The Rise of Social Funds:
What Are They A Model Of?

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I - Introduction

"[Development] narratives...follow the common definition of 'story'.... Typically less hortatory and normative than ideology, development narratives tell scenarios not so much about what should happen as about what will happen--according to their tellers--if the events or positions are carried out as described. Even when their truth-value is in question, these narratives are explicitly more programmatic than myths and have the objective of getting their hearers to believe or do something. In addition, the narratives...are treated by many of their tellers and hearers as continuing to retain some general explanatory...power even after a number of the specific conventional wisdoms upon which they are based are understood to be subject to serious qualification" (Roe 1991:288).

There is widespread enthusiasm afoot today in the international development community about Social Funds (SFs). Together, the World Bank and the Inter-American Development Bank have spent a total of more than $2.6 billion on SFs in Latin America and Africa since the late 1980s, and European donors roughly half that amount. There is no sign of slackening, and donor-proposed SFs are now cropping up in reform packages for the crisis-afflicted Asian economies--recent examples being Indonesia and Thailand. Strangely enough, however, the numerous evaluations carried out or funded by the donors themselves provide more grounds for skepticism about SFs than for enthusiasm.

Donors view the SFs as a breakthrough in providing poor communities in developing countries, mainly in rural areas, with works projects and some services. Roughly one third of the funds go to economic infrastructure; another third to education and health, nutrition and population activities; and another third to miscellaneous activities like microfinance, training, and environmental interventions.[1] Donors view SFs, with their more independent project agencies or units and their "demand-driven" features,[2] as "an imaginative effort to make government actions and resources more beneficial to the poor"; as having "considerable potential...for *sustainable* service delivery..." (italics ours); and as succeeding, often, "in targeting the poor and in providing basic services more cheaply and speedily than public sector agencies that have traditionally been charged with these functions."[3]

This paper draws on the evidence about SFs from the donors, and from fieldwork on four SFs in Brazil, to raise some questions about the presumed greater desirability of SFs as an alternative to traditional government supply, or reformed versions of it.[4] The paper also seeks to contribute to the broader debates relating to decentralization, partial privatization, and other attempts to improve the quality of public-service delivery in developing countries. The acclaimed strengths of SFs, after all, are variations on a more general set of arguments about the problems of over-centralized and "supply-driven" public service provision, and about the superiority of more decentralized and "demand-driven" approaches.

What follows is not meant to be a thorough review of the SF experience or of the arguments for and against them. For this, the reader can turn to several comprehensive donor-funded reviews of the evidence, and a handful of other excellent studies of SFs by social scientists, all referred to in the endnotes. The arguments that follow also do not constitute a brief against SFs or demand-driven approaches in general, or in favor of supply-driven approaches. It will not be argued that SFs are performing poorly, but that the donors' own evidence does not demonstrate that they are better than or even as good as other approaches to improving government services in a sustained way. This raises questions about the large amounts of funding dedicated to SFs, and the trumpeting of the experience as a new model.

With some exceptions, the donor community has interpreted the SF experience through a rather ill-fitting template, which categorizes it as demand-driven, decentralized, partially privatized, and therefore "good." Without this template, the experience could yield some interesting evidence on which to build a less limiting view of opportunities for reform. In this sense, the paper attempts to interest the development community in expanding its thinking beyond SF-type models to other ways of improving government performance. These ways may not seem as new and exciting as SFs, but SFs would seem to have, at best, no more frailties than they do.

The paper is organized as follows. Section II reviews the acclaimed strengths of SFs, and the logic that lies behind them; it then chronicles the paradox found in the donor evaluations--mixed evidence, at best, wrapped in strong endorsement. Section III is the first of three sections (III, IV, and V) on the findings from field research on SFs in four Brazilian states; Section III reports on how communities actually made decisions to choose one type of project over another, and relates these findings to those of the donor evaluations. Section IV focuses particularly on the behavior of "the market"--namely, the newly-included private firms in this partially privatized pageant; this because of the dearth of field research on the matter relative to other subjects like SF impact on the poor, relative to the importance attributed to partial privatization in the workings of the SF model and decentralization in general. Section V looks into issues of information, given its centrality to widely-held assumptions about the benefits of decentralization in general and SFs in particular. Section VI delves into the interaction of SFs and politics, a natural connection because of the character of SFs as highly "distributive" programs. Section VII concludes. Sections III, IV, and parts of V draw substantially on material from Serrano (1996).

II - Social Funds: The Acclaim and the Paradox

Since the late 1980s, the two largest donors have spent roughly $2.6 billion on SFs--$1.3 billion by the IDB on 18 SFs in 16 countries of Latin America, $1.3 billion by the WB in 34 countries (mainly Latin America and Africa), and roughly half that total by the European donors combined.[5] SFs started in Latin America as a temporary antidote, according to the lore, to the adverse impact of structural adjustment programs on the poor in various countries.[6] The Latin American experience came to be the reference point for SF promotion elsewhere. Originally, SFs were meant to provide quick employment through public-works projects and emergency social services in rural areas, partly in lieu of the increasingly faltering presence of fiscally-strapped and over-bureaucratized line ministries; some were designed explicitly to compensate for layoffs caused by downsizing of the public sector and its state enterprises.

By the mid-1990s, donors judged the SFs to be so effective at temporary relief, and so appealing as an alternative model of public-sector service delivery, that they provided follow-on funding to several SFs and elevated some to more permanent status. Viewing SFs first as an important new and temporary instrument for combatting the adverse impacts of structural adjustment and other macro reforms on the poor, donors then came to view them later as an attractive model--decentralized, partially privatized, and demand-driven--for the delivery of some services and small works projects, particularly to the poor and in rural areas.

Though SFs vary widely across countries, their "demand-driven" and decentralized style has the following common components: (1) they make grant funds available to communities or municipal councils to choose among a menu of possible projects (a well, health center, school, grain mill, road repair, etc.); (2) project design and construction are decentralized, and partially privatized, to local actors--private firms, NGOs, local governments, and community associations (as well as sometimes to local governments); (3) in particular, community groups make contact with and contract the design or construction firm or equipment supplier, monitor project execution, and/or take responsibility subsequently for operations and maintenance; and (4) a local contribution is often required, roughly 10%-15% of project costs.

In addition to their emphasis on the virtues of these demand-driven and decentralized features, donor evaluations portray the SF success in terms of rapid rates of disbursement, flexibility, and low overheads--just the opposite of the typical government agency. As depicted in the numerous documents on SFs, the organizational traits considered key to their success are: (1) they are run by semi-autonomous units or agencies operating outside line agencies, sometimes newly created and often close to the office of the country's president; (2) they work outside civil service regulations, particularly with respect to the setting of salaries, and hiring and firing; (3) their managers are often recruited from the outside, and have experience with management in the private sector, while many of their staff members represent the best of the public sector, lured to the SFs by the higher salaries; and (4) they have succeeded in operating *outside* government procurement regulations, and simplifying procurement in a way that has sped up the execution of small works projects markedly.

1. Traditional government: problem and solution

Underlying these acclaimed features of SF design is a broader set of arguments about the problematic nature of the traditional organization of government programs--namely, that they are overly centralized, inflexible, and "supply-driven." These arguments, based mainly on the last decade's literature of economics and political science, suggest that more decentralized, demand-driven, and partially privatized provision reduces many of the undesirable aspects of traditional government provisioning.[7] Because the arguments about decentralization are by now quite familiar, having attained the status of self-evident truths, they are summarized only briefly here.

To start, the problematic nature of much of government service provision is said to arise from its position as a monopoly and, even worse, one that is "unregulated." In this sense, government's problem is similar to that of any other monopoly, private as well as public: it becomes over-powerful, over-centralized, and inflexible and suffers from low responsiveness to consumer preferences and other inefficiencies that go unpunished by competitive pressures. Decentralization is thought to reduce these problems by introducing competitive pressures, or surrogates for them: it locates service provision more locally and also brings in new providers from outside government--most importantly, firms and nonprofit organizations. Operating at more local levels, firms and NGOs are expected to be more "flexible" than government and more capable of creating locally tailored solutions; NGOs in particular will be more committed to working with the poor than government. For these pressures and incentives to bear their fruit, it should be noted, decentralizing programs need not necessarily be *formally* demand-driven.

The problems of over-centralized government are also said to lead to programs that are overly standardized, overdimensioned, and unnecessarily high in cost. For decades, donor evaluations have bemoaned the resulting problems of inadequate maintenance and operations (O&M), and the failure of recurrent-cost financing and other operational support to materialize. It was exactly these problems, among others, that led to the current preoccupation of the development community with "sustainability" and "ownership." In that decentralization re-locates the process of project choice and design closer to where users live, this is expected to lead to lower costs and more customized results. Providers will be more vulnerable to pressures from users, and a good part of the responsibility for O&M can be handed over to the users themselves.

In certain ways, of course, SFs represent the *opposite* of real decentralization. They are run by central-government agencies, either newly created or newly-empowered by their association with international donors and with strong support from the country's president. In the majority of cases, moreover, they do not devolve power and responsibilities to local governments; when they do, this usually does not happen as part of a larger reform of intergovernmental transfers and other decentralizing measures, and sometimes even works at cross purposes to such reforms. As a central-government program, however, SFs do try to reduce the overhead and personnel costs of the "central" part of their operation, and to instead build up the decentralized part--mainly by devoling responsibility to the local actors named above; in this sense, SFs are more accurately described as "deconcentrated" than decentralized. Regardless of the accuracy of the "decentralized" label, the evaluation literature tends to portray these programs as partaking of the same advantages as those of decentralization.

