style is less compatible with its objectives of helping the poor. In the course of gaining such an understanding, the Foundation may find it necessary to acquire more knowledge of a technical nature about its projects. But this is quite different from saying that Foundation staff should themselves become more "technical."

The dilemma of improved evaluation

What would be so threatening for the Foundation if it were to adopt a more "rigorous" technical style? For one, the Foundation is quite distinct from the large donors in that it is not internally rent with quandaries about equity and efficiency, and the extent to which the pursuit of equity compromises growth. Demonstrated and significant increases in output are considered desirable but are certainly not required for Foundation projects, not even in a "cosmetic" sense. Staff do not bend over backwards searching for or elaborating economic arguments to show that their project does not compromise efficiency or growth in the course of pursuing equity--a very major concern of, and constraint on, the larger donors in their attempts to analyze and justify their reorientation to the poor. Foundation staff are unabashedly and refreshingly comfortable with projected results that are pure equity. This approach, of course, means that some projects may end up having insignificant impacts on the incomes of poor people during the project's life. But it is the Foundation's credo that increased incomes will result only from a certain project process--participatory or committed organizations working on problems defined as urgent by the beneficiaries themselves. This contrasts with the view implicit in the operations of other donors, according to which favorable outcomes result from certain project types, involving certain combinations of inputs. The Foundation needs to learn more about the circumstances under which its particular view of the world actually turns out to be accurate. It needs to learn what types of participatory organizations and circumstances are particularly conducive to favorable impacts on poor people's lives.

The Foundation is free of the problems of fitting equity-oriented projects into efficiency justifications because it has declared its interests to be elsewhere and is small enough that it is not subjected to outside demands for performance on output-increasing grounds. The absence of staff divisiveness in the Foundation about the relative importance of social, cultural, and economic objectives also results from the generalist nature of the staff. Except for administrative tasks of the four regional directors, all project staff have approximately the same function: they seek out, decide upon, and monitor projects in the country for which they are responsible. To the extent that they specialize, it is in a country more than in a discipline or skill. Unlike disciplinary specialities, moreover, they can change their specialty after a period of time--from responsibility for one country, that is, to responsibility for another. In the larger donor organizations--where specialization by field (engineers, economists, financial analysts, educationists, etc.) and tasks (operations, programs, evaluation, research) is an inevitable outcome of sheer size--conflict and ambivalence among staff about the extent to which some objectives should be given priority over others is not unusual. The various sides of the conflict often correspond to the various task or field specializations.

The Foundation, in sum, is remarkably free of some of the tension, confusion, and factionalism that characterize the other donors and their larger, more diversified organizations. Clearly, the smallness of the organization and its more limited mandate--i.e., support for primarily nongovern- mental organizations--help make it easier for the Foundation to pursue its credo and to operate with as undiversified a staff as it does. The lack of specialization also contributes to the low level of conflict among staff about what the organization is up to.

What does all this have to do with introducing more technical rigor into the organization, and with improving techniques of project evaluation? Technical rigor can be brought to organizations in one of two ways: (1) by bringing persons specialized in certain tasks or fields onto an organization's staff, permanently or temporarily through consultancies, or (2) by requiring that each member of the unspecialized staff acquire some "technical" skills. As pointed out above, Foundation staff already possess a set of skills that are hard to come by in donor organizations--mainly, language and country fluency, and a heightened understanding of the interaction of economic and political events. It would not only be difficult to keep up these skills while at the same time acquiring a set of new ones; but the new technical skills in themselves often carry value implications that in some ways run against the grain of people-centered decisionmaking and strong commitment to the poor. To introduce technical skills into the organization through specialization among the staff also presents some risk--that of introducing divisiveness into the Foundation, along specialist lines, over the nature of its task.

Perhaps there are other approaches to improving the Foundation's project evaluation skills that would build on its comparative advantage, rather than going against it. One such approach, as suggested above in another context, is to try to identify those projects that fit the Foundation style best--i.e., those projects that suffer least from the Foundation's inability to do high-powered "technical" analysis and monitoring of projects. Viewed in this light, rural credit might be an example of a project that does not fit the Foundation style well--because of the dependence of project outcomes on the building up of a successful business organization. More will be said on this point later.

On being insular

Another possible approach to improving evaluation at the Foundation would be to take advantage of one of its strong points: Foundation staff seem unusually interested in discussing projected-related issues, in comparison to other donor staffs; and they are unusually candid among themselves about the problems and failures of their projects. They seem highly interested in their work, and committed to what they are doing. The atmosphere for learning from one's own experiences, in short, seems better in the Foundation than in other donor organizations.

The danger inherent in trying to improve the quality of the Foundation's work arises from the fact that what contributes to its strength also contributes to the qualities for which it has been criticized. Though the lack of specialization may deprive the organization of certain technical skills, for example, it also keeps out certain debilitating conflicts and ambivalences. It thus allows staff to be more open, to feel at home when discussing problems and failed projects. Similarly, the Foundation has been criticized for being clubby, insular, and do-goodist--"provincials" in the development assistance world. Its most widely-circulated evaluation work, They Know How, has been characterized as public-relations prose rather than serious evaluation. Yet it is this same appearance of clubbiness--the insulation from the rest of the development assistance world, the self-righteousness about what they are doing--that accounts for the strengths of the atmosphere inside the Foundation: the intensity of interest in the task, the striving for excellence in language and country knowledge, the openness of discussions about projects and project-related issues, the lesser defensiveness about the problems of one's own projects.

Just as important in contributing to the Foundation's healthy atmosphere is that the Congress created it with a special mandate to be a risk-taking enterprise--to be protected, in contrast to A.I.D., from being used as a vehicle for the pursuit of unrelated foreign-policy objectives, such as export promotion or national security interests. As a small, semi-private organization, the Foundation did not attract the attention of policymakers and politicians looking around for a place for their pet projects or special agenda. All this meant that the Foundation experienced considerably greater freedom than the other donors.

