World Development, Vol. 17, No. 7, pp. 1033–1044, 1989.
Printed in Great Britain.

0305–750X/89 $3.00 + 0.00

What Ever Happened to Poverty Alleviation?

JUDITH TENDLER
Massachusetts Institute of Technology, Cambridge

Summary. — The failure of many programs directed toward alleviating poverty is better understood than the successes. This paper identifies the traits that characterize several better-performing programs funded by the Ford Foundation — traits that are not commonly found in such programs. All focused narrowly on a particular trade or activity in the beginning; used credit as an entry point; started by brokering loans rather than lending directly; and had leadership linked to powerful institutions. Participants were already engaged in the economic activities supported by the programs; marketing channels existed; and powerful consumer groups were often in favor of production by beneficiary groups. Though these findings seem obvious, few programs funded by donors display these characteristics, suggesting that donors choose programs and organizations more carefully and not limit their funding to the nongovernmental sector.

1. INTRODUCTION

By the end of the 1980s, programs to assist the informal sector in developing countries had become quite popular among the smaller donor organizations of the industrialized nations. The programmatic form of such assistance has become rather standardized: (1) credit, business extension, and/or marketing assistance to production activities in the informal sector; and (2) the channeling of such assistance through private voluntary or nongovernmental organizations (NGOs). Although these "informal sector" or "microenterprise" programs are often carried out by highly dedicated staffs, and sometimes show interesting results, they usually reach only small numbers of persons.

What would it take for such programs to have more significant impacts? The answer to this question, of course, is not easy — otherwise, poverty would not be the immense problem that it is today. But a look at some of the exceptions to the rule in this field — programs that *have* reached beneficiaries in the thousands — can perhaps lead us in a more fruitful direction. This paper reports on a study of several such exceptions to the rule.* It draws some lessons about the kinds of organizations and program designs that have been associated with greater effectiveness and larger impacts than is typically the case. Strikingly, the highly disparate set of programs, organizations, and country environments analyzed here shared a quite common set of traits. In many cases, the traits were just the opposite of those of the "standardized" form of program design now in vogue. The shared characteristics of these organizations and programs, moreover, often had little to do with the public-private sector dichotomy, being relevant to interventions in the public as well as the NGO sector.

2. THE GOOD PERFORMERS

Out of the various organizations reviewed, six stand out: the Grameen Bank of Bangladesh, the Self-Employed Women's Association (SEWA) of Ahmedabad, the Working Women's Forum (WWF) of Madras, the Annapurna Caterers of Bombay, the women's dairying project of the Dairy Development Federation of the Indian state of Andhra Pradesh (APDDCFL), and Environmental Quality International (EQI)

*The organizations studied were all funded by the Ford Foundation, under its program for Livelihood, Employment, and Income-Generation (LEIG). The Ford Foundation very generously supported the research reported on here, as part of an external review of its employment programs carried out in 1986 and 1987. Although other donors also contributed to some of the programs described here, and although other donors have funded similar programs elsewhere, some of the recommendations that close this study relate to the particular characteristics of the Ford Foundation. I am grateful for extensive feedback from Ford Foundation staff and management on a first draft of this study. The opinions reported, however, are not necessarily held or endorsed by the Foundation.

working in conjunction with the association of Zabaleen garbage collectors in Cairo. In addition, three economic activities assisted by two other organizations — the landless pump groups of Proshika in Bangladesh, and the collectively owned rental houses and standpipes of the Undugu Society's women's groups in Nairobi — were impressive.

Four of the organizations discussed are in India, one in Bangladesh, and one in Egypt. They stand out because they are reaching an unusually large number of poor people,[1] or are indirectly affecting large numbers through their impacts on policy and institutions. In addition, they stand out as "successful" organizations in that donors have found them to be honest, strong, self-criticizing, and highly capable.

The six organizations differ markedly from each other, as well as being different in form and origin from most nongovernmental organizations working in this area. One is in the public sector (APDDCFL). While the rest are in the non-governmental sector, two arose out of the women's wings of Indian trade-union organizations (SEWA and Annapurna), and another out of political-party organizing in India (WWF). These last three are organized as trade unions; Grameen Bank is registered as a financial institution and EQI is a private consulting firm. Four of the six programs work only with women (SEWA, APDDCFL's Women's Cooperatives, WWF, Annapurna). Four work mainly in cities or started there, while only two work predominantly in rural areas (Grameen Bank, APDDCFL). Although all of these programs provide credit, each has a quite different mix of (1) credit, business, and technical assistance, (2) organizing for group production, marketing, or input-supply, (3) social services like death-benefit and pension funds, or (4) strong advocacy for clients vis-à-vis public institutions, political authorities, and monopolistic buyers and sellers.

What is remarkable about this set of cases is that, despite their diversity and their location in very different countries, they share a common set of characteristics or traits. To many readers, this list of traits and their association with good performance may seem obvious. But many programs and organizations operating in this sector and funded by donors have exactly the opposite traits.

(a) *Bound by the trade*

All the better-performing organizations started out with a narrow focus, and some continue that way to this day. They concentrated on a particular task (credit), to be discussed in the next section, or on workers in a particular trade, sector, or income-earning activity (e.g., garbage collectors, food preparers, dairy producers, vegetable vendors, landless groups owning tubewells).

