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Rural Credit and Foundation Style

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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, then, 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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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, and has developed a comparative advantage in certain types of projects and project-design processes, based partly on a strong staff allegiance to that style. 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 particularly compatible with that unique style? What are the project types that do not fare well under the Foundation's particular 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, that 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 themselves; (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 perception of its mission and its strength, I start with a brief summary of my understanding of this perception.

The Foundation style

The Foundation seems to follow three canons of behavior: it grants funds only to non-governmental 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 $25 million a year), 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 project-selection and project-evaluation process, 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 importance it places on participation: donor intervention and control, it is felt, are not conducive to the growth of a healthy and self-sufficient participatory organization--or, for that matter, of any 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 non-interventionist 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 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 intervening donors have in being flexible during the course of a project--in letting a project take a different path than that on which it started. Because the Foundation has been less subject to outside scrutiny than the other donors, it could afford the luxury of being less interventionist than they. 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 crucial, and where formulae according to which the project will unfold can be laid out beforehand. Infrastructure projects are the most obvious example. 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.

To give up control is also to give up accountability. It is to be less responsible for the outcome than one who exercises strict control, or at least claims to. It is to give up responsibility for project successes as well as failures. The Foundation's doctrine of minimized intervention, then, 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, though it is less accountable for its failures than other donors, the Foundation must at the same time try more than other donors to gain a systematic understanding of its failures and successes so that it knows what 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 does exercise absolute control.

The Foundation's accountability, then, is quite different than that of the intervening donors. Failure 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 frees it from a certain responsibility for the way its projects evolve--and therefore allows it to 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, exercising its brief moments of control? Like many other foundations and unlike other donors, it devotes most of its time and reflections to making judgments about the people involved--are they honest, are they dynamic and, most important to the Foundation, are they committed to helping poor people? This process receives more thought and attention, in many cases, than the contents of the project itself--rural credit vs. agricultural marketing, the purchase of agricultural inputs vs. the supply of consumer goods. What does this 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 close-by others whose commitment is known and tried.

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 surrounding the project's environment, and a keen taste for being around the people and the culture where the project is taking place. These are precisely the skills and sensitivities that other donors have often been faulted for <u>not</u> having--that the 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 run a large number of 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 it.

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.[1] Whether right or wrong, the "technical" concept of development has been a fairly workable approach to certain types of projects; but it has turned out to be inadequate for decisionmaking about projects that attempt to redistribute public-sector resources from the rich to the poor--most

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[1]That this technical conception of development continues to maintain its predominance after so many years of experience with development projects is probably not so much a result of inadequate understanding of how development occurs. It is also a result of the sheer difficulty of incorporating political and other less technical criteria into the decisionmaking of large organizations engaged in financing large projects--and of arriving at a consensus of what these criteria should be.

Because the Foundation is so small in relation to other donors, it has been able to maintain a non-specialist, generalist, and quite homogeneous staff in terms of skills and commitment. Hence, it is able to incorporate political and other less quantifiable criteria into decisionmaking without ever having to make explicit what those criteria are. To require that these criteria be formalized would be a mistake; this would force staff to adhere to rules of consistency in making decisions about projects, and could bring out conflict between staff members who now are remarkably together in their commitment to help the poor.

typically, rural development projects. 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 project. Because the Foundation's projects have always been directed at the poor--in contrast to the change in that 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, therefore, has become very good at it.

The Foundation, in other words, 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 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, by their function, are where such project types "belong." The Foundation, in short, determines who the good guys and the bad guys are, while other donors determine whether the technical components of a project make economic and financial sense--disregarding, somewhat, who the guys 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 all the constraints of the project environment. This people-judging process of the other donors, however, is still subordinate to their emphasis on project type. Reliable people are sought out by the other donors to carry out previously-conceived notions of projects. People or institutions deemed to be dynamic and trustworthy are not 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 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, rather, 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 will find it difficult to improve its project design and evaluation skills, then, 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 disadvantage.

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 styles and similar criteria for 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. Staff seem to feel that they could bring about the necessary improvements in their project evaluation procedures by acquiring some of that other-donor-type expertise; they feel embarrassed at their lack of expertise in meetings with these others. This sense of inadequacy might also be seen as a faltering of belief in their own people-centered criteria, 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 organization would ultimately judge themselves inadequate by the very standard 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 its own particular approach functions--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 about its projects of a technical nature; but this is quite different from saying that Foundation staff should themselves become more "technical."