As a result of the Foundation's freedom, unusual for a donor agency, there is less fear of repercussions over problem projects, less institutionalization of the need to cover up. That is why some of the more interesting written narratives by donors about project histories are to be found in the Foundation's files. Though these field-trip reports and project histories may not convey as much data about a project as is found in some of the evaluation work of other donors, they are sometimes more revealing. People seem to write with a tremendous amount of trust in the imagined reader. The Foundation's very "insularity" vis-a-vis the donor world, in sum, allows it to be open, involved, and intensely interested. The challenge of introducing new evaluation techniques, then, is to preserve and protect a certain amount of that insularity.[1]

The kind of intense commitment felt by Foundation staff to their mission may be difficult to find among organization staffs that are at the same time possessed of analytical rigor and objectivity about the results of their work. The high value accorded to technical standards in the world of development assistance must make it tempting for the managers of the Foundation to give up a little of the dedication of their staff in exchange for more analytical rigor and "objective" evaluation. But this kind of dedication is often not divisible; one cannot subtract from it in increments in exchange for other qualities requiring less

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[1]Foundation staff might be said to be "provincial," by the way, only with respect to the donor world. With respect to the world where the Foundation's projects take place, Foundation staff are often more cosmopolitan than the staff of other donor agencies. Indeed, it may be difficult to be sophisticated with respect to, and operate well in, both worlds; this is suggested by the fact that persons in other donor agencies who know a lot about and are intensely interested in a country where projects take place are sometimes characterized as having "localitis"--to be afflicted with a problem, that is, rather than to be especially competent.

commitment. Commitment, in turn, has been found to be an essential ingredient of projects that are able to reach the poor. What others see as insularity and idealism among Foundation staff probably help the Foundation to support certain types of projects that are difficult for other donors--and to behave in ways that are very much in keeping with its Congressional mandate.

Lost learning: strong leaders and country specifics

What criticisms can be made of the Foundation's way of going about choosing projects to finance and of doing evaluation? The Foundation, for one, believes in allowing grantees to make their own mistakes and the staff works in an organizational environment that allows it to be open and honest about those mistakes. For many other organizations, this openness and tolerance would be luxuries. Yet the Foundation has until recently put less effort than it might have in trying to discern the patterns that emerge from problem projects and from successful projects. This learning seems to be inhibited, in part, by concern that post-hoc evaluation work among the beneficiaries of the Foundation's projects could intrude on the grantees, and compromise the pledge of non-intervention. Yet evaluation styles could be devised with due respect for this pledge. As a start, much could be learned about some Foundation projects simply by interviewing the Foundation representatives responsible for them.

Another possible Foundation-style evaluation approach could involve simple surveys carried out by project beneficiaries themselves--particularly apt for rural credit and other types of agricultural production projects. Peasant farmers, for example, might be contracted to collect opinions from their peers on the success or failure of new agricultural practices and inputs recommended by extension agents under the project. This kind of feedback is woefully inadequate in the projects of all types of donors, resulting in the perpetuation of recommendations by extension agents, and financing by donors, of technical packages that are inappropriate. Such surveys could also perform the valuable function of finding out what assistance farmers feel they need most. It is difficult for extension departments themselves to carry out this feedback task, because the findings may make it hard for them to justify continued funding of their activities, or may make it necessary for them to change markedly what they do.[1]

In some cases, it may be possible to contract out such an evaluation procedure to a local peasant organization; such a group would be a particularly appropriate collector of such feedback because of its familiarity with the area and its legitimacy in the eyes of peasant farmers, who often distrust extensionists or cooperative representatives. Such peasant organizations might normally not qualify for Foundation funding because of the nonproject nature of their activities and the consequent difficulty of funding them. Yet these groups are sometimes more representative of the rural poor than the cooperatives and other types of organizations that carry out more project-oriented activities. An important secondary benefit of doing evaluation this way would be

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[1]It is interesting to note that some Foundation staff were concerned that surveys by peasant farmers or their groups might be deemed "interventionist" by the grantee organization, who do not want anyone else dealing directly with "their" beneficiaries. This in itself suggests that the grantee organizations may not be as participatory as they are thought to be.

the strengthening and legitimation of organizations that are class-based representatives of the poor. Involving peasant farmers in evaluation of agricultural extension methods, needless to say, would also contribute to increased participation by the poor in the projects meant for them--a basic objective of the Foundation.

Another criticism that might be made of Foundation staff is that they are often reluctant to generalize about their experiences with projects because, they say, (1) the specific circumstances and country environment surrounding each project makes that project's outcome unique; and (2) project success and failure often have to do with whether or not there was a dynamic leadership at the helm of the organization, and whether this leadership lasted throughout the project.[1] Though these kinds of explanations are not inaccurate, they are incomplete. They close off the possibilities of learning certain things from project experience. Though strong honest leaders are important, for example, there are certain types of projects that attract them more than others; there are certain types of projects that elicit strength and honesty from their managers more than others; and, finally, there are certain

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[1]More than most critics of development assistance and donor organizations, Foundation staff have been acutely aware of the dangers of relying on a single leader as a criterion for choosing and interacting with the organizations they fund. In fact, they use an affectionately pejorative term for this way of thinking--the Lawrence-of-Arabia syndrome--and have discussed the subject at great length among themselves. They feel they are now more sensitive to the dangers of this kind of reliance and, as a result, have improved the quality of their decisionmaking--an excellent example of the healthiness of their internal learning processes. In saying that staff tend to attribute success and failure to the quality of an organization's leaders, I am not suggesting that they are afflicted with the Lawrence-of-Arabia syndrome. I mean, rather, that they do not think as much as they might, in reflecting on project failure and success, about consistently recurring factors in project environments--i.e., outside the control of the organization and its management.

types of projects that will be difficult for even the strongest and most honest project managers to handle--because of, say, their requirements for certain skills, their complexities, or their tendency to be associated with particularly adverse project environments. There is no reason that these types of projects cannot be better identified by looking systematically at the projects funded by the Foundation thus far.