The narrow sectoral focus of these organizations forced them to tailor their interventions to the needs of that particular sector or trade. This meant that they proceeded by doing careful studies of a sector, after which they would identify possible points of intervention. In this process, they gained a highly grounded understanding of one sector — production processes, sources of supply, product markets, industry structure. The meticulous sectoral studies of these organizations, which informed so much of their thinking, were carried out by bright young generalist staffs.

The trade-by-trade way of proceeding contrasts sharply with the many programs of this nature that work across various trades and even try to introduce new ones. These "generalist" organizations get less involved in the details of a particular trade, trying as they do to provide nonspecific income-earning assistance. The trade-specific programs were no less concerned about the broader issues of poverty than were the generalist ones — namely, denial of access to public services, lack of information, discrimination, exploitation, and poor health. Indeed, many of the trade organizations were passionately driven by these larger social issues, and added programs that dealt with them later on. But they anchored their work around the economics of a trade or a succession of trades.

In contrast to the set of better-performing organizations, many income-generating programs take a multi-task approach to their work. They base this broader approach on widely held notions of what is "needed" for development to take place, or of how services are "supposed" to be supplied. Although the broader vision has substantial truth — communities *do* lack various services — it often does not work well in practice, because it is too demanding on the organization. The importance ascribed here to learning about a trade, then, does not reflect a judgment that economics is more important than social, political, and service issues, but rather that many income-generating interventions fail because they are too ambitious. They represent unrealistic assessments of what organizations can do and of how people can improve their incomes. Out of a deep concern about poverty, they cast their nets too widely. Organizations and leaders with social welfare and service backgrounds, in particular, need a way of proceeding that teaches them about economic reality, and forces them to be guided by it.

Learning about a trade is a process that leads organizations to propose small changes in the way existing things work — institutions, market structures, production processes. One tries to identify bottlenecks and work on them one at a time. With women vegetable vendors, for example, SEWA learned that police harassment was a major problem, leading to frequent losses in income. SEWA therefore negotiated for the vendors with municipal authorities, and only after some significant results were achieved did it move on to the next problem. Similar processes of inquiry led to EQI's decision to provide credit to garbage collectors for simple recycling equipment, to Annapurna's decision to provide working-capital credit to women providers of meals to textile workers, and to APDDCFL's decision to support the organization of women-only dairy co-ops within an already functioning system of federated dairy co-ops. All these actions were carried out by organizations in a continual process of study, identification, and intervention. Their way of thinking was iterative and incremental.

Many LEIG (livelihood, employment, and income-generation) organizations do not see their actions as so constrained by existing economic systems. Indeed, they see existing ways of doing things as keeping their clients down, and they want to help liberate them from these structures — introducing new economic activities into communities, having people produce goods collectively who previously worked individually, providing new sources of credit independently of existing financial institutions. Although these attempts are admirable, they usually do not produce the same quality of results as the less ambitious way of proceeding.

This emphasis on the "marginal" qualities of the interventions carried out by the trade-bound organizations is consistent with the findings of two other comparative studies of projects — one of a set of technical assistance projects in sub-Saharan Africa,[2] and another of a set of community development projects in East Africa.[3] The most successful projects, according to these studies, were those that supplied a "missing component" to a set of activities that was already in place. Although the projects studied were not all trade-specific, what they shared with the set of programs studied here was the incremental nature of their interventions. The trade orientation, then, is not the only way to come up with powerful incremental interventions. The narrow focus on credit, in the "minimalist" form discussed below, also represents an incremental approach: credit without any complementary services was the "missing ingredient" provided in support of a system of economic activities and financial institutions that was already in place.

The trade-bound organizations bargain with authorities for their clients as a class (e.g., SEWA), whereas the generalist organizations negotiate on behalf of individual clients or small groups of them (e.g., Kenya Women's Finance Trust). These struggles for trade-wide concessions, and the victories they sometimes lead to, constitute one of the important potential impacts of such programs, particularly when they are carried out by small organizations that may not be able to serve directly a large number of clients. Just as important, trade-wide bargaining raises these matters to powerful authorities in the form of social *issues*, whereas individual cases brought by NGOs to the authorities are seen by the latter as the granting of favors in particular cases — a kind of poverty-oriented clientelism. Given the strength of the trade orientation, it is not surprising that three out of the five better-performing NGOs were trade unions (SEWA, WWF, Annapurna), almost the only trade-union grantees in the portfolio of donors working in this area. Trade unions actually define their principal task in terms of the struggle to obtain concessions from powerful institutions, whereas most other NGOs define their task as providing a service, in the course of which they may or may not need to take on the authorities for the cause of their clients. Trade-based struggle, of course, is not confined to trade unions. In our sample of better-performing programs, for example, EQI of Cairo, a private consulting firm, defined its project completely around the trade of informal garbage collectors, and struggled continuously for concessions with the city of Cairo.

(b) *Minimalism in credit*

Credit turned out to be another way by which the better-performing organizations were able to approach their task narrowly. Four programs started out by providing *only* credit. Even though they later moved into other activities, credit continues to be a central part of their program. (Two of these credit organizations, SEWA and Annapurna, also followed the trade approach.) Although other LEIG programs customarily provide credit, the approach of these four organizations to credit was quite different.