Today, the linked arguments for decentralized and demand-driven service delivery seem to make obvious sense. At the same time, they also represent a remarkable departure from previous thinking about planning and government organization. They deny, often only implicitly, the importance of economies of scale and of standardization and specialization, at least in the provision of small-scale and local-level infrastructure and services. They argue that the combination of planning, design, and execution by agencies with functional expertise and responsibilities--though ideal in principle-- simply does not work in practice for important realms of government action. Something gets in the way that prevents benefits of economies of scale, standardization, and specialization from materializing.

The demand-driven approach, in contrast, starts the process of project design and implementation not with decisions by planners but with choice by the user--namely, "the community." Government's role is not to itself design and provide the well or power hookup or other project, but to lead a *process* by which it offers an array of options from which people can choose. The community's choice, in turn, does not simply trigger provision of the project by a specialized public agency or even by the SF itself. Rather, the tasks of design, construction, and equipment purchase can now be carried out as well, and at the community's behest, by private firms, nongovernment organizations, or municipal governments.[8]

For the logic of decentralization to work properly, it should be clear by now, user choice is key. Users must have good information about their rights and options; and they must be informed of the procedures for gaining access to service providers, registering their preferences or dissatisfactions and, in the case of SFs, designing projects and presenting them for funding. For this reason, many SFs include public information campaigns. Not only do the SF evaluations stress the importance of improving the way information is provided, but so does the vast literature of transactions costs and its concern for "information asymmetries," as explained further below.

2. The evidence

The numerous studies of SFs carried out or funded by development institutions usually start and end on an enthusiastic note. But certain findings reported in the middle--sometimes in sections related to "problems" or "issues"--provide serious grounds for skepticism. Even two quite critical papers on the SFs have drawn for their supporting evidence on these same donor documents, or on research funded by the donors.[9]

SFs started with the purpose of temporarily creating employment targeted on the poor and thereby reducing poverty through small, decentralized works projects in rural areas. With their seeming success early on in Latin America, the donors came to see them more broadly as a good model for permanently serving poor rural communities not only with works projects, including the building of schools and health clinics, but with a variety of other services like daycare centers, microfinance programs, and so on. Obviously, it is somewhat difficult to keep these two claims separate, given that effectiveness and impact are so closely intertwined. The donors themselves now stress the claim about service delivery more than that about employment-creation and poverty reduction, for reasons explained below; the findings of the Brazilian fieldwork reported later also relate more to the claims about SFs as an alternative way of organizing service delivery. Unfortunately, there has been significantly less systematic and generalizable empirical research into the claims about SFs as a good model of public service delivery than about their impacts on the creation of employment and the reduction of poverty.

In what follows, the evidence for each of the two claims is discussed separately--poverty reduction and employment creation, that is, as distinct from the new model of organizing service and investments. The evidence is drawn mainly from four recent multi-country reviews of the SF experience by the Inter-American Development Bank, the World Bank, and UNICEF, in addition to some studies by outside researchers.[10] These reviews, in turn, draw on numerous evaluation studies on the SFs funded by the donors.

2A. Reducing unemployment and poverty

With respect to the claims about employment creation, the SF reviews reveal that these programs have "created relatively few jobs" and reached only a small fraction of the labor force (in the Latin American case, less than 1% at best).[11] They also devoted only 30% of their expenditures to labor costs, a rather low share for programs dedicated to employment creation.[12] Jobs provided by the SFs were temporary, of low quality, and provided no training. Most of the better jobs went to skilled laborers brought in from elsewhere by outside contractors; forty-two percent of labor expenditures in the Nicaraguan SF, for example, were for skilled labor.[13] Several employment-creation programs that antedated the SFs created significantly more jobs, employed a larger share of the labor force,[14] and elicited much greater budgetary resources from their respective governments. In comparison to the demand-driven SFs, these programs were supply-driven and, mainly, not funded by donors (at least initially).

Wages paid by SFs, although often set at the legal minimum, were nevertheless typically lower than subsistence, and sometimes significantly so.[15] The wage in the Nicaraguan SF, for example, represented 57% of a basic family food basket. Granted, wages are often set this low in employment-creating programs so as not to draw labor away from private-sector employers, and to keep the non-poor from applying for these jobs. At the same time, however, the lower-than-subsistence level plus the temporariness of the job adds up to a weak instrument for a more sustained reduction of poverty and unemployment. In the same vein, the voluntary labor often required of communities for SF projects, although meant to serve the goal of reducing costs and eliciting "ownership" of the project, represents a regressive tax on the poor.[16]

With respect to poverty reduction, the donor evaluations show that the SFs' claim of reaching the poor has not been borne out. Higher per-capita SF expenditures often go to better-off communities or provinces than to the poorer or the poorest;[17] even in the "star" Bolivian SF, the richest of five income areas received two-and-a-half times as much SF funds per capita as the poorest five ($25 vs. $10).[18] This mistargeting happens, partly, because the better-off communities are often "better organized" than poorer or more remote communities, are better educated, have greater access to local decisionmakers, and are therefore more capable of taking advantage of the demand-driven structure.[19] Other kinds of programs, different from SFs and typically more supply-driven, seem to have had more identifiable impacts in reducing poverty--programs like food stamps, food commodity programs, or school feeding programs.[20] At the least, the IDB evaluators conclude, the SF model is not helpful for reducing the "structural problem of poverty," although it is perhaps suitable as a temporary strategy for coping with recession.[21]

Finally, the available data and its quality do not really permit unqualified judgments either for or against SFs with respect to poverty reduction.[22] In most cases, it is not possible to determine whether poverty had been reduced or income increased in the regions served by SFs;

or, even when such changes are detected, it is not possible to determine whether they are attributable to the program.[23] "[W]e have no way," a WB study concludes, "of comparing how well [SFs] target poverty compared with other programs."[24]

In conclusion, SFs have "created relatively few jobs and generated little additional income for the poor,"[25] even though many of them included income and employment-generation among their stated objectives. They were not "effective safety nets in any significant scale," and many countries therefore did not have "an effective mechanism to protect the poor from output, employment, and price risks."[26] This despite the fact that all Latin American countries with SFs gave them a "high profile and a central role in the campaign to reduce poverty."[27] Clearly, these findings are disappointing.

To the credit of the donors, their published evaluations have owned up to these results, albeit without at the same time losing enthusiasm for the SFs as a model. First, they say that "fundamental fiscal and institutional reforms" at the macro level are so much more determining of changes in poverty and unemployment that one can not really expect that much from such a limited programmatic intervention anyway.[28] (It is not clear why that conclusion would not have been foreseen when SIFs were being "promoted" from temporary to permanent status, on the grounds of their desirability as a model for reaching poor communities.)

Second, the donors argue that even if SFs have not made the inroads on poverty and unemployment that were originally hoped for, they have turned out to be on firmer ground as a model of service delivery.[29] SFs "help to improve the living conditions of the poor," the IDB reports, by being "efficient providers of social and economic infrastructure"; in this sense they "are a response to a permanent problem"--namely, that "Latin American governments, as presently constituted, have few agencies through which to channel resources and services to the poor, and that, as a result, the benefits of most government programs "go to better-off communities."[30] The SFs, in contrast, "have shown an impressive ability to deliver social infrastructure to the poor in a relatively efficient and transparent manner." The WB, similarly, concludes that SFs are an "effective instrument" for emergency assistance, and have proven to have "significant potential for community development for the *sustainable* delivery of services to the poor" (italics ours).[31] In this way, they have contributed to important "asset building" in rural areas--schools, health clinics, power hookups, road repairs or construction, the sinking of wells for drinking water. Even some of the more critical outside commentators on SF weaknesses in alleviating unemployment and poverty have taken this position. SFs "*appear* to have been successful in building water and sanitation systems, schools and health posts in under served areas with relatively high concentrations of the poor;"[32] they are "better at creating assets" than at targeting;[33] and they have "resulted in an invaluable increase in the level of services to many previously marginalised poor...."[34]

In explaining these achievements, the donors point to the following features of the SF approach: rapid rates of disbursement,[35] flexibility, low overheads due to "lean" administration, design standards that are not overdimensioned and therefore more appropriate for rural areas, and low unit costs for projects like schools, health posts, and other standardizable works.[36] The cost savings are said to result partly from the waiver of procurement regulations, including public tendering. (In some cases, the donors' own legal and accounting departments did not yield this waiver happily.) Other contributing factors are said to be the use of private contractors and the competition they must face; the involvement of beneficiary communities in project execution through contributions of management time, labor, and cash; and the high dedication of project staff "in comparison to their inefficient counterparts in government public works departments."[37]

2B. SFs as a model of service delivery

Upon closer examination, even the evidence of the donor evaluations for the claim about SFs as a desirable model of service delivery seems weak. Also troubling, the serious problems flagged by these evaluations appear to represent the flip side of the SFs' acclaimed strengths, suggesting an inherent difficulty in remedying the problems. These problems come through in five ways:

(i) SFs *vs*. the comparators. Except for various eyewitness reports from the evaluators and repeated assertions about the superiority of SFs in creating considerable activity in the countryside, there have beenalmost no attempts to systematically select comparator programs in traditional ministries against which to judge SF performance as a model. (This, of course, is partly a methodological problem of comparing apples and oranges.) One interesting exception is an attempt by the WB to track the performance of its SF projects in relation to the more traditional supply-driven programs it funds. Surprisingly, however, no clear superiority for SFs emerges from this comparison, even though the evaluation still concludes on a positive note about the SF as a model.[38] The IDB evaluators, though also concluding positively, report that the evidence they reviewed was not sufficient to form a judgment as to whether SFs have actually made a difference in the availability of basic economic and social services in the various communities where they operate.[39] In addition, they found that the most successful and innovative of the SFs were those conceived *without* donor input and financing (Chile, Costa Rica, and Guatemala), and were different from the typical SF in important ways.[40] (More on the particulars below.)