With respect to country specificity, it is remarkable that despite the wide difference among countries and continents, certain types of projects actually fare quite similarly across the world. Why is it, for example, that milk-processing cooperatives are among the most successful, whether one is looking at South Asia or South America? Why is it, as another example, that state enterprise in the electric power sector in Latin America has often been more successful than it has in other sectors, regardless of the country?

The strong-and-honest leader explanation for project success--or the weak-leader explanation for failure--is not unique to Foundation staff. It is also commonly heard among the other donors, where it is often presented in a context of contempt for the recipient country; only an unusual person, the story goes, could have made something work in that hopelessly backward, corrupt environment. When Foundation staff resort to this kind of explanation, of course, it is not in a context of contempt. The implications for project evaluation, however, are the same: there is little in the environment of a project, it is implied, that could explain why something worked well--or why it failed.

The tendency of Foundation staff not to have looked for more systematic explanations of project success and failure is related to their unique style: they see outcomes as country-specific because they are deeply immersed in a particular country and very informed about it. They see outcomes as determined by the presence or absence of a strong, honest leader because of their people-oriented approach to judging projects, and their belief that the presence of organizational commitment determines whether or not projects help poor people. Their strong belief in nonintervention probably also contributes to this reluctance to generalize about their projects; they fear that the logical next step after learning that certain project configurations do better than others would be to meddle too much with project proposals so as to make them more like the better pattern. Exploring for general project characteristics also raises fears of interventionism through excessive evaluator presence and large cross-country studies, both of which would be outside the budget and the spirit of the Foundation.

A final reason for the Foundation's seeming reluctance to develop a more systematic picture of their projects is the importance that staff accord to process as opposed to task: if the organization is committed or participatory, they say, then the task engaged in is secondary. If certain project tasks start to be defined as more successful than others or more compatible with Foundation objectives than others, it is feared, projects might then end up being chosen according to the task they propose to perform, rather than the way the grantees go about it. The reluctance to look for general characteristics of projects, in conclusion, is very much related to the unique strengths of the Foundation. Nevertheless, Foundation staff need a better understanding of these characteristics, and of how Foundation-supported projects are actually affecting the lives of poor people.

The credo of nonintervention

The Foundation's credo of nonintervention seems to be used sometimes as an excuse for not worrying about evaluation of project impacts, and for not thinking about ways to improve what it knows about its projects. Sometimes, moreover, Foundation staff assume nonintervention to mean that the projects presented to them truly represent what poor people and their organizations want to do, unsullied by donor wishes and advices. On crucial questions regarding the design and management of projects, it is true that the Foundation is decidedly less interventionist than other donors. At the same time, however, the Foundation does engage in certain forms of intervention--for example, the insistence that grantees serve poor people (e.g., smaller farmers vs. larger ones), that they introduce and maintain participatory processes, or that audits be carried out. Clearly, the insistence on participatory or poor-oriented processes is in the interests of the poor; but the intervention engaged in by other donors, of which Foundation staff is critical, is also considered by these donors to be for a good cause. In a sense, then, Foundation insistence on participatory or poor-oriented grantee behavior can be seen as another form of the intrusion practiced by the other donors. The proper distinction between the Foundation and other donors may not be that one is interventionist and the other is not--but that the Foundation chooses to intervene in certain ways and in certain areas quite different than those of the other donors. In this light, proposed actions such as evaluation would not be dismissed as being interventionist, but would be judged as to whether they were consistent with the Foundation's way of intervening. The Foundation might think more about what actually does distinguish its own style of intervention from that of the other donors.

Certain types of projects flourish from the lack of intervention and others suffer from its absence. It may be that a whole class of projects requiring fairly rigorous business practices cannot tolerate a lack of greater donor supervision. Organizations that attempt to provide agricultural inputs and services and to operate on the profits made from these activities (credit, inputs, marketing) may fall into this category. The local managers of donor-funded projects, moreover, are often thankful for certain aspects of heavy-handed donor monitoring which helps them to resist pressures by friends and relatives to divert funds and to stray from sound business practices. The honest, resistent manager can blame the strictures imposed by the donor, citing the sanctions that this powerful outsider might exercise if the rules are violated. Though the manager may be privately thankful for this excuse to keep the project straight, he may at the same time feel compelled to publicly denounce the donor for being so pushy. This type of problem is particularly characteristic of organizations that are small, decen- tralized, and managed by local groups, since the involvement of these groups in local patronage and kinship networks makes it difficult and costly for their leaders to follow impersonal standards for dispensing the organization's funds and services. Organizations with such local ties, of course, are precisely those sought after most by the Foundation.

After identifying project types as to their tolerance for donor intervention, the Foundation would seem to have two choices: (1) to try to stay away from the low-tolerance project types, or (2) to selectively provide more supervision and assistance to the types of projects that are most vulnerable to its absence. The trouble with the first choice is that it might mean that the Foundation would have to stay away from certain types of production projects--rural credit, cooperative marketing and input supply, worker-managed enterprises, etc. The second choice would also be problematic, since it would seem to make the Foundation more like the intervening donors. A first step that the Foundation might take in approaching this problem would be to poll ex-grantees about whether they would have liked additional supervision or technical assistance, in what areas, and at what points of project evolution. This step would not only be consistent with the Foundation's style, but would be quite different from anything done by the other donors.

The anti-intervention credo of the Foundation, finally, probably helps to justify its low level of involvement with project implementation. Each project is visited for a day or two by the Foundation representative once or twice a year. Obviously, an increase in this level of monitoring would be difficult to undertake without significant enlargement of the staff, decrease in the number of projects financed (thus increasing the size of each project), or resort to substantial contracting of outside help--all of which could change the character of the Foundation considerably. Even if selective and "enlightened" supervision were to be introduced, in other words, it might be difficult to bring this about without a substantial change in the way the Foundation now does things. It may be that the approach most consistent with the Foundation's style and constraints would be to identify the supervision-proof projects, and stay away from the others. In order to make such an identification, the Foundation would need to know considerably more about how the various organizations it finances are faring. It would need to identify what combinations of institutions, projects, and people are most likely to prosper under conditions of limited oversight.