First, all four organizations started out only as credit brokers, providing their clients with access to existing financial institutions, rather than lending from their own funds. Second, they all required savings as a prerequisite to borrowing. Third, these organizations financed activities mainly in the trade and commerce sector, as opposed to manufacturing and services, sectors in which employment payoffs may seem higher but where risks to lenders are also higher.

Fourth, these organizations all provided a kind of stripped-down or "minimalist" credit, which entailed little or no evaluation of the merits of investments for which applicants wished to borrow and no technical or business assistance. The burden of the selection process was shifted from the credit entity to peer groups of borrowers themselves. Although groups might give opinions on a member's purpose for borrowing, their ultimate acceptance of the member was based on an assessment of that person's likelihood of repaying, regardless of the viability of the proposed project. Group members were not necessarily jointly liable for each other's loans, but the group could not receive subsequent loans until all were paid up. And although this process of decision making about credit was decentralized, it was not "participatory": borrowers were not included in decision-making councils of the credit-providing organizations,[4] they had no say in setting credit policy or in declaring and prosecuting delinquency, and the credit agency itself made the ultimate decision as to who could borrow.

Fifth, even though the four credit organizations now provide social and other services in addition to plain credit, they started first with credit. This is in distinct contrast to many grantees in the income-generating area, who are trying with difficulty to make the *opposite* transition — from social and welfare services to the income-generating ones. And while the four organizations all started with a line of credit, they were quite different in other ways — one a bank (Grameen), the second a women's trade union working with various trades (SEWA), the third a women's trade union working with only one trade (Annapurna), and the fourth a trade union working on a neighborhood rather than a trade basis (WWF).

Many small-borrower programs, unlike these four, do not start out by trying to link their clients up with existing banks. Typically, they get funding from donors to start their own credit operation. This gives them little chance to learn the business through a division of labor between themselves and the established banks — the banks taking care of the money, and the NGOs the processing of applications. Three of the four organizations ultimately did create their own banks (SEWA, WWF, and Grameen), but this occurred only after a long tutelage of doing no more than working as brokers between their clients and an established bank.

Many credit-providing NGOs would view the minimalist credit provided by our four organizations as "insufficient." Firms, they say, need to learn how to keep books, improve their production techniques, learn about inventory, and find better markets. Credit, according to this assessment of need, must therefore be accompanied by assistance with these other matters, and credit applicants should be helped to evaluate the financial viability of their proposed use of loan funds. Although this view seems perfectly reasonable, it also leads to higher unit costs of lending and greater demands for organizational sophistication. Evaluation studies, moreover, have cast doubt on how much this assistance actually leads to increased incomes.[5] Because of the higher costs and greater encumbrances, "complete" credit is almost never found in programs that have succeeded in reaching large numbers of small borrowers. Thus it is no surprise to learn that the Grameen Bank, with many more clients than most other such organizations, insisted most on the minimalist form of credit, and diversified least into noncredit activities.

(i) *The link to performance*

Why was this particular approach to credit, and the way in which it evolved, so central to the better performance of these four organizations? That these organizations spent a long apprenticeship providing access to existing credit, rather than lending their own funds, made the task easier. It divided credit into loan processing and banking, allowing the new organizations to take on and master the task of processing first, before having to go into the more difficult task of banking. That a banking infrastructure already existed was crucial to this sequence. Other organizational activities, like business and technical extension or the formation of group production or marketing ventures, do not have such well-established institutions to which they can turn for structure, advice, and sharing of the task.

Minimalist credit was also easy because clients borrowed more for trade than manufacturing. As indicated by bank practice all over the world, lending to trade and retail establishments is less risky than to manufacturers, partly because repayments can be made with greater frequency and within a shorter time period. Although lending to manufacturers may have greater impact on employment and income than lending to traders, trade credit may nevertheless be easier on fledgling banking operations.

Minimalist credit was also easy because the repayment rate constitutes a clear and concise measure of good performance. With such an indicator, any good evaluator can ascertain performance by spending a few hours at a bank office; with this indicator, moreover, the credit agencies themselves can keep close tabs on how they are doing. Performance in other activities, including credit with business and technical extension, is more difficult to measure and can be verified only over a longer term. Because minimalist credit provides such a conspicuous performance measure, organizations working this way are quite exposed to outside scrutiny; in this sense, credit is a hard taskmaster, as well as being "easy." Given that many other activities lack this clear and accessible indicator of performance, mediocre performance will elicit less censure from the outside, as well as less concern within the organization itself. In lieu of clear performance indicators, organizations tend to look at commitment, honesty, and hard work as proxies for performance rather than at impact. And mediocrity gets tolerated more, simply because the results of what these organizations do are more difficult to see.

Small-loan programs usually run high costs per dollar spent because of the time and skills required to evaluate numerous small applications. Banks resist small loans because of these high unit costs, and because of the impossibility of making character judgments about applicants with whom they are not familiar. Minimalist credit reduces these problems by shifting much of the cost of processing loan applications from the bank to borrower groups, an important advantage of the group mechanism used by all four organizations. Groups base their decisions as to who gets loans on character judgments about the borrowers, rather than on an evaluation of their finances and business proposals. Surprisingly enough, this system of judging credit applications seems to work well, as attested to not only by repayment rates in these four cases but by studies of similar programs.[6] By reducing markedly the credit agency's need for staff trained in financial analysis, the group selection mechanism also reduces the problem of finding skilled professionals to do such work and of paying them adequately.