(ii) Relations with line ministries. The donor evaluations express considerable concern about the wisdom of investing so much energy and resources in creating new structures outside government instead of more directly supporting reform of existing government institutions. The WB review warned that SFs "should not take attention away from--or work counter to--...fundamental fiscal or institutional reforms...that address poverty systemically."[41] Cautionary examples were Egypt's central government having explicitly cut back allocations to local governments because of the expected "inflows from the Social Fund"; and allocations for the ministries of education and health in Honduras having declined at the same time that local governments were now receiving more funds as a result of the SF there.[42]

A variation on this problem, relates to the grant-funded nature of the SFs and the competition that SFs create with government programs and agencies. Usually considered to be a wholesome effect of such partially privatized and decentralized approaches, competition in this case also has its "perverse" side to the extent that it results from an distinctly *un*-level playing field. Namely, some existing agencies operating in the SF areas were offering *loan* financing to municipalities or communities for similar projects, in comparison to the *grant* funding typical of the SFs; or, these agencies were trying to switch from grant to loan financing, often at the urgings of the donors themselves. In such cases, communities or municipalities understandably preferred the free funding of the SFs; sometimes, SFs even funded applications rejected for loan funding on technical or other grounds by the existing agencies. The WB evaluation raises this problem issue, and cites two examples, one from Senegal and the other from Bolivia.[43]

We also heard complaints of this nature in our Brazil fieldwork. "Modernizing" mayors, who introduced new loan-funded programs for creditworthy activities at "soft" interest rates, were surprised to hear only complaints rather than approbation from their finance-hungry constituents; the latter pointed reprovingly to the "free" funds from the SF, and chided their mayors for not doing the same thing. In addition, various officials and loan officers of the Banco do Nordeste (BNB), a large Northeast-wide development bank, complained of the effect of "free" SF funding for creditworthy activities by groups of small farmers, like the purchase of irrigation equipment and collective tractors--the "productive" projects included in many SFs. The BNB, responding to strong political pressure to serve smaller borrowers by undertaking a major expansion of its lending to them, found that the availability of SF grant funding to communities for such productive activities reduced demand for their loan credit, despite its desirable interest rates; the grant funding, BNB officers complained, also strengthened the widely prevailing view in rural areas that "government money is for free"--whether through grant *or* loan financing; this undermined the BNB's efforts to create a mentality of "responsible" loan repayment practices among borrowers.

The IDB evaluators dubbed the tendency to create SFs, rather than attack problems directly, as "funditis."[44] If the ministries of health and education in various countries had not been subject to budget constraints, for example, a good part of the SF funds going for replacement and upgrading of schools and health posts would normally have been undertaken by these ministries.[45] The evaluators worried that the SFs would become "shadow governments"; they warned that SFs "should not replace the public sector in tasks that are the government's inherent responsibility...," and that this could "undermine ongoing public-sector reforms and institution building programs." Noting that most SFs were not subject to ordinary government legislation with respect to salaries and procurement--one of the acclaimed *strengths* of SFs emphasized in the donor studies--the evaluators cautioned that the goal should be "to improve the laws and regulations under which the line ministries work," rather than to get around them. Similar concerns were expressed by outside researchers.[46]

Both donors and outside critics seem to agree, then, that SFs could jeopardize the larger task of reform of the public sector, or at least to distract attention from it. The particular problems they point to, ironically, are grounded in the same mode of operations that is said to account for the SFs' acclaimed strengths. None of the evaluations face this particular conundrum, expressing confidence that the problems can be fixed.

(iii) Sustainability. Both major donors gave distinctly low marks to the SFs for "sustainability" and "ownership" of the SFs they reviewed.[47] There were frequent reports of health clinics without refrigerators for vaccines, school buildings without textbooks, wells that are not maintained. More generally, the evaluators admitted to finding little evidence on sustainability and ownership, and in this sense were not able to back up the claim that SFs are a better alternative meriting permanent funding. Where they did find evidence, it was mixed.

The WB evaluators could find no data on the extent to which SF projects were being operated and maintained.[48] An approach that aims for user "ownership" of O&M or pressuring of local entities into providing it, the evaluators note, often requires different technical designs, at least for economic infrastructure. But a large number of the SFs were found to have been designed without issues of sustainability in mind.[49] It was "not clear" if communities even knew what the operations-and-maintenance (O&M) costs and responsibilities would be, according to the evaluators, before they chose their project. And only a small percentage of the SFs turned out to have actually required community contributions, even though the SF projects presented for approval to the WB Board of Directors (the "appraisal reports") always included an estimate for upfront contributions from communities. Little ex-post information on such contributions was available.[50]

SFs financed many activities--like schools, clinics, water-- that would need sustained support from line ministries or other agencies of government, once completed. But either no formal arrangements were made, or those that *were* made were not respected.[51] In many cases, no operating funds came through for staff and maintenance, particularly for schools and health.[52] In theory, and at least for some types of projects, this should not be a serious problem. The decentralized and demand-driven features of the SF are believed to lead inexorably to "ownership" by communities of the new projects, and they will therefore take responsibility for operations and maintenance themselves, or they will pressure local governments successfully to do so. As noted above, however, no evidence has been gathered to support this claim.

If, as the evaluators report, actors on neither the donor nor the recipient side formed these programs with sustainability in mind, then it is not fair to judge them by these criteria. But the donors themselves have made strong claims for these programs as successful, *ex-post*, on the grounds of community involvement. Indeed, they have hailed the SFs as models of "sustainable" service delivery, as attested to by the quotes cited above.

Another observation about sustainability relates to the effectiveness of SFs in reaching wide swaths of the poor rural population. Much has been made of the low unit costs involved in SF construction of buildings and other works, in comparison to those of existing government agencies. Presumably, this would make it possible to reach larger numbers of communities, and more cost-effectively, with the same amount of funding than do existing government agencies. The donor evaluators reported various cases, however, in which new schools and health centers were constructed when rehabilitation of existing structures would have been more appropriate.[53] This is not unusual for various types of government programs, so it is certainly not peculiar to SFs. But the focus on low unit costs begs this question because it assumes that new construction--as opposed to less costly rehabilitation in this example--was needed in the first place.

With respect to sustainability and ownership at a more macro level, finally, both donors lament the fact that most SF programs, ten years after they were started, continue to be dependent for most of their financing on outside donors.[54] After noting that most Latin American governments with SFs have financed less than 20% of their SF operations, the IDB evaluators warn that "[d]onors cannot claim that the funds are successful and sustainable" until countries make a greater contribution." "[D]onors cannot be expected to provide 80-90 percent of the cost of fund operations indefinitely."[55]

At least with respect to the findings on sustainability and ownership, in sum, SFs certainly do not seem to do better than the older programs on which they were supposed to improve.

(iv) The missed NGOs. At various points, the donor evaluations noted, sometimes with puzzlement, that NGOs were either not present in the program area, or were associated with disappointing results when they were.[56] NGOs turned out to account for no more than 15% of expenditures by most Latin American SFs.[57] The UNICEF review noted that "[f]avouritism in the disbursal of contracts to NGOs" was a "serious issue" in various countries, as was the "proliferation" of NGOs "of dubious grassroots credentials" as a result of the new availability of SF funding.[58] The IDB review reported that the "recurrent-cost problem" was most acute in the case of NGOs; a study of the Bolivian SF, for example, showed NGOs to be disproportionately represented among the projects that were *least* likely to be sustained.[59] The WB found that nongovernment, religious, and other grassroots organizations were found to *not* operate in the poorest regions because of their location in cities and towns, close to which they seemed to concentrate their work.[60] With respect to the microfinance components now gaining popularity in the SFs, moreover, the WB evaluators found that NGOs had not shown an ability to incorporate best-practice lessons learned from the microfinance experience around the world.[61]

These scattered reports, though perhaps not conclusive, do raise questions as to whether NGOs are present enough, or well enough suited, to play the role required of them for the decentralized and demand-driven model to work. Or, it may be that the time, funding, and attention needed to get them up to speed would be substantial.

(v) Rapid disbursement *vs*. community choice. In the donor portrayals, the SF approach combines flexible and unencumbered disbursement with a demand-driven style. But these features are often at loggerheads. For example, some SF managers expressed a certain distaste for, and therefore sometimes discouraged, genuine processes of community decisionmaking. These processes, they said, "slowed down" the rates of disbursement so prized by these managers and their donors.[62] Other managers actually liked the eligibility criteria which, even though slowing down disbursement, gave them some kind of protection against political interference.[63] The researchers comparing SFs with earlier supply-driven programs, moreover, found that the latter actually disbursed *more* rapidly than the SFs. Their explanation for the SFs' "slower" disbursement also pointed to the demand-driven design: if taken seriously and at its best, it resulted in a time-consuming process of organizing and decisionmaking by communities or municipal councils. Although these reports reveal the somewhat contradictory nature of the evidence on fast-*vs.*-slow disbursement, they are consistent in pointing to the problematic tradeoff--inherent in the demand-driven model--between quick disbursement and the expression of user voice.