Self-selected projects

Because the Foundation chooses projects that represent certain types of organizations or people rather than sectors or project types--and because it often hardly modifies the projects presented for funding--the shares that certain types of projects have in total funding can only be determined by the Foundation in retrospect; these shares seem to be viewed as "accidental."[1] Projects with rural credit as a component, for

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[1]As long as a grantee has more than one source of funding, the funds from one source are usually fungible with the others, no matter how much a particular donor tries to secure his funding to a particular activity. Support from a donor for one particular activity, in other words, can actually be used indirectly to finance the other activities not of interest to the donor; the grantee simply takes the funds it would have spent anyway for the activity now supported from outside, and spends these "freed-up" funds on another activity. In this sense, the Foundation's lesser interest, compared to the other donors, in the type of activity financed is perhaps a more realistic view of how much impact a donor can actually have, given fungibility. The other donors expend considerable effort to ensure that the aid recipient devotes due attention to the activity financed, and not to other "undesirable" activities that might be of greater interest to the recipient--e.g., small farmers instead of large farmers, highway maintenance instead of highway construction. These donor efforts are often a loosing battle because of the availability to the recipient organization of other funds, and the fungibility of those funds with those of the donor. The Foundation's emphasis on organizational commitment rather than on tasks, in contrast, counts on the demonstrated interest and track record of the organization, rather than on the monitoring presence of the donor, to make sure that certain things get done.

example, account for about 25% of funds. The most common Foundation explanation for this share is that credit is what groups have asked the Foundation for. The Foundation has no particular thoughts about credit as a project type--whether a large share is good or bad, whether the share should be allowed to increase or should be made to decrease, whether certain types of credit projects are preferred over others, or what particular objectives a credit project should achieve.

The Foundation's portrayal of the activities for which its support is requested as being unaffected by donor preferences is inaccurate. Many Foundation projects in the area of credit and agricultural production look very much like projects funded by other donors. Like the other donors, for example, the Foundation portfolio is remarkably sparse in projects that finance productive activities of the rural poor that lie outside the realm of agricultural production and landholding. Like the other donors, as another example, the Foundation credit projects seem to include a large number of cooperatives, in contrast to other forms of indigenous organization. Yet cooperatives in Latin America have not had a good record as economic ventures or in serving very poor people--a point taken up at the end of this paper. (It may be, of course, that the Foundation-supported cooperatives are exceptions to this rule.)

Applicants to the Foundation are likely to be a self-selected group in that they come forward with projects and activities that they know are appealing to the international donor world; or, those who come forward are only those who are engaged in these particular types of projects. An interesting example of this self-selectivity among Foundation grantees occurred with respect to women's projects; in one country, no women's projects were presented for funding when the Foundation representative was male, even though he was quite sympathetic; under the next Foundation representative, a female, several women's groups appeared with projects and received Foundation support. Whether right or wrong, in other words, perceptions of what the Foundation will or will not finance play a role in determining the types of activities that get presented for funding. Foundation funding of a project that involves a particular activity, moreover, will create the perception that requests from other groups for the same activity will also have a good chance. The large rural credit share may be, in part, a manifestation of this phenomenon.

By not thinking too much about project activities--as opposed to people, organizations, and process--the Foundation may end up financing activities that are the favorites of other donors, or that are mistakenly perceived as Foundation favorites by applicants. It may thus end up being more like the other donors than it would like in terms of the kinds of projects it finances; or it may end up financing activities other than those it might choose as favorites if it went through the process of deciding which activities were most suited to its objectives and its style. By being somewhat passive about the types of projects it finances, the Foundation may be ignoring its own comparative advantage in knowing who and where the poor people's groups are, and in being flexible and simple enough in its procedures to fund them. It could well drift, without anybody realizing it, out of its area of comparative advantage into its area of comparative disadvantage. This is one more reason that a harder look at the Foundation's projects by type of activity might be of some use.

II - The Foundation and Rural Credit

Except for a few cases, Foundation staff know relatively little about how their credit projects are doing--what recovery rates are, what difference credit is making to those who receive it, whether credit recipients are receiving credit for the first time or have already had access to the banking system, what percentage of the poor farmers in the project area are being served with the new credit, or how the grantees are doing as credit-dispensing organizations. It is not unusual that donors know little about the impact of their credit programs, partly because impact is difficult to determine and partly because donor interest is usually focused on the more immediate and easily ascertainable matters of the smooth dispensing of the funds and the financial health of the dispensing organization. It is more unusual, however, that so little is known about the details of how the credit operation is actually working. (In an attempt to learn more about its credit projects, the Foundation recently initiated a survey of projects involving revolving credit funds. The survey will provide information on the current status of these funds and indicate how well they have done in maintaining their value over time.)

For the Foundation to know more about its credit projects would require a certain change in its way of operating. Foundation representatives would either need more training in this area and would have to spend more than the one or two days that they now spend per project on each of their field trips, or they would have to secure outside assistance. In either case, grantee reporting requirements would have to be increased. All this represents exactly the kind of presence and supervision that the Foundation says it wants to avoid. Or, it may turn out that the lack of Foundation presence in the credit projects, in comparison to the heavier monitoring of the other donors, turns out to make little difference--or even allows the organizations to work out their own problems in a more appropriate fashion. This would mean that the Foundation's people-centered criteria for choosing projects, followed by minimal supervision, were at least as reliable a way for achieving desired outcomes with credit projects as the more task-oriented approach of other donors, followed by extensive supervision. This in itself would be a remarkable finding. Aside from giving the Foundation the confidence to continue with its "they know how" approach on credit projects, it would be a fascinating lesson to the other donors.[1]

Learning more about the Foundation's credit projects might show, alternatively, that the existence of committed, honest, and strong people or organizations may not be sufficient to make a credit operation work. Certain business skills, favorable economic circumstances, or even a period of tutelage with the help of the donor, may also be necessary. If this is the case, then credit would tend to be one of those activities that is outside the Foundation's comparative advantage, that does not work well with its people-centered, nonintervening style. Though I have a certain suspicion that the latter may be true, for reasons presented below, I presently have no basis for making this judgment without looking more closely at the Foundation's credit projects.