<u>The dilemma of improved evaluation</u>

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 vs. efficiency. Demonstrated and significant increases in output are not required for Foundation projects, not even in a "cosmetic" sense. Staff do not bend over backwards searching for and elaborating efficiency arguments for doing projects that they feel are justifiable on equity grounds. They are unabashedly and refreshingly comfortable with concerns of pure equity. This approach, of course, means that projects may often end up having insignificant impacts on the incomes of poor people. But it is the Foundation's credo that such favorable impacts will result only from a certain project process--participatory or committed organizations working on problems defined as urgent by the beneficiaries themselves--rather than as resulting from a certain type of project, whose benefits are thought to accrue from a certain combination of inputs. The Foundation needs to learn more about the circumstances under which this belief actually comes true. 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 efficiency-equity problems in the Foundation, and of staff divisiveness over which objective is more important, also result from the generalist nature of the staff. Except for administrative support staff and three regional directors, all staff members have exactly 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 and not in a discipline or skill. Unlike disciplinary specialities, moreover, they can change their specialty after a period of time--i.e., from responsibility for one country 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 equity objectives should be given priority is not unusual. The various sides of the conflict often correspond to the various task or field specializations.

The Foundation, then, 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, help make it easier for the Foundation to singlemindedly pursue its credo and to operate with as undiversified a staff as it does. At the same time, 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, or (2) by requiring that each member of the unspecialized staff acquire some "technical" skills. As pointed out above, Foundation staff are already possessed of 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 would also present 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 accompaniment 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, that is, seem unusually interested in discussing project-related issues, in comparison to other donor staffs, and unusually candid among themselves about the problems and failures of "their" projects. In general, 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 strenth also contributes to the qualities for which it has been criticized. As noted above, for example, the lack of specialization not only deprives the organization of certain technical skills but keeps out certain debilitating conflicts and ambivalences as well. The lack of specialization allows staff to be more open, to feel "within the family" 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 has been characterized as public-relations prose rather than serious evaluation. Yet it is this same appearance of clubbiness--this insulation from the rest of the development-assistance world, this self-righteousness about what they are doing--that accounts for the strengths of the atmosphere <u>inside</u> the Foundation: the intensity of interest in the task, the striving for excellence in language and country fluency, 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, of course, is the fact that it is nowhere near as closely watched by outsiders--Congress, auditors, the press--as are the larger donors. There is less fear of repercussions about problem projects, less institutionalization of the need to cover up. Thus it is that some of the most interesting written narratives by donors about project histories are to be found in the Foundation's files. Though these field-trip reports may not convey as systematic data about a project as found in some of the evaluation work of other donors, they are in some ways 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 within its own walls. The challenge of introducing new evaluation techniques, then, is to preserve and protect a certain amount of that "provinciality."[1]

Blind faith

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 Foundation managers to give up a little of the "blind faith" of their staff in exchange for more analytical rigor and "objective" evaluation. But commitment often comes only in the form of "blind faith"--which one can't subtract

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[1]The provinciality, by the way, is with respect to the development-assistance 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 considered to have "localitis"--to be "afflicted" with a problem, that is, rather than to be especially competent.

from in increments, in exchange for qualities requiring less faith. Commitment, in turn, has been found to be an essential ingredient of projects that are able to reach the poor. Clubbiness, insularity, and do-goodism, then, probably help the Foundation to do certain types of projects that are difficult for other donors and to behave in ways that are very much in keeping with its 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, has the luxury of being able to allow grantees to make serious mistakes, and the staff has the luxury of being allowed to be open and honest about those mistakes (at least internally). Despite these luxuries, however, the Foundation seems not to have put much effort into trying to learn from those mistakes--in trying to discern the patterns that emerge from problem projects and from successful projects. This learning seems to be inhibited by a fear that post-hoc evaluation work among the beneficiaries of the Foundation's projects will intrude on the grantees, will compromise the pledge of non-intervention. Yet evaluation styles can be devised with due respect for this pledge. Much can be learned about some Foundation projects, for example, simply by interviewing the field representatives responsible for them.

Another example of a Foundation-style evaluation approach might involve simple surveys carried out by project beneficiaries themselves--particularly apt for rural credit and other types of agricultural production projects. It is interesting that some Foundation staff commented that this approach would be interventionist, because grantee organizations do not want anyone else dealing directly with "their" beneficiaries. (This in itself suggests that the grantee organizations are not as participatory as they are thought to be.)