The requirement that communities organize for purposes of "ownership" seemed to take a particular toll on poorer communities. They are more isolated from the promotional visits of government agents, NGOs, and firms, and they are handicapped by the requirement that they prepare and present an acceptable project.[64] Even when the project agency painstakingly mapped poverty and deficiencies of social services in the region served by SFs--considered one of their important achievements--this could not counteract the comparative advantage of better-off communities *within* the "poor-designated" municipalities or sub-regions in the competition for funds.[65] In the education projects of the Mexican SF, for example, the program's requirement that a community have an effectively functioning Solidarity School Committee before seeking funding was said to explain why fewer per-capita funds went to poor indigenous communities as compared to others.[66]

In itself, the evidence presented above does not necessarily add up to an indictment of SFs. It does, however, reveal some disappointing results and serious contradictions within the model. These kinds of problems, after all, are not the teething problems of a new approach. They have cropped up for some time in donor evaluations of programs other than SFs, and prior to them. Indeed, they had already achieved the status of "boilerplate" in the narratives about programs carried out by traditional government agencies, as written by project supervision missions and evaluation consultants returning from the field. For as long as large donors have been financing roads and other infrastructure in developing countries, for example, supervision reports have lamented "the lack of maintenance" and the failure to generate or allocate funds for operations and maintenance. But these kinds of problems are exactly what the incentives and pressures of the demand-driven approach were supposed to reduce--at least for programs serving poor communities in rural areas with a variety of works projects and services.

Given this evidence and the unsettling questions it raises, the SFs seem to have emerged remarkably unscathed. The WB evaluation concludes that the SFs "*probably* surpass other sector portfolios in the cost and speed of service delivery, success in reaching the poor, and extent to which they respond to community initiatives" (italics mine).[67] But it is surely difficult to draw any such conclusion, given the evidence laid out above. Perhaps this is what is meant to be conveyed by the uncharacteristically modest "probably" of the WB affirmation of SFs quoted above. The most one could say, it would seem, is that SFs and SF-like programs have not proven to be consistently and sustainedly better than the more traditional supply-driven programs, or reformed versions of them.

3. The fixes

Why do the very owners of these negative findings continue to be so enthusiastic? Is this simply a question of our viewing the glass as half empty, and their viewing it as half full? The difference between these two views actually lies elsewhere. The donors see the SFs' shortcomings as eminently "fixable," as requiring the fine-tuning of an otherwise preferable model of public service delivery. We see the problems, however, as inherent in the demand-driven model itself--particularly when operating in the rural areas to which the model is thought to be eminently suited. The fixes also seem to require a movement of the programs in a supply-driven direction, and hence away from the healing local dynamic of the demand-driven approach.

The fixes prescribed by the donors seem perfectly reasonable at first glance. A representative sampling of the most frequently repeated ones includes: more monitoring and supervision, more transparent and objective selection criteria for projects, more training, more public information campaigns about project choices available to communities, more tolerance by project managers for "participation," more poor-targeted selection criteria, more "demand orientation" and community participation in helping communities to choose their projects, more attention to organizing users around operations and maintenance or to committing line agencies to that responsibility, and finally, that old chestnut, more coordination with line agencies and their sectoral programs.[68]

These suggestions, if taken seriously, would seem to require just what the SF model was trying to get away from--additional expenditures on the part of an agency of the central government for personnel, and for enabling them to travel in the project area--vehicles and their operating costs and travel expenses. This would surely increase the SFs' unusually low overheads and reduce their strong disbursement rates--the model's pride and joy; it would also move the SFs back in a supply-driven direction, rather than closer to the demand-driven model's vision of citizen demand-making, partially privatized provision, and more active government at the local level. The strength of the decentralized and demand-driven model, after all, is supposed to be its reliance on *local* forces, incentives, and pressures to solve these kinds of problems. It is these forces that, in substituting for the presence and planning of more centralized agencies, are supposed to bring down costs, improve quality, please users, and elicit "ownership" arrangements for upkeep and financing. Even if one assumes that the fixes could be carried out effectively, moreover, this could well require as much effort as reforming a traditional supply-driven agency, or improving the capacity of a set of local governments, or even reducing the problem of lack of "ownership" by rewarding local tax-collecting efforts.

Putting together the findings with the fixes, in sum, seems to get the donors into somewhat of a bind. A striking example is the donor concerns about the difficulty SFs have in working with line ministries or following their sectoral priorities. The IDB evaluators warn that the SFs should *not* operate "outside the planning process" but, instead, should "teach line ministries to be more responsive to local needs and build more efficiently."[69] To build schools and health clinics outside a "functional allocation" of the line ministries for this purpose, the evaluators say, leads to outcomes like the construction of new schools and clinics, as noted above, where rehabilitation of old ones would have been sufficient. They condemn such outcomes as "a failure of planning."[70]

This is a surprising conclusion about a model whose strength is said to lie in having communities rather than bureaucrats decide what they are to receive. Sector planning and execution by central-government agencies, after all, has been defined as the *problem*, not the solution. Without perhaps meaning to, then, the critiques and the suggestions of these donor evaluators seem to undermine the very model of which they approve: they identify shortcomings above which demand-driven programs were supposed to rise, and they recommend fixes that smack of supply-driven sectoral planning.

What's wrong here? The model itself? Or the fixes? In a sense, this is a bind of the donors' own making. A close reading of the evaluations themselves provides some clues for getting out of the bind.

4. Conclusion: getting out of the fix

As portrayed in the donor evaluations, some of the stories about better SFs or better-performing parts of them appear to contain possible lessons about how to reform *existing* government agencies, in contrast to the SF agency or unit itself. But this material has not been sufficiently mined to draw any firm conclusions, although it raises intriguing questions that merit further exploration. One example is the Chilean FOSIS noted above, which worked more closely with line agencies than the typical SF. Another is the Peruvian fund FONCODES, which has started evolving toward more coordination with the line agencies on works projects. FONCODES will finance only those works- project proposals that are in accordance with sectoral policies and norms, and for which operating revenues are guaranteed.[71]

The Chilean FOSIS is not only among the more successful of the SFs. In addition, it is notable for, among other things, its *differentness* from the typical SF model or experience:

(1) Created by the Chilean government in 1990, FOSIS started with only 20% donor funding, in contrast to the 80%-95% range of most other SFs, and by 1997 it had no more than 11% donor funding; (2) it now raises 40% of its funding not from a guaranteed allocation of the national budget but by competing for service agreements offered to it by regional governments with newly acquired federal revenue transfers; (3) national procurement laws are observed rather than waived; (4) staff are paid the same salaries as in the line ministries, rather than the higher salaries that characterize most SFs; (5) much of its founding management and staff were professionals coming from the NGO sector that emerged during the Pinochet period, who share a strong commitment to poverty concerns and a long history of experience in this area, in contrast to the SF studies' emphasis on private-sector, or private-sector-like management; and (6), in several ways, it is more integrated into the line ministries than almost all the SFs: it is directly dependent on the Ministry of Planning and Coordination rather than standing outside the line agencies; Ministry support has been key in its setting up of a network of regional FOSIS offices; and it works through collaborative agreements with various other line agencies.[72] An outside research study comparing FOSIS with the Venezuelan SF, by Angell & Graham (1995), cited this unusual integration of the Chilean SF with the line ministries as an explanation for why it was more successful.[73]

If this particular well-performing case was so different from other SFs, this raises questions about the model's assumed key features--like the waiving of procurement regulations, the paying of higher salaries, the importance of private-sector-like management, and the "disentanglement" of the stand-alone SF unit from traditional bureaucracy. With respect to rapid disbursement, for example, the IDB evaluators report that the pressures for rapid disbursement tend to conflict with the very interaction with line ministries that was so important to the performance of cases like the Chilean FOSIS.[74] The Chilean case, in short, begs for an explanation as to why and how procurement regulations, civil service salaries and regulations, and close involvement with line ministries were *not* a problem. Though many would respond that Chile is a special case or that Chile does everything right, this is to dismiss the opportunity to learn the more generic lessons that such a case, when combined with others, has to offer.

Another intriguing item of interest requiring further exploration is that both the IDB and WB evaluators note a certain pattern of performance with respect to some types of projects as against others. They found that sustainability was more likely in education and health than in two other important project types--"economic infrastructure" (roads and road repairs, irrigation, water, etc.), and microfinance.[75] In contrast to these other sectors, they said in explanation, the education and health components tended to have line-ministry involvement in the approval of projects, and the programs in these sectors tended to be compatible with broader policy in these sectors.[76] Indeed, because many of the task managers for the SF projects actually came from the education and health ministries, this made them "more sensitive to and knowledgeable about" issues of sustainability when project proposals came up in these particular sectors.[77]

Both the WB and IDB evaluators also attribute the greater likelihood of sustainability in these project types to the greater standardizability of design in these sectors. Standardization made it possible to create project prototypes that, with computer-generated designs, were helpful in establishing costs and designs.[78] One wonders if the greater possibility of creating a standardized language and procedures for dealing with project design and approval might have laid the groundwork for an easier relationship between the SFs and the line ministries in these sectors as opposed to the others. Whether or not this interpretation is accurate, it is not clear how to reconcile the positive role of standardizability alleged here with the *negative* traits of standardization as portrayed by the same donors in their critique of the supply-driven model.

Exploring these kinds of findings further might reveal more about how to improve traditional line ministries and other agencies than about the desirability of a demand-driven model run by a semi-autonomous government unit. At this point, however, the donor evaluations themselves do not provide us with enough information to understand lessons of this nature. Focusing on the SF experience itself and trying to fit the findings within the confines of the current claims about SFs, they do not seem to scan the experience broadly enough for clues about improving government performance in general. One of the more important lessons to be learned from the SF experience, that is, may be that it reveals possible pathways to reform in line ministries and other agencies, and about providing succor to reform advocates within their ranks.