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[1]For these reasons, the Foundation might find it interesting to collaborate with AID in an evaluation of similar credit projects in order to arrive at some conclusions about the significantly different approach to the same type of project. AID's Evaluation Office has chosen rural credit as one of the areas for impact evaluations during the coming year. Such a comparative evaluation, of course, is likely to show not that one approach is consistently better than the other, but that each has its worthy aspects. Learning what these are would be of considerable value.

Credit as a first step?

Foundation staff often put forward an interesting explanation for why they know so little about the fortunes of the credit projects and for why they feel that poor recovery rates and decapitalization of rotating credit funds are not necessarily of central importance. Credit, they say, is merely an instrument for helping groups to form and to take some control over their economic environment. If the credit funds end up disintegrating through poor recovery practices, mismanagement, or crop failure--but in the process the organization comes of age and grows strong in other activities--then the credit outcome itself is not that important. Credit, according to this view, can be merely a way of putting an organization on the map. The argument, it should be noted, is not that credit is a particularly good first step and that's why there is so much of it among Foundation projects; it is, rather, that credit is what people often want first when they form an organization, and that they should be supported to do what they want--and not something that is a best first step according to an outsider's perception.

This way of thinking about credit is quite consistent with the Foundation's style, and reflects its appreciation, unusual among donors, for the centrality of commitment and of certain growth processes to the success of organizations. Other donors, in contrast, have been justly criticized for not understanding this dimension--for trying to fit preconceived notions of tasks to highly varying and unready project environments. But the trouble with looking at credit as an organization builder is that it may not be a well-suited first step for a fledgling organization. Indeed, it may even lessen rather than enhance the group's chances for survival and growth. Without looking more closely at the histories of the Foundation's credit projects, it is not possible to determine whether credit can play a formative role in the growth of poor-oriented groups, as implied by the Foundation's lack of concern over the success of the credit funds; it is not possible to determine whether a failed credit fund means a failed organization, and hence a failed attempt on the part of the poor to take more control over their environment.

An evaluation of the Foundation's credit projects should look carefully at the sequence of events that followed unimpressive performance in the credit area. At the same time, it should try to discover the characteristics shared by the successful credit projects. It may turn out that the unsuccessful credit fund usually does not lead to better things, and that therefore the casual attitude about credit is not justified. If this is the case, the lesson is not that the focus on people and process is wrong, but that the credit project, or the particular form it takes in Foundation projects, is not suited to the Foundation approach. The question then becomes one of what other activities, or what different forms of credit projects, are better suited to the approach.

Doing business and being socially responsible

Credit funds may be less suited to Foundation style and objectives because of a peculiarly conflicting set of demands to which these projects are subjected. In order to succeed, credit-dispensing organizations must perform well as business ventures. This means not only that they need commitment to the poor or representativeness, but also certain management and accounting skills. (This will be true of other activities related to agricultural production as well, like marketing services, input purchase, etc.) In addition, credit-dispensing projects are at a particular disadvantage in trying to recover their costs; in setting the prices they charge for their services, they see themselves as competing not with the local supplier of informal credit and his very high interest rates, but with the formal credit institutions of the public sector, which usually charge highly subsidized rates for agricultural credit (in inflationary countries, these rates are typically below the annual rate of inflation, and thus negative in real terms). Though the new credit entities could easily maintain the value of their capital and also finance their operating costs simply by underpricing the local credit intermediary, the much lower price charged by the public sector has come to symbolize the "just" and "socially responsible" price to charge. As a business venture <u>and</u> a socially committed organization, the new credit entity starts out with a strong handicap: it sees itself as not being able to charge the kinds of prices that would help it grow to be a strong and independent organization.

The subsidized credit programs of the public sector can always count on public finances to replenish their capital; indeed, where such programs lend out funds acquired as demand deposits made by government entities, the subsidized interest rates do not even represent a loss to the public coffers, because no interest costs are incurred for the demand deposits. The subsidized interest rate of the Foundation-supported organizations outside the public sector, in contrast, implies continued dependency on outside sources to cover operating costs, let alone replenishment of capital. This requires further grants from the Foundation and other donors, or access to the funds of the public sector--all of which have occurred under Foundation projects.

Among the Foundation's successful credit projects, it would be useful to discover the path by which the grantees have moved away from this seemingly inevitable dependency.[1] A strategy for bringing about this move, it seems, should be part of the project selection process. Otherwise, to the extent that the credit projects are doomed to charge the same or less than the public sector's money-losing prices, the Foundation may be expending funds on cases that cannot ever hope to be self-sustaining.

Another conflicting demand undergone by Foundation-style credit projects is that to become a sound business operation, a credit-dispensing entity must often behave in a way that has regressive distributional implications: it must evaluate lending risks carefully, excluding the poorer applicants and those without land; and it must be hard-nosed about collection, a policy that may fall particularly heavily on the poorest, since they will most often be wiped out financially by large unexpected expenses or failures. The beneficiaries of the Foundation's more successful credit projects may turn out to come from higher up in the income distribution than those of the less successful projects; to the extent that credit beneficiaries have secure title to

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[1]There is some evidence that the facilitator organizations, which charge higher interest rates, are among the more successful. If this is the case, then this means that the success of those particular projects is based on greater attention to business than social criteria.

land, or are using their credit to buy large livestock--as seems to be the case in many of the Foundation's credit projects--they are usually above the bottom 40% in the income distribution--even though they may be "small farmers." This conflict between objectives, it should be pointed out, is not necessarily inherent in any business operation involving agricultural production inputs, but it is particularly acute in credit. With input purchase and supply, for example, good business behavior does not necessarily conflict with social objectives--especially if the inputs are not in scarce supply. The reason for this greater compatibility between equity and efficiency in other types of business ventures will be discussed momentarily.