Observers of credit institutions that require savings prior to borrowing, like the four studied here, usually point to the wholesome impact of the savings requirement on the borrower who "needs to learn the discipline" of giving in order to receive, it is said, and of repaying regularly. Also, donors have been increasingly asking their grantees to require some payment from clients in exchange for the services they receive — credit, technical assistance, or other services meant to increase income. Requiring savings or charges for services, the argument goes, not only helps the client to "learn" the behavior required in a modern economy, but also helps to set the service-providing organization on the path toward financial self-sufficiency.

Less commented on is the fact that when clients have to save in order to borrow, the credit organization will have to first prove that it is a trustworthy place to put one's savings. And if the organization performs poorly once it possesses the savings, clients can withdraw their deposits overnight and bring the organization to ruin. Even if depositors are not allowed to withdraw savings, as is often the case with savings required for borrowing, their financial stake in the organization gives them the right to make trouble if they are worried about how the organization is behaving; and organizing the depositors into groups, as these four organizations did, gives them a social form in which to make more effective trouble. Charges for services, in contrast to savings requirements, make an organization even more vulnerable to outside pressure to perform: if clients are dissatisfied, they need not even protest and can simply refrain from buying the service.

Although organizations with income-generating programs often argue against charging for services on the grounds that the poor cannot afford to pay, they also fear that they will lose their clientele if they start charging. The organization that agrees to charge for services or require prior savings, then, has considerable confidence in the quality and worth of what it provides. Put in another way, charges and savings requirements can force an organization to be more responsive to the poor and their definition of their needs, than a situation of no charges, justified out of sympathy for the plight of the poor. Again, this is a somewhat different approach to the issue of finding committed staffs: in this case, the structure of the situation helps make the organization responsive, rather than just the hiring of committed staff.

Required saving, in sum, introduces external pressures to perform into the worlds of fledgling credit organizations. Donors usually deal with the matter of organizational performance by a combination of helping (funds for training, budgets for hiring capable staff) and monitoring (by donors themselves, by requiring and funding audits, by funding monitoring and evaluation operations). All of these approaches, though good standard practice, are costly and time-consuming, and often do not yield the desired results. Some of this concern might be invested, instead, in finding tasks and structures that produce these pressures themselves, without the expenditure of time and funds. Forced savings and charges are one way of providing that external pressure. The easily measurable repayment rate of minimalist credit is another.

(ii) *The urban edge*

Closeness to power among the set of organizations was geographic as well as social. Four of the NGOs studied here got their start in cities, and most continue to have their greatest number of clients there. There is something about the dynamics of such organizations in the urban setting that sets them apart from the rural programs.

First, the four cities where these organizations work are large and important. Bombay, Ahmedabad, and Madras are capitals of their respective states, as well as thriving economic centers; Cairo, aside from being the national capital, is a city of 13 million people. Powerful elites live and work in these cities, and powerful institutions are seated there — bank headquarters, municipal authorities, politicians, and government parastatals, ministries, and departments. The impact achieved by the organizations studied here resulted, in part, from the influence they had with these holders of power and the concessions won from them. Rural-based programs provide less of a chance to have an influence on power.

Second, and related, programs for the poor usually have to win over local elites in each community where they work — or, at least, gain their acquiescence. Since elite opposition often undermines projects at the community level, the investment in gaining elite tolerance or support is crucial to the success of these programs. Having influence with elites arises, in part, from a lifetime of living with them. This kind of familiarity is difficult for the leaders of organizations operating in rural areas, because there is no single geographically concentrated set of elites or powerful institutions that controls decisions affecting thousands of people. As one of the NGO leaders said, in commenting on the difficulty of expanding her urban program into rural areas, "There wasn't just one powerful person I could call up and say he should help out, like I do in the capital city. There were so many local powerholders in the rural area! I didn't know them and they didn't know me."

Third, the trade- or sector-bound approach discussed above works better in urban areas. Because the rural poor live more dispersed and shift from one income-earning activity to another with changes in the agricultural cycle, it is sometimes difficult to find large numbers in one place who work at a single trade, let alone at the same trade throughout the year.[7] Organizations in rural areas, then, find fewer opportunities to work with only one trade or sector.

Fourth, and implicit in these last three points, there are agglomeration economies in serving dense populations. In cities, one can see more clients per staff trip away from the office, use public transport instead of having to invest in vehicles, spend less on the operation of one's own vehicle; and one's service is less vulnerable to problems of vehicle breakdown, shortage of spare parts, and lack of budget monies for fuel and maintenance. All of these problems are central in rural service programs.

The lesson of the finding that urban programs have a certain edge over rural programs is not that one should fund more urban projects, though that might be one logical conclusion. Rather, the urban stories help show that the path to impact often lies in the influence wielded over powerful persons and institutions. This experience should encourage the search for rural program strategies that imitate these urban configurations or compensate for the lack of them. Although the suggestion may seem fanciful, the Grameen Bank provides a realistic illustration. Grameen Bank was the only rural exception to the urban siting of the better-performing programs funded by the Ford Foundation. And Grameen had by far the largest number of beneficiaries of them all, so its status as an exception requires explanation.