The donors, in sum, do not seem to have made a convincing case for the superiority of SFs as a model of service delivery and asset creation, let alone for reducing unemployment or poverty, notwithstanding their assertions to the contrary. The focus on the demand-driven logic and other traits of the SF model, moreover, has distracted attention from the lessons to be learned about reform of traditional government agencies, as well as other matters like strengthening local government. In addition, the conceptual dichotomy between demand-driven and decentralized as "good," *vs*. supply-driven and centralized as "bad," probably obscures more than it illuminates. Trimming our expectations of SFs down to size is not to say that traditional supply-driven agencies are necessarily better. Rather, if SIF experiences *and* those of the traditional line agencies could be looked at with a more open and curious mind, it is quite possible that more constructive lessons could be drawn from both.

III - The research: how communities decide

The research journey that led to the arguments set forth above was not inspired by our reading of the SF evaluations, since most were not available when we started in 1995. Nor did we view the SF model as a hypothesis that we wanted to test, coming up with arguments for or against. More modestly, we started out wanting to know how communities choose between a well, a school, an irrigation project, and numerous other options, and decided to do some fieldwork to find out. Over several years, and based on our previous evaluation research on government programs, we had formed the impression--now shared by many--that decentralized and demand-driven forces could play an important role in improving the quality and the reach of public-service provision, and were not being given their due attention.[79] In particular, we were curious about how communities resolved differences of opinion within themselves in arriving at these decisions. The outpouring of writings on demand-driven and decentralized reforms includes relatively little empirical reports, with some exceptions, on how such decisions are actually taken.[80] The is a rather serious omission, given that the benefits of "user choice" and pressures on providers are so central to arguments for decentralization and demand-driven approaches, and SFs in particular.

For various reasons, partly of convenience rather than methodological rigor, we chose to look at the choices made by communities in four states of Northeast Brazil with a total population of 40 million. Each of the states of Ceará, Maranhão, Bahia, and Pernambuco has its own SF or SF-like program, funded by the World Bank and the Brazilian state and federal governments.

Starting in late 1993, these programs had been operating for a year or two by the time of our first visits in 1995 and 1996. Our choices of municipalities to visit, was also not methodologically rigorous; partly because of limitations of time and partly because of an interest in strong rather than weak results, we asked program managers and staff to indicate those municipalities or micro-regions where the program was working best.

Findings from only one country, of course, might well be idiosyncratic and unrepresentative, and not provide grounds for generalizing to other countries or demand-driven service provision in general. These limitations are, indeed, real. At the same time, the dissimilarity of the Brazilian SFs with the others does not seem greater than the wide range of variation among SFs across the different countries where they operate.[81] The Brazilian SFs also shared with the others the same demand-driven and decentralized features described above. They were also not outliers--neither excellent nor poor, performing better in some areas and worse in others. Most important, and as will be seen in this and the next three sections, our findings on the Brazil cases were in many ways consistent with those of the donor evaluations, most of which did not include the Brazilian SFs. They were also consistent, in many ways, with certain aspects of the political-science literature on such programs in other countries, as well as with textbook descriptions on how markets work and how firms behave.

The field research, carried out intermittently between 1995 and 1997, did not set out to evaluate the SF programs as such[82] (with one exception).[83] It was part of an ongoing and broader research agenda that looked into the history of various better-performing programs, institutions and associations, or healthily-growing micro-regions or sectors in the rural areas of Northeast Brazil, with an eye toward extracting lessons that could be of use to the SFs and for rural development policy in general.[84] In the course of this work, we interviewed members of communities and their leaders; mayors, department heads, and staffs of municipal government; state government directors and their staffs in the state capitol and regional offices; project design and other firms supplying goods or services to SF projects; and elected officials--governors, and state and national legislators. As part of this work, Serrano spent three months in 1995 in the 13-municipality Iguatu region (285,000 inhabitants) of Ceará and in the state capital (Fortaleza), where he conducted an in-depth study of the decisions that led to SF funding for 270 projects. The results reported in this section and the following one are grounded in that study, as complemented by our more open-ended fieldwork in the larger ongoing research venture elsewhere in the Northeast. The SF's workings in the Iguatu region itself did not seem that different from the rest of the places we interviewed in the Northeast; though the project unit had suggested we look at the region because two of its *municípios* were among the best in the program (Iguatu and Jucás), there was nevertheless considerable heterogeneity between and within the *municípios* with respect to more or less civic associationalism and democratic decisionmaking, and more visionary and progressive mayors as *vs*. those governing through more traditionally patron-client relations.

Our field interviewing did not directly explore the life of these projects after their completion, since they were only a few years old. The findings about how communities chose the projects turned out, nevertheless, to have direct bearing on what happened after. Indeed, when we returned from several field trips over the 1995-1997 period, and read the newly available SF evaluations, it seemed that our findings were consistent with several of the problematic outcomes described in Section II. At the same time, our findings provided some possible explanations for these outcomes--explanations that did not appear in the SF evaluation literature or were insufficiently explored. Though we expected the research to yield a simple story about community decision processes, moreover, it also opened a window into the way markets and politics worked in this newly decentralized and partially privatized setting.

With respect to markets, our research shed some light on the new actors on the SF scene--the local design firms, construction contractors, and equipment suppliers. In particular, we wanted to understand how the introduction of these additional actors and the more local siting of program activities actually created, as predicted by the decentralization logic, a healthier dynamic of competitive pressures leading to more attention to user voice, better quality, and lower costs. Were the classic problems of monopoly and centralized public supply corrected and, if yes, how? The donor evaluation literature and other studies provided little micro evidence to help answer these questions.

The second area to which our field research led us was "politics." Although we were not looking for politics when we inquired of communities how they made decisions, the answer to these questions led us straight into this realm. Our findings about politics confirmed neither the view of SFs as having a management that is freer to serve the public good--whether from politicians or from traditional bureaucracy--nor the opposite view that such programs simply attract old-fashioned clientelist politics with a vengeance.

1. Driving project choice

We started our fieldwork with a particular interest in the concept of "the community." What was this community that, in the SF descriptions and donor literature generally, seemed to be speaking with a single voice about the kind of project that would serve its interest best? Wouldn't there normally be divergence of opinion? How was that settled? The evaluation literature on SFs and demand-driven approaches does not deny such divergence, but is almost silent on how it is resolved. Nor does it explore whether the ultimate choice, and the process by which different views were transformed into that choice, enhances or sets back the public good, at least as embodied in the stated goals of such programs. This is partly because the approach *assumes*, as so much of this literature states, that a choice made by "the community" is better than one made by "the government." Unfortunately, we were not able to observe whether these decision processes changed with repeated experience through follow-up projects. The literature of collective action and "repeated games," would lead one to expect such change, though not always in the direction of improvement.[85]

Looking forward to uncovering complex stories of diverging opinions and their resolution, we were often surprised to hear less complicated answers to our questions about how choices were made. Many association officers and other community members reported, frequently without rancor and sometimes even with pride, how *others* had made the choice for them or had strongly urged a particular choice. These other actors fell into three categories--private firms (design firms, building contractors, and equipment suppliers); politicians (mayors, state legislators, and governors, as well as community leaders); and government staff from the "lean" project unit.[86] (NGOs were not active in many of the places we visited.) We briefly summarize each of these three actors' roles in these choices.

A. Firms. In many communities, project design firms (or equipment-supply firms and construction contractors) were the first bearers of information about the program and its options for choice. Often, the firm's representative talked to a community leader or association president alone, without others being present or even informed of their options. In these cases, the community leader could take the credit for "bringing" the project to the community. These meetings and their non-consultative project choies did not necessarily represent colllusion, since they were also driven by the firm's interest in reducing its costs by minimizing the time spent in each community.

Whether or not other community members were present, the firm often presented a single option--"we can get you a tractor for free if you just form an association and fill out these forms." Even when allowing for more than one choice, the firm often presented a narrower menu than was actually available, and then weighed in strongly in favor of a single choice. "There's a new government program giving things to communities, and you can choose a tractor, an input-supply warehouse, or a grain mill. If you need a tractor, we can get it for you." Representatives of construction contractors and equipment suppliers operated similarly, usually "offering" to communities the single choice representing the service or product they provided: tractors, wells or well-drilling services, grain milling equipment, irrigation kits and other irrigation-related equipment, building construction (schools and health clinics). Since the role of firms in inducing choice is less documented than that of politicians and government agents, we develop the evidence and its implications in more detail later, and hence say less here.

B. Politicians. More familiar from the literature of political science and program evaluations, politicians also shaped and limited community demand--mayors, city-council members, and ward heelers, as well as state and national legislators. Community leaders, or small powerful factions within communities, also made or induced choices without consulting the community. Mayors with projects in mind for their administrations would approach one or more communities with the idea, and then direct that a community organization be formed to "receive" it; or they persuaded an existing organization to present a project the mayor wanted. The task of persuasion was usually not difficult or unpleasant, since communities believed they were more likely to get a project supported by their mayor. In some cases, the mayor or his wife belonged to an already-existing association of local notables in the municipal capital--formed sometimes for purposes of charity--which itself proposed a project. Sometimes, the mayor (or legislator) even imposed his choice over the opposition of a community association, thereby marginalizing it, or brought over the association president to his side, or simply circumvented any associations altogether.