Another criticism that might be made of Foundation staff is that they tend to think that one cannot generalize about their experiences with projects because (1) the specific circumstances and country environment surrounding each project makes that project's outcome unique; and (2) project success and failure usually have to do with whether or not there was a dynamic, charismatic leader at the helm of the organization, and whether he lasted throughout the project. Though these kinds of explanations are not inaccurate, they are incomplete. They close off the possibilities of learning from project experience. Though strong honest leaders are important, for example, there are certain types of projects that attract them more than others; and there are certain types of projects that elicit strength and honesty from their managers more than do others; and, finally, there are certain 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 certain 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 between countries and continents, certain types of projects actually fare quite similarly. 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 much more successful than it has in other sectors, regardless of the country?

The strong-and-honest leader explanation for project successes--or weak-leader explanation of 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 usually 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 to be uninterested in looking for more systematic explanations of project success and failure is somewhat 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 personal commitment determines whether or not projects help poor people. Their strong belief in non-intervention probably also contributes to this non-generalizing view of their projects; they seem to fear that the logical next step after learning that some project configurations do better than others would be to meddle 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 that would be outside the budget and the spirit of the Foundation.

A final reason for the seeming disinterest of the Foundation in 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 one starts to define certain project tasks as more successful than others, or more compatible with Foundation objectives than others, it is feared that projects might end up being chosen according to the task they propose to perform, rather than they way they 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. At the same time, the lack of a better understanding of these characteristics, and of how and whether its projects actually affect the lives of poor people, makes it difficult for the Foundation to know even whether it is supporting what it thinks it is supporting. The Foundation needs very much, in other words, to gain a better understanding of its projects. Yet the task is a delicate one, because the not knowing is very much a part of its strength.

The credo of non-intervention

The Foundation's credo of non-intervention 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 non-intervention 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.

The Foundation actually engages in certain forms of intervention quite vigorously--mainly, the insistence that grantees serve poor people (e.g., smaller farmers vs. larger ones), that they introduce or maintain participatory processes, and 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, so spurned by the Foundation, is also considered to be for a good cause. In a sense, then, Foundation insistence on participatory or poor-oriented grantee behavior can be seen as just another variation on the form of "pushiness" practiced by the other donors.[1] The proper distinction between the Foundation and other donors, then, may not be that one is interventionist and the other is not--but that the Foundation

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[1]E.g., a report on the Foundation-supported Associación de Parcialidades Indígenas of Paraguay noted that the Foundation "made it very clear to API that they [the Foundation] would not tolerate the election of certain individuals and would withdraw support from the organization if they were elected." Similar threats were made by the Foundation to the large-farmer-dominated Cooperativa del Sol in Chile, if they did not give sufficient priority to a Foundation-supported small-farmer project.

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 must flourish from the lack of intervention and others must suffer from its absence. As a possible example of the latter, the Strasma report on the mismanagement of funds by a manager of the Salvadorean federation of peasant unions (UCS) suggested that the problematic manager actually rued the absence of a greater monitoring presence by the Foundation, which would have helped to keep him on the straight and narrow. 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 managers of aid-recipient projects are often thankful for certain aspects of heavy-handed donor monitoring because it helps them to resist pressures by friends and relatives to divert funds and to stray from sound business practices. The honest, resistant 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, decentralized, and managed by local groups, since the involvement of these groups in local patronage and kinship networks makes it difficult and costly for them to follow impersonal standards for the dispensing of their 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 minimal monitoring, 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 most production projects--rural credit, cooperative marketing and input supply, worker-managed enterprise, etc. The second choice would also be problematic, since it sould 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 the omission of a monitoring activity that might be difficult to undertake without substantial increase in Foundation staff, or decrease in the number of projects financed (thus increasing the size of each project), or resort to substantial contracting of outside help. 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, then, 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.

Self-selected projects

Because the Foundation chooses projects that represent certain types of organizations or people, rather than of sectors or project types--and because it does not modify the projects as presented for funding--the shares that certain types of projects have in total funding is seen by Foundation staff as "accidental."[1] Projects with rural credit as a component, for example, account for about 25% of funds, and seem to be increasing. The most common Foundation explanation for this larger share is that credit is what groups have asked the Foundation for. The Foundation has no

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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 he 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, rather than to others that might be of greater interest to it--e.g., small farmers vs. large farmers, highway maintenance vs. highway construction. These donor efforts are often a losing 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 people and commitment rather than tasks 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.