(iii) *The Grameen exception*

Grameen Bank operates in a country with one of the highest rural population densities in the world, thus making it possible to reach a larger number of clients per unit space than is typical for rural programs. The minimalist credit practiced by Grameen, moreover, requires less understanding of the economy and social structure of each particular locality where the bank has a branch and less adaptation to local forms of production — in contrast to more complete credit services and other activities. Grameen's leader felt strongly about providing a "franchisable" service that, once perfected, could be applied anywhere throughout the nation, regardless of local conditions. Minimalist credit can accommodate this kind of vision. Just as important, it took a leader who wanted to make his mark in large numbers to be attracted to this particular form of the credit task, and to resist the pressures to embellish it. This vision contrasts sharply with that of many other NGO leaders, who see their task as doing a good job at providing a variety of services to fewer communities.

Grameen Bank provided a service to landless laborers that, in contrast to the experience with many other such programs, pleased local elites. Local landowners did not mind that Grameen organized their labor forces into credit groups, thereby freeing the laborers from dependence on landowners for credit. Indeed, some landowners even said they *preferred* being relieved of these credit obligations to their laborers, and that this new and independent source of credit made for a more stable work force in the region. This reaction, by the way, is just the opposite of that predicted by the economic literature on interlinked contracts for labor, land, and credit.

The importance of elites attracts notice only when they oppose projects, and many LEIG projects have been undone by such opposition. But the Grameen case shows that it is also important to understand the circumstances under which elites are not opposed. One of the lessons of the Grameen exception to the urban cases, then, is that the rural handicap can be reduced if activities are supported that are to the liking of elites. This is why experimentation is so important: it can demonstrate that things may not be as bad in reality as elites and others think they will be.

As distinct from many rural projects, finally, the Grameen Bank was linked from the start to a major urban center of national power — the Bangladesh Central Bank. Although Grameen is now an independent financial institution, it found its first institutional home in the Central Bank, as an experimental project. When Grameen became its own bank, the link to the Central Bank continued informally, partly through the three Central Bank professionals who went on extended leave to take managerial positions with Grameen. One tends not to notice these links to power, because they are often buried in the early history of the organization, and because leaders of these organizations like to stress their independence from "the establishment" rather than their connections to it.

(c) *Traits of the trade*

The traits shared in common by this set of organizations suggests that their performance was influenced by the kinds of economic activities their clients engaged in. Something outside the control of these organizations, in other words, helped them perform well.

First, the clients of these organizations were already producing what they were receiving assistance for (dairying, garbage-collecting, food hawking, food preparation, cigarette-rolling). Or, in the case of activities newly undertaken with the organization's assistance, these were well known in the area and easily mastered (installation and operation of shallow tubewells, water standpipes, and rental houses).

Second, though clients always belonged to groups, some formed by the assisting organization (credit groups, dairy co-ops, garbage collectors' association), the group did not necessarily engage in collective ownership or work. In the cases where the assisting organization did introduce collective ownership (landless pumps, group standpipes, rental housing), ongoing work requirements after the initial installation period were minimal.

Third, the assisted activities did not show economies of scale, so that they did not face competition from large-scale capital-intensive industries (dairying, garbage-collecting, shallow tubewell irrigation vs. handloom silk production, cigarette-making, garment manufacture).

Fourth, supplies of basic inputs were assured (garbage for garbage-collecting, water for shallow tubewells, produce for vending, fodder for cattle, though fodder supply was sometimes a significant problem for the poor).

Fifth, sales markets were already securely in place, though they were not necessarily free markets (dairy products, garbage collection services, water for irrigation).

Sixth, many of the products or services supported were in scarce supply and had high social value in economic and distributional terms (irrigation water, garbage collection services, pork and milk supply, standpipe water, and rental housing in squatter settlements). This meant that consumers also benefited from the expansion in supply of these activities, as well as the providers assisted by the project. The high social value or "externalities" of assisting these providers is reflected in the fact that some of these services are traditionally provided or subsidized by the public sector (garbage collection, irrigation water, potable water, low-cost housing). Indeed, for most of these services, there had been a history in all four countries of public sector activity that was inadequate. The activity under these programs, then, represented a kind of *ad hoc* "privatization" or decentralization of these services, though nobody portrayed things in these terms.

Seventh, powerful consumers of these services themselves often played a role in bringing about support for the project (e.g., the Indian dairy parastatal as the purchaser of milk supplied by women producers). Or, these consumers had enough self-interest in seeing supplies increase that they did not stand in the way of organizing for that purpose among the poor (e.g., the land-owning employers as purchasers of irrigation water from groups formed by their landless employees).

Although the last two findings of these seven may come as a surprise, the rest seem to reflect good common sense. Yet many programs choose economic activities and ways to support them that do not reflect this sense. Many programs, for example, are more ambitious with respect to their clients' income-earning activities. They may try to introduce activities that are new or that generate opposition from elites. In choosing certain sectors, moreover, programs often take on a difficult battle against scale economies in the sector which, though perhaps created by past government subsidization of large producers, have already led to large-scale, capital-intensive, and competitive production (handloomed textiles, leather footwear, garments, cigarettes). In this set of activities, there were no scale economies constantly threatening to overwhelm the assisted activities, and against which a constant and often losing battle had to be fought.