The public-sector connection

One possible conclusion to be drawn from this portrayal of credit is that Foundation-supported credit projects might place more emphasis on helping grantee organizations to gain access to the abundant and low-cost public-sector credit--rather than trying to imitate what the public sector does without having the resources to do it. Grantee activity, for example, could take the form of group preparation of credit applications and pressuring of government and branch-bank authorities (as in the case of the Centro Paraguayo de Cooperativistas in Paraguay). Or, as some Foundation projects already do, the grantee organization teaches individual farmers with no previous access to institutional credit how to apply for and use it; or a credit group could receive public-sector repasses or rediscounting of credit--as has occurred with some of the facilitator credit groups funded by the Foundation. The credit entity would add a few percentage points for its own costs onto the funds repassed from and repaid to the government. The latter situation is ideal in that the group benefits from being able to offer credit at rates almost as low as the public sector while being able to pass on the losses to the public sector. Such losses would represent a small share of the total losses typically sustained by the public sector in its agricultural credit subsidies.

The Foundation, it seems, does not pursue the public-sector connection as vigorously as it might. It tends to distrust public-sector dependence, with good reason, partly because many of the small-farmer organizations it has financed have been left high and dry by the public sector when regime politics have changed. The Foundation, moreover, tends to give follow-on grants to groups at moments in their growth when they might themselves, if forced to, pressure very hard for public-sector financing. Or, at these moments, the public sector might well come through if it knew there were no alternative--as happened in the case of FICOOP in the Dominican Republic and Durazno in Uruguay when Foundation support ended. Since governments have been under increasing pressure to supply credit to small farmers--and are low on the inclination or institutional infrastructure to do so--they sometimes look at an independently established and well-functioning credit institution as an easy way out of their obligation. The public sector may also end up learning from the independent entity about how to go about providing small-farmer credit. The independent program helps show the public sector that small-farmer credit can be done, and that it is not as beyond imagination as everyone thought. This kind of learning may be one element in the recent turn toward small-farmer credit in Mexico, with the public sector following in the footsteps of the Foundation-supported Fundación Mexicana de Desarrollo Rural (FMDR).

As seems to be occurring in some countries, the public sector may even feel that the independent program has put its own inadequacies to shame, and has successfully occupied an area where the public sector might be functioning and gaining political allegiance. In this case, the public sector may compete vigorously with the independent entity, or even try to replace it. Any of these outcomes might be seen as the successful ending of a Foundation project, and a widening of its impact beyond what Foundation funds alone could have brought about.

The Foundation should be attentive to the potential for the "spread" effects cited above, given the limitations on its own level of operations, and the temporary nature of its involvement with the grantee organization. Attentiveness by Foundation staff to these possibilities and how to maximize them seems to be constrained by their misgivings about the public sector and their desire to help grantees gain independence from unsympathetic governments. Nevertheless, there have been some successful efforts by Foundation staff in this direction, which should be carefully watched and chronicled. Though worthy groups may sometimes need immediate help because of unsympathetic governments, it would seem that dependency on outside donors like the Foundation--i.e., the "foreign" public sector--is no more viable a strategy than that which leads to dependence on the domestic public sector.

Participation and loan recovery

Another issue in Foundation-style credit projects relates to the granting and recovery of subloans. The Foundation makes grants both to participatory, locally-based organizations and the so-called "facilitator organizations," usually based in cities and run by urban elites with a commitment to the poor. Some Foundation staff feel that the local organizations are more authentic participatory groups than the more centralized facilitators and are therefore more consistent with Foundation style. A rapid look at all the credit projects, however, gives the impression that the facilitator organizations may be more successful in running a sustained credit program, in making ends meet, and in growing into other activities. This suggests that the local, or participatory organization may not be the best for certain tasks, like credit. The more successful experience of the facilitator organizations, in other words, suggests that urban-based, nonparticipatory organizations may sometimes be the best choice for certain Foundation projects and <u>can</u>, at the same time, serve poor groups.

The local organizations may have a particularly hard time allocating and collecting credit in a financially sound way precisely because they <u>are</u> responsive to local demands. The impersonal decisionmaking required in credit allocation and recovery may be too costly in terms of the kinship, patronage, and political relationships in which local managers of credit programs participate. It is for this and other reasons, related to economies of scale, that the urban-based facilitator organization may do better at credit.

Another possible view of the problem of credit projects is not that they are inherently incompatible with local participatory management, but that such projects take the form of an outside model that does not take advantage of the strengths of existing indigenous forms of sanction and control. Small groups taking joint responsibility for the credit repayment of individual members are a common indigenous form of saving and borrowing; these groups work well because they are based on personal obligations and networks, and not because they successfully introduce the impersonal system necessary to make the typical donor credit project work. Other donors usually pay no attention to this local potential for generating and allocating savings, because their programs are too large, too centralized, too inflexible, and uninformed about local practices. But the Foundation prides itself on being just the opposite of all these things--it has the knowledge, the flexibility, and the smallness to be able to experiment more with such groups than it seems to be doing. Its projects with indigenous groups in Guatelmala, Peru, and Bolivia should be looked at with an eye toward assessing their replicability in other places.

Another advantage of indigenous forms of borrowing, in addition to their reliance on social rather than impersonal controls for repayment, is that both credit and repayment tend to be made in kind rather than in cash--donated days of labor, agricultural and other production inputs, final products. Foundation projects with this feature are the Cooperativa del Sol in Chile, ARADO in Bolivia, and Cooperativa "Las Estrellas" in Guatemala. In-kind payments and repayments are particularly desirable in inflation-ridden countries, where real interest rates are typically so low that they do not even cover the deterioration in the value of the loan capital, let alone administrative costs--and where political resistance to indexing of loans is high. Those who may strongly resist paying positive interest rates because they represent high absolute figures, have no trouble at all paying "full monetary correction," in effect, when they repay in kind rather than in cash. Giving and receiving in kind, of course, creates significant added management burdens for fledgling local organizations, as well as subjecting the borrowers to the risks of receiving faulty or late supplies. Nevertheless, attention should be paid to opportunities where in-kind transactions can form the basis of a viable program. An example to watch is the new "sharecropping" arrangement between farmer and cooperative in the Cooperativa del Sol in Chile; an evaluation might also be made of what happened to a similar approach in the DESEC/ARADO program in Bolivia. The in-kind sharecropping arrangements in Chile--inputs and technical assistance in exchange for a 50% share of final product--not only avoid the interest-rate and monetary-correction problem. They are also interesting because they transfer half of the farmer's risk of crop failure to the supply agency, by denominating the repayment amount as a percentage share (50%) of total production.