That mayors and other political figures routinely overrode or overlooked community preferences does not mean that these "induced" choices necessarily produced bad outcomes in terms of the public good. Some were, indeed, bad or of low priority: ambulances used as personal vehicles and laden with election campaign stickers, new meeting halls where few member of the community ever entered. Some, however, arose from mayors with a passionate vision and clever ideas about how to improve the economic and social life of their regions. The mayor of a fishing town induced an association to bring a cold storage project to the town; another mayor cajoled an association into supporting the construction of a small dam on a nearby river that would make riverflow perennial and year-round irrigation possible, thereby protecting crops from floods and drought; another mayor in a highly drought-prone area insisted on a new well that would free up the municipality's investment budget from the high costs of trucking in drinking water during dry periods. That these decisions were induced or imposed, then, does not necessarily mean that they were not the best in terms of some vision of the public good. Rather, the decisions simply had more in common with supply-driven than demand-driven approaches. Whether this produced better decisions and outcomes on average, moreover, is not clear--and probably depended on factors not fitting into the dichotomy of demand- *vs*. supply-driven.

C. Government. Finally, and most familiar from the current concern about top-down bureaucrats, government agents also limited the choices available to communities according to some concept of what would be best for them. This "guidance" was often backed by the state's governor, who himself imposed a vision on the program or was was won over by the arguments of his professional staff. Although the World Bank and the state governments agreed initially to a menu of project choices including more than 100 items--in accordance with the demand-driven logic--each state ended up limiting the kinds of options available to communities. Sometimes the project unit formally notified communities of these limitations; other times the limitations took the form of footdragging on the "undesirable" choices, or trying to convince communities that one choice was really better for them than others: a well ("infrastructure"), for example, would be better for them than a tractor ("productive project"); or a "productive" project like irrigation equipment was better than a "non-productive" project like a public telephone booth or cellular phone service. Several communities reported that they really would have preferred their houses to be electrified, but they knew the state government was more likely to approve power hookups only for "productive" purposes--irrigation, grain mills, and so on. So they chose one of the latter, even though it might not have been what they "really" wanted.

These government-induced limitations of choice actually varied from one state to the other, reflecting that "local" variety of preference orderings was just as strong among bureaucrats as among communities. Some states gave preference to infrastructure over productive projects (e.g., Bahia), and other states did just the opposite (e.g., Ceará)--each with its own justification in terms of experience and/or the public good. Some disliked or vetoed "social projects" like community centers, public telephone booths, or schools and health clinics, on the grounds that they were "frivolous" and that production and production-enhancing projects would do much more to help these communities.[87] Some state governments did not even specify a certain type of project, but influenced communities to choose projects consistent with a particular program of theirs. Sergipe is one such example, having encouraged communities to choose water connections to a major new pipeline that the state was constructing on its own to carry water from the São Francisco River.[88]

Those state agencies that discouraged physical infrastructure thought these projects were too conducive to "clientelism" and electoral politics. Those who discouraged "productive projects" like collective tractors and agricultural input-supply stores thought they usually didn't work--the tractors ended up rusting in the field and the input-supply stores could not cover their costs because of pilferage, imprudent selling on credit, and other management problems. Reflecting the influence of these state-imposed preferences or outright prohibitions, 70% of the community "demand" in the state of Ceará was for "productive" projects, whereas those projects represented only 40% of the total across the SFs of the Northeast states, and as little as 15% in some of the others (like Sergipe).

The radically different emphases of different state governments, and the resulting differences in each state's SF portfolio, also characterizes SFs in different countries. The SF evaluations do not see it as a problem, or as inconsistent with the model.

2. Getting in choice's way.

As a way of previewing some of the more detailed findings of the following section, certain observations can already be made about the processes described above.

First, this was obviously not the enactment of a demand-driven play. Choice was driven more by "supply" than by demand. With the exception of the government-driven choices, moreover, the supply drivers were not those of the typical story: they were not the faraway bureaucracies of top-down technicians but, rather, *local* actors in the form of firms and politicians.

Second, even when communities knew they had a choice, they often deliberately chose projects that did not represent their first priorities. For example, if design firms or equipment suppliers were promoting a particular type of project in their region, with examples in neighboring communities already conspicuously under way, they thought they had a better chance of getting such a project approved and implemented than if they chose their first priority. If the community saw that a nearby community had already received a well from the mayor, as another example, they interpreted this as a sign that they had a better chance with a well than the power hookup that they wanted more. If a firm that approached them had built a grain mill in the neighboring town, they chose a grain mill rather than the well they really wanted. If the mayor or state legislator from their region had a favorite project, they perceived their chances of approval as better if they had such political support. The same went for the advice of state-government professionals. Being generally skeptical about past "promises" of outside actors to bring them assistance, then, these communities often opted for the project they thought they were most likely to get, not the one they wanted most.

This is not to say that such "probability-weighted" choices necessarily produced bad results. After all, the offered projects may sometimes have coincided with something the community actually wanted; or they may have been more practical and less costly, such as a standardized, pre-fabricated (rather than customized) school building or health clinic; or they may have been more likely to work, such as a grain mill rather than a collective tractor; or they may have reflected an innovative vision of an entreprenurial mayor of what the community needed to grow, like the cases noted above.

Even if these "supply-driven" decisions produced good outcomes, "choice" meant something different than in the demand-driven model. In cases where communities actually did know about their options, moreover, they made a choice not according to their preference, but in order to maximize the probability that the project would actually materialize. In economic terms, these kinds of choices were explicitly "second best," in that the "first-best" choice was likely to be *worst*, given the low probability that it would materialize; decisions therefore reflected a calculation of "expected returns," in which people were weighting the value to them of a particular outcome by the assumed *probability* that it would actually happen. Given that the argument for the superiority of demand-driven and decentralized service delivery draws substantially on the logic of economic analysis, it is ironic that a key element of this logic is missing in the reasoning:

including the "expected" or "probable" part of the gains to be made from a particular course of action can cause the community's choice to *not* reveal its true preference.

Third, information was missing or misrepresented. This compromised, among other things, the quality of many projects. Information is actually central to models of user choice, and therefore to the proper workings of the demand-driven model. Again from economics, the literature of transaction costs points to the kinds of "information asymmetries" seen in our cases as a key problem: either they must be righted, or an otherwise desirable course of action will not produce the assumed results.

The information problem, however, did not seem to represent a mere administrative glitch, easily remedied with a better information campaign. The reason for this is explored in Section V, but suffice it to say here that there was something about the workings of the demand-driven model itself that seemed wholly compatible with, or even require, a distinct *limiting* of information in these circumstances. Each of the three sets of actors described above, that is, had some legitimate interest in limiting information or choice.

Fourth, the undermining of demand caused by the workings of the market in these stories was at least as strong, if not moreso, than that caused by the typical supply-driven agency and bureaucrat--the usual culprits in stories of poor performance. This is distinctly contrary to the assumed association of decentralization and marketization of public-service supply with greater consumer voice and greater responsiveness of providers.

Fifth, and finally, even though we have shown that the "choices" of communities were often driven by actors on the side of supply rather than demand, this does not mean that the results were necessarily bad. Sometimes they were not, such as the mayor who brought cooling equipment to the town for the fresh fish marketed by local inhabitants; and sometimes they were, like the wells drilled where there was no water. It all depended on the circumstances. (This kind of qualification can also be found in some of the SF evaluations themselves.)[89] To say that "it all depends," however, is to introduce considerable indeterminacy into the picture. But this kind of indeterminacy does not inspire confidence in the SF approach as meriting such singular acclaim and support.

The point is not that the supply-driven approaches are necessarily better, but that they are being extolled as demand-driven when they really--in many cases--are not. This means that the current dichotomous characterization of supply-driven as government-led and more centralized (and bad)--and demand-driven as decentralized, market-like, user-responsive (and good)--is not be an accurate reflection of reality. Indeed, it may hinder more than help our understanding of what works and what does not, misspecify the causes of good performance as well as bad, and breed policy advice that is misinformed.

IV - SFs Meet the Market

Anyone reading the brief account so far of how community choice was induced and limited would be able to draw on a rich pre-existing literature to imagine the details of how this worked in the case of bureaucrats and politicians. This is not the case with respect to the way the firms induced choice, and the impact this had on outcomes. Even though the workings of the market and market-like mechanisms of competition are key to arguments for the superiority of demand-driven and decentralized approaches, there is little empirical work on how the private-sector piece of this puzzle works. In this section, we provide one such story. Whether or not it is representative (on this see more below), it certainly unfolds almost exactly according to our understanding of "the market as usual"--firms striving to increase efficiency, reduce costs, and maximize efficiency. In this sense, the story appears archetypal rather than anomalous.

As is typical in many decentralizing reforms, the private sector partly replaces traditional public provisioning. In the Brazil program, this happened in the following ways. First, local design and consulting firms were to replace government in designing the proposed project for approval by the SF unit. The firms were to earn a fee for this service, which was 2% of the project cost.[90] Second, private suppliers of equipment and materials, or construction contractors, replaced government to the extent that it had been handling such matters directly, as in water supply, power hookups, and irrigation projects. Third, the community or a municipal council replaced state government in choosing the contractor or equipment supplier, and in supervising the work. Fourth, this led to the replacement, to some extent, of larger and more distant private suppliers and contractors by ones that were located closer to the user and, therefore, smaller. As the logic of decentralization reasoning would predict, the market responded quickly and there seemed to be no dearth of private firms to take advantage of these new opportunities for business.[91]

Added together, these shifts would presumably help bring consumer choice to the center of the transaction, and the watchful eye of project users to its design and monitoring, increasing thereby the probability of "ownership" and, hence, "sustainability." The shifts would also presumably help bring more cost-conscious and competitive agents into the picture--private firms subject to the pressures of competition and, hence, to a concern for satisfying the user.