Many income-generating programs promote collective enterprises (e.g., Grameen Bank's mustard oil mills, EQI's composting plant and garbage-collectors' firm, PRADAN's community-enterprise program) because they believe that the poor are locked into low-income occupations and that collective production, often of something new, is the only way to get them out. The designers of these programs often look for their inspiration to community traditions of cooperation around certain tasks — the building of a school, a road, a church, or a soccer field. In contrast to these endeavors, a large number of the collective production ventures promoted by assisting organizations do not succeed, or do so only at a high cost and with benefits to only a small number of participants. One reason for these disappointing outcomes is that the traditional collective tasks named above have a beginning and an end, in contrast to the work requirements of donor-funded collective production, which is usually of an *ongoing* nature.

Collective work obligations often lead to disputes among cooperators about their relative work loads, and about who is working hard and who is slacking off. Also, collective work requirements fall hardest on the poor, since they are least able to take time away from their current employment; and most collective ventures do not begin to pay a return for a long period of time, let alone enough of a return to live on exclusively. The work requirements of the collectively owned activities studied here, in contrast, were more like those of traditional collective patterns. They involved a discrete task at the start, with a minimal amount of sustained work afterwards — the installation of a tubewell and the digging of canals, the installation of a standpipe, and the construction of rental housing.

Organizations with income-generating programs usually recognize the importance of markets, but they often approach the matter by trying to set up their *own* marketing outlets. Since nonprofit organizations have no particular comparative advantage in marketing, which itself often involves economies of scale, these attempts at creating marketing outlets frequently fail; or, at best, they benefit a limited number of producers. In the studied cases, in contrast, the market was already in place, even when clients were producing the service for the first time (irrigation water in rainfed rice-growing areas, potable water, and rental housing in squatter settlements). Problems of input supply also tend to be overlooked in income-generating programs, attention usually being riveted on production processes and sales markets. In this set of activities, by contrast, the supply of the major input was unusually secure (water for standpipes, housing stock for rental, garbage for garbage collection), or variations in supply were predictable (irrigation water for tubewells, fodder for dairy cattle).

In the cases studied, powerful consumers played an important role in *supporting* improved producer conditions. This role arose out of their interest in seeing supplies increase (the dairy parastatal's support for women dairy co-ops and for a training institute in rural management, the Cairo governate's holding back from banishing the Zabaleen donkey carts, the Bangladesh rice farmer's donation of a small plot of land for installation of the tubewell owned by a group of his landless employees). When powerful consumers did *not* play an active role in supporting increased supply, they at least did not oppose program activities. As noted above, Grameen Bank did not get much trouble from local landowners for organizing landless laborers, partly because these elites felt that there was something in it for them. Designers of income-generating programs tend to think of consumers as atomistic and faceless and, therefore, of little relevance to attempts to increase production, just so long as their presence is attested to by a given volume of sales. This strategy shows, however, that powerful consumers or parties interested in seeing increased supply of an input can be forces of support, just as much as they can oppose or exploit.

(d) *What kind of lesson?*

What is the lesson to be learned from the traits shared by these better-performing programs? The lesson is *not* that the traits represent a checklist of prerequisites or prescriptions. Credit worked well in its minimalist form, for example, because it had certain attributes that made it both "easy" and demanding of good performance. The lesson of the credit story, however, is not that programs should do credit rather than other things, but that some tasks and their environments are easier than others and, at the same time, more demanding of good performance. Programs should be designed with this in mind, with tasks being chosen or avoided for reasons of this nature.

Though this statement about lessons seems obvious, programs tend to be designed in terms of popular assumptions about what is needed for the clients (increased skills, access to capital, reduced dependence), rather than in terms of what is needed for the organization to be able to function passably well. Planners often act, in other words, as if the problem is only to figure out how to increase people's incomes, but that is only the half of it. Organizations are often just as handicapped as the poor in trying to do what they want.

Rather than being prescriptive, this list of traits is both cautionary and constructive. It is cautionary in that it shows that some of the standard approaches to program strategy and organizational design do not work well, and explains why. Providing business assistance to poor borrowers, for example, has become an unquestioned part of the way many planners think about microenterprise credit. But this study shows the better-performing credit programs as consistently *not* providing business assistance. The lesson is not that one should never provide business assistance, which is to exchange one set of rules for another, but that one should pay attention to what works well and what doesn't, that one should be constantly questioning the accustomed ways of doing things, and that doing less often works better than doing more. Similarly, for organizations that want to promote collective enterprises, or take on marketing, or promote new production processes, this list should be interpreted as cautionary, not proscriptive. Some of the better-performing organizations did just these things, after all, but only after traveling along the narrow path described. Finally, this list is constructive because it points to opportunities where planners often do not expect to find them — monopsonistic buyers, old-fashioned products and markets, well-connected technocrats, acquiescent elites, poor people collectively providing public-sector-like services, support from powerful public-sector actors, tedious surveys of narrow sectors, nonspecialist staffs succeeding at providing a specialized service like credit.