To the extent that the Foundation wants to work with bottom-up organizations and credit, it might do more for poor people and for developing its own uniqueness by exploring the possibilities for supporting more indigenous forms of grouping for credit and saving--if only to give them access, ultimately, to the public sector. Though this does not mean it should abandon its more successful work with facilitator organizations, these latter projects are closer to what other donors are doing in credit, and further from what the Foundation, alone, is able to do.

Living off credit or production?

Another possible conclusion to be drawn from this discussion of the difficulties of creating an organization that sustains itself on providing and recovering credit year in and year out is that the Foundation may want to concentrate more on once-over injections of capital to groups engaged in productive activities, like the seed-capital grants to the mola groups in Panama and other artisan groups in Ecuador, Bolivia, and Peru. In this type of case, the group in effect both provides the credit and repays it to itself, reinvesting it immediately in further production expenditures. The financed activity, moreover, is of the group, and not of individuals to whom specific debts or outputs can be attributed. In contrast to credit to individuals for individual production activities, one reduces the repayment problem by "internalizing" it, freeing oneself of the disadvantages arising from the borrower and the lender being two separate parties. The initial capital injection, moreover, allows the organization (hopefully) to sustain itself off its production the initial capital, rather than an ongoing credit operation.

That seed-capital projects appear to be less common in the Foundation's portfolio than rural credit projects can perhaps be explained by the Foundation's orientation toward agricultural production in its rural projects. This orientation, characteristic of the other donors as well, has accounted for the neglect of off-farm productive activities, which have been discovered only recently. Activities supporting off-farm rural production often reach further down into the income distribution than those supporting the agricultural production activities of individual farmers. It would seem that the Foundation's unique flexibility among donors and its concern for achieving the greatest impact possible on poor people's lives would make it interested in these particular opportunities for financing. Just as important, seed-capital projects might have less of the rural-credit-type characteristics that can be problematic for the Foundation's style and objectives.

Variations in vulnerability to elite domination

A final conflicting demand that the credit task places on Foundation projects relates to the fact that credit in limited supply is a highly monopolized good. Foundation and other donor credit is usually not sufficient to meet demand--mainly because of its subsidized price. It is therefore rationed off to those with the power to lay claim to it, or to those who fulfill some other nonmarket criteria like personal or political allegiance.

Input-supply operations, as noted above, have a markedly different aspect than credit. It is to the advantage of the input-supply operation to sell as much as it can, in order to increase its net returns; at the same time, increasing its volume of operations will not increase its costs in the same proportion that an equivalent increase in the number of credit transactions would bring about. Because it is financially desirable and feasible to service as many clients as possible in the case of input supply, the supply groups tend to end up making their products available to everybody, poor and elites alike, whether or not they are dominated by elites. In fact, input-supply groups often depend on nonmembers for the largest share of their sales volume. Input-supply operations represent a case where elite domination of local groups is not incompatible with bringing benefits to a wider spectrum of the population.[1] In the case of credit, just the opposite is true, because profits are not made on its "sale," and because it usually arrives in scarcer supply than inputs.

That organizations are locally-run and "participatory" often means that they are run by local elites. For some types of projects, this will go against the distributive goals of the program; in some cases, it will not. To the extent that local groups are often dominated by elites and that, in the case of credit, such domination may be incompatible with distributive objectives, credit may be an activity that does not serve the Foundation's objectives well. It is important, in sum, that Foundation staff draw on their considerable experience with locally-based organizations in order to discriminate between types of projects where

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[1]Other projects where elite domination of project organization is not necessarily incompatible with benefits to the poor are small infrastructure projets like soccer fields, church construction, and rustic road construction. Another such project type is that in which elites cannot reap any benefits for themselves unless the poor also receive services. Malaria eradication is a case in point, where reduction in the mosquito population cannot be achieved for elites if only their own houses are sprayed. An analogous case is recounted by Kevin Healy in his dissertation on a Bolivian province, where local elites succeeded in monopolizing state funds, goods and services for agricultural modernization programs. The poorer farmers were excluded from these benefits, except in the case of medicines and veterinary services for eradication of hoof-and-mouth disease. Again, elites could not protect their livestock from the disease by vaccinating and treating only their own animals.

services are more vulnerable to monopolization by a few and those where they are not.

Two types of local situations desirable for Foundation support could be identified: one where groups actually are participatory and not dominated by local elites, and another where they are dominated by local elites but where this does not prevent the poor from benefiting because benefit distributions are inherently diffuse or because it is to the self-interest of the elites that the poor participate. Project types should be identified, moreover, where (1) less participatory, less local organizations might indeed do better for the poor; or where (2) more indigenous participatory project forms could be experimented with in projects relying on local organizations.

Disasters

Another problematic aspect of credit projects is what happens to them after agricultural disasters such as floods, droughts, blight, pest invasions. Though the repeated occurrence of such bad years is one of the few predictable things about agriculture, projects and project groups are just as repeatedly and predictably undone by disasters--particularly credit projects. Because such disasters are recurrent, they should not take project planners by surprise.

It is not all types of rural groups and projects that are undercut by disaster. Indeed, upon looking into the history of successful community and facilitator groups, one often learns that they were formed in the effort to cope with a disaster like a hurricane or an earthquake. Disasters, in short, can be the crucible in which organizations are formed, rather than undone. Why is it that disaster spells doom for an organization that specializes in credit? Is there any way to think about disasters and credit that would turn this problem around? Since disaster is so common in rural environments and hits the poor particularly hard--yet, at the same time, is the catalyst for successful community organization--the Foundation might want to try to understand better the types of tasks and activities that flourish with disaster.