1. Findings from Iguatu. We analyzed 270 project requests from communities in the 13-municipality Iguatu region of Ceará, an area of 283,000 inhabitants. The projects were designed by six firms, and the two largest accounted for 75% of the number of projects designed. The firms took the following steps, as explained in greater detail momentarily, to increase their efficiency, reach for economies of scale, and thereby reduce costs and increase profits.

First, firms "specialized" in one or a few project types, or came to do so eventually. Second, they tended to standardize the design of that particular project--whether it was a health center, a well, or an irrigation system. Third, they minimized the number of visits made to each community, preferably one visit or none--in the latter instance, conferring only with a community leader at their offices. Fourth, they solicited project requests from communities that fell within the closest radius to the town where their firm was located. Fifth, and partly a logical outcome of the previous, they tended to divide the market spatially between them, creating localized monopolies.

That the design firms would take such a proactive role in contacting or visiting the communities and helping them develop their project requests was actually not foreseen by designers of the SF. That is, communities were supposed to first decide the kind of project they wanted, then communicate the decision to the regional staff of the project unit for approval, and only after this would the community then contact a design firm. In reality, the design firms in our sample took the first step in 74% of the project choices of the region (that is, 200 out of 270). A large majority of these cases, as noted above, involved the two largest of the six design firms operating in the region, each located in a different municipal capital.

Learning of the new program and the substantial new resources it would inject into the state's interior, the more proactive firms geared up for this new opportunity to generate demand for their services. They hired new staff to travel to the communities (which would also involve increased operating costs in terms of travel expenses), and invested in computers and software that would help to speed up and standardize the process of project design. The ability of the more proactive firms to respond rapidly to the new opportunity was related to past experience designing projects for large farmers applying for loans from the region's development banks.

The remaining four firms, accounting for 25% of the project decisions in the sample, were smaller and less aggressive, often waiting for requests to arrive at their offices. The owners and staff of these one- or two-person operations sometimes had permanent jobs elsewhere, perhaps in the public sector itself. They did not have the capital to finance the acquisition of computer hardware and software and the hiring of new staff to seek out business in the communities. They said they were too small to take the risk that their projects would not be approved--in which case they would not be paid--and that the program might end. Nor did they want to risk losing the permanent jobs some of them held elsewhere by increasing their scale of operation. Each of these firms worked in only two or three of the 13 *municípios*, and only those with which they or their staff had had prior contacts previously. The following description relates mainly to the two more aggressive firms that dominated the business.

The rapid uptake of these new private-sector actors in the SF business was also stimulated, inadvertently, by problems faced in early 1994 by the project unit. The unit had found itself with the task of processing many more project proposals than it could handle, a generic problem for SFs to which we return in Section V. The resulting backlog gave rise to complaints from two quite different sources--the communities or elected officials (mayors, legislators), and the World Bank, anxious about anything that slowed down disbursement schedules. This problem, and its potentially serious political costs, generated pressure for quicker disbursement, which led, in turn, to approvals of large numbers of proposals in a short period of time with, not surprisingly, somewhat superficial evaluation. The rapid pace of these approvals suggested to the design firms that there were significant gains to be made from investing in the ability to serve this new demand.

Implicit in the recountings of firm owners and staff members of how they minimized costs and achieved economies of scale was a pattern of pressure on the community for quick decisions and, hence, discouragement of community deliberation about the pros and cons of different possible project choices. Staff time and travel expenses were high for visits to communities, so firms instructed their representatives to try hard to secure a final choice on the first visit. One firm owner reported that, in the case of more personalistic and controlling local leaders, the firm had no choice but to discuss the decision with that community leader alone, without other members of the community present and often away from the community at the firm's office. This enabled the leader to portray the project to the community as his own doing.

Firms also tended to push the community's decision in favor of the type of project with which they (the firms) were more familiar. For example, firms with agronomists--including those who had been with the agricultural extension service--pushed the community in the direction of agricultural projects. Often not informing them of other options--like schools, road repair, power hookups, or health clinics--they would typically start a conversation with the community's farmers by asking, "what are you planting?" The ensuing conversation about their crops would lead to the topic of a possible agricultural project which, in many cases, meant an agricultural input-supply store. This particular bias, by the way, was no different than that of the "bureaucrats" in the project unit, which had opted in favor of "productive" projects over physical or social infrastructure. Ironically, then, both firms and bureaucrats "drove" demand in the same general direction.

The attempts of the firms to achieve economies of scale and minimize costs led to similar results. The firms tended to "specialize" in certain types of projects, and then limited or cajoled communities into making that particular choice. For example, a large portion of the projects designed by one of the two largest design firms were agricultural-input stores (50 projects or 40% of that firm's SF portfolio). To the same end, firms tried to minimize the distance and time spent traveling to communities by concentrating their visits in the communities closer, or of easier access, to the municipal capitals where they were located. One firm in the municipal seat of Ico, for example, accounted for 15 of the 16 latrine projects chosen by communities within the 13-

municipality Iguatu region. And almost 75% of the requests for latrines in the region (11 out of 15) came from the very same municipality in which this firm was located.

In theory, this kind of specialization is good, not bad. It leads to more efficient outcomes for the consumer as well as the firm. Each firm learns to create one or a few particular project designs, of better quality and at a lower price, and consistent with the economies of scale sought by the firms. The community using such a firm's services, then, simply chooses the firm that specializes in the project it most wants. The rural environments in which many SFs operate, however, often do not generate a large enough number of firms to support this kind of specialization. The consumer is therefore limited to the specialization of the one or two firms that happen to be within reach. Even worse, as we found, the kind of project in which a firm specializes becomes, in the community's mind, the only choice possible. The benefits of specializing in such cases accrue to the firm, then, but not necessarily to the user.

The tendency to specialize in certain types of projects went hand in hand with a tendency to standardize, also with the same cost-minimizing intentions. Given that some kinds of projects lend themselves more to standardized design than others, the design firms tended to disourage communities from making the less standardizable choices, or did not even tell them of these options. Examples of more standardizable projects are the agricultural-input-supply stores in which one of the above-mentioned design firms specialized, in addition to tractors, grain mills (for cassava), and latrines. The standard input-store design included the store building itself, and an initial inventory, presumably specific to the crops produced in that locale--fertilizers, pesticides, farm implements, and a few irrigation pumps with piping. The firms had a computer template for each of these types of projects, allowing them to design any particular one within an hour and, as often happened, without even going to the community. The larger firms had eight to ten such templates, and the smaller ones from two to four.

In other states as well as Ceará, project staff often reported that they received the exact same project for several communities--the only difference being the names of the community and its members. In some cases, the standardized design included features that were inappropriate to a particular locale. The input-store projects, for example, sometimes included inventory that did not make sense for that particular locale--irrigation pumps where no water was available, or pesticides more suitable for corn where rice was the predominant crop; or, in the case of projects designed by equipment suppliers, the purchase of electric motors for cassava mills where there was no electricity. It is not surprising that firms tended to stay away from, or discourage communities from choosing, the kinds of projects that required more customizing, including site-specific analysis. Irrigation projects, much requested by communities near rivers or other water sites, required time on site measuring water flow, and the making of technical decisions about pumping vs. gravity-flow, flooding vs. sprinklers, individual vs. group, etc. Wells for drinking water also required more site-specific analysis. For these reasons, many firms shunned or discouraged the irrigation or water projects, preferring, for example, the more standardizable input-supply stores. Or, the firms sometimes charged a percentage above the actual cost of the project for the more customized design work, bit added this on as an extra charge representing the community's "contribution." This happened particularly in the case of suppliers of equipment--tractors, grain mills, irrigation equipment. It clearly did not augur well for the "ownership" of the project that the "community contribution" was supposed to elicit.

Even when designing more site-specific projects, firms tried to keep their costs down in ways that jeopardized the quality of the projects. One firm designed several ground-water projects, for example, without having done the requisite geological study; this resulted in the failure of some of these projects for lack of water. Not doing the geological study represented a significant saving in the design cost--at about $150 per project, which represented at least 20% of the firm's charge for project design, and obviously more if the project cost was less than $40,000. This problem would seem to have been easily corrected by requiring geological studies of all water projects, which is exactly what the project unit did, upon hearing of this anomaly. But the response of this particular firm to the new requirement was to simply exclude water projects from the menu it offered to communities.

Other firms, in response to the new rule, told communities wanting water projects that the firm would design the project only if the community footed the $150 bill for the geological study. Again, this would seem to be a sensible solution, and in keeping with the spirit of ownership. But certain things conspired to keep it from happening: the communities did not trust that a project would actually materialize, they were often too poor to take such a possible loss lightly or raise the funds themselves. The firms, as well, did not want to lose time while contributions were being cajoled out of community members--a process of commitment to the project that is meant to lead to "ownership" of its subsequent operation and maintenance. Urged on by the design firm to opt for a more standardizable project like the input store, therefore, the communities often caved in to the design firm's suggestion. Even though a distinct second-best, the firm's suggestion appeared to them to have a greater probability of materializing.

A more positive resolution of this kind of dilemma occurred when the municipal government simply took over: the mayor of Iguatu, bent on improving the supply of drinking water, offered to foot the bill with free technical assistance to communities choosing water projects. Although this outcome was clearly desirable, there was nothing about program design that selected for these better approaches over and against the undesirable ones.

The spatial distribution of projects within a geographical radius of each of the two largest design firms led, not surprisingly, to a virtual local monopoly for each one in its territory. This meant that the firms were not pressured by competition to serve their prospective clients better. The larger of the two worked mainly in four contiguous municipalities, including the one where it was headquartered; the other worked mainly in two other municipalities, including the one where it was headquartered. This meant that communities received a visit from only one firm, and did not know about the existence of the others. Whether or not these two firms actually colluded to divide up the market, the result was the same.