Does this small set of cases represent a good "return" on investment? Part of the answer should involve a judgment on the economic return to the investments in credit, requiring some comparative benefit-cost analysis across activities, projects, and countries. Although benefit-cost ratios will not illuminate impacts on policy and professional thinking, they would help explain the actual impact of such programs on poor people's incomes and point to the sectors in which results are more robust. A recent AID-funded comparative benefit-cost analysis of five microenterprise credit programs showed high rates of return for some programs — at least as high as those obtained on large World Bank infrastructure and rural development projects.[8] That represents a clear standard by which to compare projects in an area where comparison is quite difficult, though it would not be wise to approve or disapprove of programs of this nature solely on benefit-cost grounds.

3. BETWEEN THE GOVERNMENT AND THE NONGOVERNMENT SECTORS

Among donors, the Ford Foundation is somewhat unusual in that it has worked simultaneously with governments, indigenous nongovernmental agencies, and with research institutions. Whereas the Foundation's programs in agriculture, water, and forestry reflect this history, its LEIG program has focused primarily on NGOs. As with other donors, the Ford Foundation has had good reason for concentrating so much of its attention on nongovernmental organizations.

First, LEIG programs have no professional home. They do not correspond to a single field of study nor deal with one particular economic sector. Unlike agriculture, water, or forestry, expertise or commitments cannot be found in a particular government ministry or academic discipline. For the Ford Foundation, the NGO sector has come to represent an analog to that missing professional home — a place where everyone is committed to the alleviation of poverty and where substantial program experience has been accumulated.

Second, the Foundation's recent shift toward the nongovernment sector arises out of a deep disappointment, shared by many other observers of development in the third world, with the persistence of massive poverty despite impressive growth records in many countries and despite several decades of state-promoted development. This disappointment has also extended to the poverty-oriented government programs of the 1970s, which were meant to alleviate the inequities of growth by redirecting public services and subsidies to the poor.

Third, the Foundation was drawn to the NGO sector out of a belief that empowerment of poor people is central to their ability to increase their incomes. Because governments have often repressed the poor when they organize, or simply neglected them, the Foundation has viewed independent assistance in organizing the poor as crucial to their gaining of rights to government protection, services, and subsidies. In Foundation eyes, improving the incomes of the poor is therefore inextricably linked to empowerment, and it is difficult to empower people through governments, particularly military ones.

Although the Ford Foundation's affinity for the NGO sector in the LEIG area is understandable, major emphasis on NGOs is difficult to justify. First, various donors have funded similar projects among NGOs since at least the early 1980s. The Ford Foundation is not alone in this area and not "on the cutting edge." Nor is it bringing to bear on this problem its unique ability to act simultaneously in the government, nongovernment, and research sectors. Second, NGO programs in income generation and employment usually do not make significant inroads on poverty in a particular country — either directly in terms of numbers reached, or indirectly in terms of affecting policy or programs carried out by larger institutions. The low impact and lack of replication of NGO programs has to do with certain "diseconomies of scale" affecting their expansion:

— the strength of many successful NGO efforts arises out of an ethnic, religious, political, or social nature, which is irretrievably lost when these organizations expand and become less parochial;

— NGOs compete against each other and the public sector for funding from foreign donors, which means that they are driven to differentiate their "product" from their "competitors'," rather than cooperating with them or exchanging ideas about service–delivery models in the cause of getting good program ideas replicated;

— because a large share of NGO funding comes from foreign donors, and because NGOs usually prefer foreign funding to local support, distance and mistrust prevails between the government and non government sectors, thereby reducing the possibility that governments will replicate successful NGO "experiments";

— NGO programs do not grow partly because NGOs are under no pressure from their donors and other constituents to reach large numbers of persons, in contrast to the public sector, where political pressure to reach large numbers is high.

As a result of these diseconomies, the path to replication of successful NGO experiments in the LEIG area is somewhat blocked, meaning that the relevance of their experiments to nationwide problems of poverty and unemployment can be quite limited.

Third, history has shown us that in developing countries with good performance on income distribution, government policies and programs have played a key role. Conversely, certain government policies regarding credit subsidization, tariff protection, and agricultural development have had major *adverse* impacts on employment. Although the behavior of government may leave much to be desired in the poverty-alleviation area, in other words, what the government does exerts a powerful impact on poverty. If the Foundation wants to have a significant impact in this sector, it cannot afford to stay away from such a powerful actor.

Fourth, our understanding of what works in the public arena with respect to poverty alleviation is woefully inadequate, partly because events have cut short the process of learning from our experience. The recent economic crises of many developing countries have brought about a reinterpretation of much past government policy; even those policies previously considered to have been good are now viewed as having laid the groundwork for the crises. This current disappointment about the performance of third world governments can be seen, in part, as an almost predictable overreaction to the excessive optimism of an earlier period, when everyone had great faith in the ability of third world governments and first world donors to eradicate poverty and bring about sustained growth.