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 unaffected by donor interests is somewhat inaccurate. Many Foundation projects in the area of credit and agricultural production in general 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 poor that lie outside the realm of agricultural production and landholding.[1] Like the other donors, as another example, the Foundation portfolio seems to include a larger number of traditional cooperatives, as opposed to other forms of indigenous organization; cooperatives in Latin America, however, have been found to be rarely successful as economic ventures, let alone in serving the poor.

Applicants to the Foundation are likely to be a self-selected group in that they come forward with projects and activities that

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[1] An example of the funding of non-land-related production activities of the poor is the Ford Foundation's program in Bangladesh.

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, there were no women's projects presented for funding when the field representative was male, even though he was quite sympathetic to such projects; under the next field 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 will play a certain 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 increasing 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 which are the favorites of other donors, or which 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. The Foundation, then, 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, by being somewhat passive about the types of projects it finances. 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 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 already had access to the banking system, what percent of the poor farmers in the project area are being served with the new credit, 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 unusual, however, that so little is known about the details of how the credit and the organization are actually working.

For the Foundation to know more about its credit projects would require a certain change in its way or operating. Field representatives would need more training in this area, would have to spend more than the one or two days that they now spend per project on each of their three or four field trips per year, and reporting requirements would have to be increased--exactly the kind of presence and supervision that the Foundation 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. 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

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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 similar countries, 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 is not likely to show 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.

tend to be one of those activities that is outside the Foundation's comparative advantage, that does not work well with its people-centered non-intervening style. Though there is a certain suspicion in my mind that the latter is true, for reasons presented below, there is presently no way of making this judgment without looking more closely at the Foundation's credit projects.

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 the organization comes of age in the process 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; the argument 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 pre-conceived 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 be the <u>least</u> suited as a first step for a fledgling organization, for reasons presented below. It may 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--or 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, then, 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 the Foundation style and objectives because of a peculiarly conflicting set of demands to which they 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 and a socially committed organization, then, the new credit entity starts out with a strong strike against it: 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 the funds acquired through demand deposits made by government entitites, on which no interest payments are made, the subsidized interest rates do not even represent a loss to the public coffers (because there are no interest costs). 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 continued funds on hopeless cases.

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

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[1]There is some evidence that the facilitator organizations, which change 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 what many Foundation staff consider to be "socially irresponsible" behavior.

often be wiped out financially by large unexpected expenses or failures. The beneficiaries of the Foundation's more successful credit projects, then, may turn out to come from higher up in the income distribution than those of the less succesful projects; to the extent that credit beneficiaries have secure title to 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 are small farmers and may "look" poor. This conflict between equity and efficiency 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 equity objectives--particularly 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 gloomy 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 credit activity, under this approach, would take the form of group preparation of credit applications and pressuring of government and branch-bank authorities (as in the case of CPC in Paraguay); or the 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 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 at the same time 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 credit entity, that is, would add a few percentage points for its own costs onto the funds repassed from and repaid back to the government.

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 some small-farmer credit organizations thus financed have been left high and dry when regime politics have turned to the right (Chile, Guatemala). The Foundation, moreover, tends to give follow-on grants to groups at moments in their growth when, if forced to, might themselves 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. Since governments have been under increasing pressure to supply credit to small farmers--and are low on the inclination or 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.

As seems to be occurring in the Mexican case, 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 valuable 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 should 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 particularly 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. But there seems to be a certain lack of attentiveness to these possibilities and how to maximize them, because of the Foundation's spirit of contempt for the public sector and its desire to help its grantees gain independence from uninterested and often repressive governments. Though there may be certain moments when worthy groups need immediate rescuing from regimes turned repressive, 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 contradictory demand of Foundation-style credit projects relates to the granting and recovery of subloans. The Foundation seems to think that participatory, locally-based, organizations are the best; the so-called "facilitator organizations" are considered to be a second-best, based as they are in cities and formed by urban elites with a commitment to the poor. Some of the Foundation's credit projects are with these more centralized faciliator organizations. A rapid look at all these projects gives the impression that the facilitator organizations are more successful in running a sustained credit program, in making ends meet, and in growing into other activities. This suggests that the Foundation's view of the participatory organization as the best may be inaccurate--or that the 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, non-participatory organizations may sometimes be the _first_ best choice for the Foundation rather than second.

The locally-based participatory organizations may have a particularly hard time allocating and collecting credit in a financially sound way precisely because they _are_ 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. For this and other reasons related to economies of scale, 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.