Attacking on all fronts

Credit projects, especially when they are carried out by local organizations, tend to try to accomplish too much. In addition to credit, they will often take on marketing, input supply, agricultural extension and, perhaps, a consumer store. The common justification for this multi-pronged approach is that one thing, like credit, will not yield results without the others. Though this may in some cases be true, it is not true that development actually occurs in this fashion, with progress being made on all fronts at once. Though it is not bad for donors and grantees to aim for more than they can accomplish, it is bad for their chances of doing well at any one task if their funds and their efforts are diluted among several. If a grantee organization could simply do well at credit, that would represent a tremendous accomplishment. It may even be that the facilitator organizations have the most successful credit projects because they took on only that task, at least in the beginning.

The multi-pronged approach to local group activities is a product, in part, of the international donor culture. Among the Foundation's projects, in fact, it is the multi-pronged projects and their justifications that look most like the other donors. The multi-pronged approach partly reflects the inability of the larger donors to fund small projects, as well as the inaccurate view that poverty must be "attacked" on all fronts at the same time in order to achieve anything at all. If applicants to the Foundation are requesting funds for multi-component projects, this possibly reflects more the influence of the international donor culture than the way things actually evolve at the local level. When one listens to the histories of successful local groups, they usually start out with one activity and then, after a time, take on another activity.[1] The Foundation enjoys the luxury of not having to fall in step with international donor culture, and of being able to support things the way they actually take place.

What does agricultural extension do?

Technical assistance for agricultural extension is an activity about which the Foundation should be particularly wary. Technical assistance to farmers is a standard component of many credit projects, but in many ways is more difficult to do than credit and is of more questionable urgency than credit. Agricultural extension is often based on two inaccurate assumptions--(1) that peasant farmers are ignorant and therefore will not adopt a profitable innovation when they see one without being "educated"; and (2) that economically and agronomically

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[1]Studies of successful local organizations suggest that they start and do best at discrete tasks with a beginning and an end--the struggle for land or the construction of schools, soccer fields, churches, roads, and warehouses. Only as a last step, if they even get that complex, do they move on to the much more difficult activities like credit and marketing.

sound technical packages are sitting on the shelf waiting to be brought to farmers. In many cases, agricultural extensionists have little of value to bring to the farmer. When they are successful, moreover, it is often because they have served as brokers or advocates for the small farmer; they have played the role of enlightened public-sector patrons, pressuring to obtain access for peasant farmers to subsidized government goods and services.

The role of extensionists as enlightened patrons can, of course, be extremely important in contributing to the improvement of peasant incomes. But if one is to promote this role, supporting the creation of these new brokers, they do not necessarily have to be agricultural extensionists. In fact, the agricultural training of such extensionists may often make them less suited for the advocate role than others--simply in that they are trained to believe that they have a way of farming to sell, and that they must convince others who are not as enlightened as they are to use it. This may explain why rural home economists or social extensionists in Latin America are often more committed advocates of their poor clients than are the agricultural extensionists. The former are trained in rural sociology, and their base of work is the home of the poor.[1]

The popularity of agricultural extension components in credit projects may result, in part, from the fact that an extension component

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[1]In general, welfare-oriented public agencies--or those dealing with only the poor, like nutrition agencies--have tended to be those which took political positions supporting reforms that would favor the poor. In Nicaragua, the first public-sector technocrats to widely support the side of the Sandinista cause were those working for the social welfare agencies. The agronomists and agricultural extentionists were present only much later, and in smaller proportions.

requires more staff, funding, and equipment than a pure credit component, which can be operated by a fairly lean organization. The request for extension components may actually express the desire of the organization to become more substantial. The real benefit of such a component to the poor may therefore be insignificant--as opposed to the benefit to the organization--especially when compared to the value to the poor of an equal amount of resources devoted to additional credit. In judging its proposed projects the Foundation must be careful to evaluate whether the activities to be financed are desired more because they will help maintain or expand the organization itself, rather than because they will have a significant impact on the incomes and welfare of its members. This may require independent checking by Foundation staff with the proposed beneficiaries. Though such checking is highly consistent with Foundation style, Foundation staff might interpret such action on their part as "intervention" in the grantee organization's world.

Cooperatives

Among the Foundation's credit projects is a good number of cooperatives, and there is considerable support for cooperatives among Foundation staff. I found this perplexing, since the literature on cooperative approaches to development problems suggest that they are successful only in a limited number of cases and that the poor are often excluded from their benefits. This literature, which I will not attempt to summarize here,[1] confirms my own field experience in Latin America.

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[1] See, for example, Uma Lele, "Co-operatives and the Poor: A Comparative Perspective," World Development (1981) 9:55-72.

Since many Foundation staff disagreed with my opinion about cooperatives--and since they know their projects in the field and I do not--I want only to register my skepticism at this point. I can only determine whether the literature or my experience are applicable to the Foundation-supported cooperatives by visiting these groups; given the staff's experience and expertise in judging locally-based organizations, I would not be surprised or unhappy to find that my interpretation of cooperatives is wrong.

Cooperatives fail, or can only exist with continuing heavy subsidization, usually because their creators assumed that they could do better than the "inefficient" public sector or the "exploitative" private sector. They thought that there were easy profits to be made if one would only charge a little less for one's services than the "exploitative intermediary." It often turns out, however, that the cooperative cannot compete with the intermediary and still cover its costs, and that it cannot match the intermediary in management skills. It thrives, or only limps along, only by virtue of massive doses of management and financial assistance from the "inefficient" public sector (including international donors), still not making it as a business organization.

There are notable exceptions to this portrayal of cooperatives. As Foundation staff point out, moreover, the word "cooperative" is used to cover a wide variety of institutional forms, some of which may look more indigenous than others. Also very important, Foundation staff note that in some countries cooperatives are the only officially recognized or tolerated form of peasant organization; legislation gives them favored status with respect to taxes and subsidies, thus making them very desirable forms of organization, whether indigenous or not. Nevertheless, the Foundation still needs to gain more of a sense of the types of projects and circumstances under which its cooperatives actually do well, and why it is that these successful cases were able to defy the rule.