The economic and debt crises of the 1980s have turned a generation of economists away from the study of poverty and poverty-alleviating initiatives to issues of debt, trade, and macroeconomic management. As a result, our ability to make informed judgments about the potential of policy and programs to alleviate poverty is constrained by the lack of comparative research on what has worked well. We have turned our backs on the public sector without being sufficiently informed and have put excessive faith in a "new" sector, the NGOs, which is impeded by its very structure from bringing about the kinds of impacts we hope to achieve.

4. RECOMMENDATIONS

In seaching for and evaluating grant proposals in the NGO sector, the Ford Foundation and other donors should place priority on the potential for impact, rather than on institution-building for its own sake in the NGO sector. Impacts can take the form of large beneficiary numbers, influence on policy, or likely replicability by other institutions. Organizations can reach a much larger number of people if tasks are carried out in certain ways — the minimalist form of credit being a striking example. Organizational leaders with visions of reaching masses of people are more likely to have impact than those who aim to do an excellent job in a few communities.

"Experiments" in the NGO sector should be viewed with particular caution. Experiments that work well on the small scale characteristic of many NGO programs usually do not lend themselves to large-scale operation because of diseconomies of scale — in the organizational and political sense, as well as economic. The experiment must be conducted in an environment where the institutional capacity for replication is already in place; or the links of project leaders to centers of power must be strong enough so that the experiment has a path along which it can later spread to broader institutional networks.

(a) *Working with governments*

One of the obvious ways of choosing a setting with the potential for replication is to fund NGO projects that have some relationship to government programs. This can take various forms. Programs can help a certain class of clients to gain access to government-subsidized goods and services (Working Women's Forum and credit). They can effectively pressure government for changes in policy that will result in increased incomes to large numbers of persons (SEWA achieving reduced police harassment of vendors). NGOs can be given the responsibility for implementing certain parts of large government programs (MYRADA and India's Integrated Rural Development program). Or they can help provide a missing ingredient to government programs that are not working well (Proshika's rehabilitation of defunct government-owned tubewells in Bangladesh and sale of them at subsidized prices to landless pump groups). The Ford Foundation could help NGOs develop the government connections they need to grow by requiring of its NGO grantees some kind of matching commitment from government. The commitment need not be financial — it can take the form of office space, vehicles, seconded staff — as long as it creates the link and hence the potential for replication.

The Foundation could make a significant contribution in the field of income generation and employment for women if it broadened its program to include the public sector. As a relatively small donor, of course, the Foundation is not in a position to make a significant contribution to large public sector programs. But it does have a unique role to play in supporting experimentation in the public sector, as it has with its women's dairying project in India and its initiative with the regional branch of a government bank in Egypt. Governments find it politically difficult to initiate and fund these experiments themselves, because they can be accused of favoring certain geographic areas. The Ford Foundation's long history of working with professionals in governments of developing countries, as well as with NGOs, has placed it in a position to bring together NGOs and government for exchanges about some of the more successful NGO experiences. In addition, the Foundation can now take advantage of the new sympathetic climate for LEIG initiatives caused by the political repercussions of austerity programs.

(b) *Research*

In the 1970s, poverty alleviation was of much greater concern to economists and project designers than it was beforehand, or today. This was partly because at that time the subject had gained prestige in the field of development economics. One of the reasons that poverty issues gained such attention is that the leader of a powerful institution, the World Bank, decided to invest large amounts in research on the relationship among growth, policy, and income distribution. One result of the fall from prestige of equity-oriented research and policy is that development scholars and professionals with such interests today have no institutional home — research funds, graduate students, colleagues working on the same subject. They do not have the kind of professional support that the field of economics today provides, for example, to economists doing research on issues of debt, trade, and macroeconomic policy. Partly as a result, students and scholars still interested in LEIG issues tend to be found mainly in the noneconomist social sciences. And economics has come to be thought of as a discipline that is inhospitable to poverty concerns, even though it was in the forefront of research on the subject in the 1970s.

The field of economics has become quite powerful in determining how policy is made. It also provides some of the important analytic tools necessary to understand the impacts of policy and programs on poverty. If the study of poverty-alleviation interventions continues to remain as intellectually peripheral in economics as it is today, it will be difficult to command the kind of attention that is necessary to attract powerful persons and institutions to the task of changing policies and adopting effective programs.

LEIG needs research attention because relatively little comparative analysis has been carried out on the 1970s experience with public-sector poverty-alleviating programs in the developing world. There is a rich literature on the failures of that period, but very little to help us understand the successes and their common traits. There is still much comparative research to be done on what has worked and what has not in the public sector. If donors want poverty-alleviation concerns to be taken seriously, and if they want to help policy makers and program designers to make informed decisions in this area, they should be funding such research. The understanding of poverty will be enhanced by a better sense of what works institutionally in terms of service delivery and what kinds of interventions bring about significant changes in people's lives.

NOTES

1. The Grameen Bank has reached 500,000 borrowers; WWF has 38,000 members, SEWA 15,000 members, Annapurna 8,000 members, and the APDDCFL women dairying project 5,000 women members.

2. Kilby (1979).

3. Barclay *et al.* (1979).

4. Grameen Bank has recently included borrowers in its Board of Directors.

5. Farbman (1981), Ashe (1985), Kilby (1985), and Tendler (1982).

6. Ashe (1985), Kilby (1985).

7. See also Chen (1984) and (1986).

8. Kilby (1985).