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 tends to be made in kind rather than in cash--donated days of labor, agricultural and other production inputs, final products. This feature is 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 resistance to indexing of loans is high. Those who may strongly resist paying positive interest rates because they are high absolute numbers, 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 fledging 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 interesting example to watch is the "sharecropping" arrangement between farmer and cooperative in the Mapuche cooperatives 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, then, it might do more for poor people and for developing its own uniqueness by exploring the possibilities for supporting more indigenous grouping forms 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. In this type of case, the group in effect both provides the credit and repays it to itself, re-investing 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 onself 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 the production which the capital has facilitated; it does not have to sustain itself off an ongoing credit operation.

That seed-capital projects are less common in the Foundation's portfolio than rural credit projects arises perhaps from 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 much 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 particularly interested in these particular opportunities for financing. Just as important, seed-capital projects might have less of the rural-credit-type characteristics that are so 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 monopolizable good. Foundation and other donor credit is usually not sufficient to meet demand--mainly because of its way-below-market price. It will therefore be rationed off to those with the power to lay claim to it, or to those who fulfill some other non-market criteria like personal or political allegiance (the case of FUNDHESA in Honduras is an example of the latter, where credit was supplied to those who had supported the Christian Democratic party, without much concern for recovery).

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. Indeed, input-supply groups often depend on non-members for the largest share of their sales volume. Input-supply operations represent a case, then, where elite domination of local groups is not incompatible with bringing benefits to a wider spectrum of the population.[1] In the case of

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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 projects like soccer fields, church construction and rustic road construction.

Another relevant type of project is that where 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. 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.

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 serves the Foundation's objectives least. As long as Foundation staff assume that all locally-based organizations are by definition participatory and therefore better for the poor--as opposed to more centralized non-participatory organizations--then it will be difficult to discriminate between types of projects where 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 <u>are</u> dominated by local elites but where this does not prevent the poor from benefiting or where it is to the self-interest of the elites that the poor participate. Project types should be identified, moreoever, where (1) <u>less</u> participatory, <u>less</u> 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--something that only the Foundation, among donors, can do.

Disasters

Another problematic aspect of credit projects is what happens to them after agricultural disasters--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

There are two final and related points to be made about the Foundation's credit projects, and how they might be improved. The credit projects, particularly when they are carried out by local organizations, tend to try to accomplish too much. They often take on not only credit, but 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 particular task if their funds and their efforts are diluted among several. If a particular grantee organization could simply do well at credit, that would represent a tremendous accomplishment. Indeed, it may 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 probably to a considerable extent a product of the international donor culture--as well as of the bad habit of thinking about approaches to poverty in the language of war. (Among the Foundation's projects, 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 do small projects, as well as the 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, then, this probably reflects more the influence of 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, move onto another activity, also single.[1] The Foundation enjoys the luxury of not having to

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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, 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 ongoing activities like credit and marketing.

fall in step with international donor culture, and of being able to support things the way they actually take place.

It would seem that technical assistance for agricultural extension is an activity toward 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 much 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 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--because 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. Indeed, the training of such extensionists may often make them less suited for the advocate role than others--simply because 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 social extensionists in Latin America (home economists) are often more committed as advocates of the poor than 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 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, then, may simply express the desire of the organization to become more substantial. The actual benefit of such a component to the poor may 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.

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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 extensionists were present only much later, and in much smaller proportions.

Out of the Foundation's desire not to intervene, it tends not to check with the poor in the area of a project about what would actually be of value to them. Though the desire not to intervene is understandable, this makes the Foundation particularly vulnerable to financing activities that organizations desire in order to maintain themselves as organizations, regardless of the impact of these particular activities on the poor. Since the kinds of agricultural support organizations funded by the Foundation tend to become elite-dominated and exclusivist as they grow, it is very important that the Foundation be attentive to this problem. The case of agricultural extension is one where particular care should be exercised.

Cooperatives

The second point relates to the prevalence of cooperatives among the Foundation's credit projects. There is a considerable literature on cooperative approaches to development problems, which suggests that cooperatives are successful only in a limited number of cases and, for these successful cases, cooperative practices often exclude the poor. Again, the cooperative is to a considerable extent the creation of international donor culture, not an indigenous product. It fails usually because its creators assumed that they could do better than the public sector (inefficient) or the private sector (exploitative). They thought that there were easy profits to be made if one only would 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 a massive dose of management and financial assistance from the public sector (or international donors), still not making it as a business organization.

Though there are many notable exceptions to this portrayal of cooperatives, it is important that the Foundation 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. Again, the Foundation has the flexibility and the mandate to try other approaches to such problems--supporting the private sector, or supporting the more native forms of grouping.