2. Interpreting the findings

The actions of the design and other firms represented perfectly sensible attempts to reduce costs and reach economies of scale by minimizing the distance between their headquarters and client communities, standardizing project design, specializing in only certain kinds of projects and, in the interests of all this, withholding information from communities about their choices. But this also made them more like the public-sector "monopolists" that demand-driven programs were supposed to get away from--standardized, functionally specialized, unresponsive to local variation, and not taking consumer preference into account.

Where was the regulatory or standard-setting presence of the public sector in face of the market mechanism running amok with respect to program goals? Isn't the role of government to watch for and regulate developments like this? Project management, actually, *did* know about this problem and was disturbed about it, but did not move to disqualify the firms or take any other corrective measures. Various factors worked in tandem to keep the state government from playing its proper regulatory and standard-setting role.

First, firms were drawn into providing design services for the program because of the opportunity to capture a significant volume of business at low cost. The imposition of certain standards (like the $150 geological survey for water projects, or the insistence on truly informed and participatory consumer choice) would have reduced the volume of business per unit time and increased the costs--making this opportunity less attractive to the private sector in the first place. Intelligent public regulation that better served program goals and the public interest, in other words, would have made private provision unattractive.

Second, in the case of the extra-cost items like the geological survey for water projects, the community could have been required to pay; or, as in cases like that of the mayor of Iguatu, the SF or other government entity could have subsidized these costs. If routinely adopted, of course, these measures might have made things better. But this particular problem was also part of a larger dynamic that pushed community choices and project designs in directions that were in certain ways no better than traditional government supply. Granted, substituting private for public design had generated a market dynamic; but it also generated a set of outcomes that were inimicable to the public good, let alone the stated goals of the SF program.

Third, the SF agency's suspension of standard-setting and regulatory judgment in this case resulted in part from a seemingly generic problem of SF-type programs--the difficulty of handling and evaluating such a large volume of small requests received from myriad communities throughout the state. Even if the project unit had attempted to regulate the firms, it would have required considerable extra effort and personnel to determine whether the choices were truly those of the community, not to mention whether they arose from a process of informed deliberation. Regional offices were staffed sparingly, given the pressure all SFs are under to keep administrative costs low; the Iguatu region's office, for example, was headed by an agronomist, and staffed by two technicians who were "grounded" most of the time because of a lack of gasoline to make field visits. Under these circumstances, it was the most they could do to monitor the "more serious" abuses, such as the project proposals for cassava mills for communities that produced no cassava.

Fourth, and finally, the problem of "excess demand" for projects became politically costly to the state's governor in terms of two important constituencies--communities and local politicians, and the World Bank. Since only two firms provided the bulk of the design services and had local monopolies, moreover, disqualifying or disciplining them in other ways for their failure to respect project standards could have jeopardized even further the pace of disbursement.

All this helps to explain the otherwise strange-sounding handling of this situation. Namely, the project unit knew and disapproved of the way project design had evolved, but did nothing about it for a considerable time. Apprised of the situation, moreover, the state governor nevertheless allowed the design firms to continue working; at the same time, he ordered the relevant government departments to start designing projects for the communities as well, and without charge, for which he provided special funding. This killed two birds with one stone, helping to relieve the pressure from the World Bank for keeping disbursement on schedule and from the impatient communities or their political benefactors. Finally, after the immediate crisis had passed, the state government abruptly took the project- design function away from the firms permanently, and put it back where it had been originally, within government. At least with respect to the design of projects, then, the program had moved full-circle--from supply-driven to demand-driven and back.[92]

3. Beyond Iguatu

Any particular region, like Iguatu, has its peculiarities, though we did not find Iguatu to be atypical compared to the other places we visited. Indeed, within Ceará, we chose this region on the recommendation of technicians from the SF project, because two of its *municípios*--Iguatu and Jucás--were said to be among the best in the state in terms of performance. Regardless of any pecularities the Iguatu region or the Brazilian SIFs in general might have, the story is surprisingly consistent with many of the problems chronicled in other forms in the donor studies of SFs in other countries; or it helps to explain these problems.

Key features of the story, moreover, seem generic to private supply (if not to public as well), and to the environments in which SFs often operate. The economies of scale, standardization, and specialization found to be operating in this case must certainly inhere in the nature of these businesses themselves--project design, equipment and materials supply, and some construction tasks. Many rural environments, moreover, have low population densities, difficulty of access, and a certain "thinness" of the market in certain sectors--traits that are known to be conducive to local spatial monopolies. In this sense, some rural areas are the *last* place one would look to find competition between firms or symmetries of information between citizen and private provider. Yet competition and information symmetry are necessary if (partial in this case) is to bear its fruit.

In summarizing the findings of this section, we link them to those of the donor evaluations and the larger issue of demand-driven vs. supply-driven approaches.

3A. Bringing the market back in. In the Iguatu story, the "market" was alive and well, responding to the opportunity for participation provided by the newly decentralized and partially privatized SF. It seemed to prepare projects more rapidly than the public sector and to reduce costs, partly by reaching for economies of scale. But the very measures that brought about reduced costs and other efficiencies also led inexorably to reduced consumer information and choice.

The SF evaluators also found private firms to be prevalent in inducing community choices and promoting certain project types, particularly in the poorer, less organized communities. The practice was apparently common enough that the IDB evaluators baptized it as "persuasion by contractor," and cautioned that "the real beneficiaries" in these cases might well be "the contractors" rather than the final users.[93] (Though our analysis involved mainly design firms and equipment suppliers, the IDB comments related more to building and road contractors.)

The IDB evaluators even found an additional source of supply-induced "community" demand. Local teachers and nurses often persuaded the community to choose education or health projects rather than others. The teachers and nurses of the IDB study were somewhat akin to the agronomists of the technical units and design firms of our case, who also induced or forced demand in the direction of their own professional expertise--agricultural input-supply stores, irrigation projects, and so on. Although the IDB reviewers suggested that the resulting projects might well serve the community better than contractor-induced projects, they still posed the question as to whether these local "elite" personages were really acting in the community's "best interests."

3B. Like public, like private. In certain ways, the behavior of the design firms appeared to be more similar to than different from the stereotype of the public agencies whose services they replaced. Like public agencies, the private firms went about their tasks in a supply-driven way. Both public and private actors tended toward a standardizing approach to the projects, each making a template for "typical" projects. Both specialized in certain types of projects, and both pushed their specialization over others in conversations with communities in a way that ran roughshod over community preferences and collective decisionmaking. Some of the firms, moreover, specialized in the exact same kind of project that the government unit did: the firm and government unit both preferred agricultural projects over social or physical infrastructure, and both "persuaded" communities that might have preferred a school building, a health clinic, or a well to choose an agricultural project instead.[94] This evolving specialization in one or a few project types seemed parallel to the functional specializations of traditional government agencies in areas like water, health, education, roads, and so on. The economies of scale gained by moving toward standardization and specialization, finally, took these firms in the direction of becoming, like the public sector, monopoly suppliers. Tailoring project design to local conditions and "pleasing the consumer" seemed to be as far from their minds as they are said to be from that of the stereotypical government bureaucrat.

The similarities between private and public represent more than mere curiosities. The standard critique of public service provision, after all, points to these problems as peculiar to the *public* sector--the insensitivity to users, the inflexible standardization, and the locally inappropriate solutions. Indeed, exactly the same type of standardization of project designs came under criticism in the donor evaluations, and for the same reasons; there, however, it was the *public*-sector SF unit that was the offender, as opposed to the firms of our case. If it turns out that private provision of services has some of the same unfortunate traits as public provision, then one cannot be so confident that private provision will--by its very nature--be more decentralized, consumer-friendly, and adaptive to local conditions. There are obviously many circumstances under which private provision works the way it should, but the large body of studies on SFs does not help us to determine what they are.

3C. Moving money: the bad and the good. The donor evaluations portray the pressures that drove the SFs to disburse rapidly as emanating from donors, dedicated agency managers, and project design itself. Our case revealed, however, that this was only half the story. Firms were also important actors in fueling these pressures. In trying to boost their volume of project business, the firms pushed themselves to produce project proposals rapidly, and they pressured SF managers for rapid approvals. In addition, pressures in the same direction came from the state's governor, because of the clear political payoff to be had from such a program, and the political costs of slowed disbursement *vis-a-vis* the donor and political supporters--to be discussed in the following two sections. It was this calculus that kept the state government from reigning in or dismissing the private design firms from the program for some time, even though it knew that their participation was compromising the quality and the objectives of the program.

The pressure from all sides to disburse SF funds in our story represented an unusually happy convergence of the interests of donors and efficient public managers, on the one hand, with provider firms and high elected officials on the other. The design of the SF model clearly helped to make the convergence possible: an administrative arrangement that allowed rapid disbursement of myriad decentralized projects, partial privatization of procurement, an executing agency liberated from the torpors of bureaucracy, and direct access by high-level elected leaders to decisions awarding investment projects to myriad communities of their constituency. Many programs fail or are simply mediocre for want of the kinds of pressures found in our cases.

While the donors laud the SFs' good rates of disbursement, ironically, they also pepper their evaluations with disapproving comments about these pressures. They themselves found the pressures for rapid disbursement to be incompatible with the SFs' demand-driven and decentralized style. Community choice and organizing takes time and money--of communities themselves, as well as of project staff. Management and staff must instruct the farflung communities of their options and the need to organize in order to come to agreement on a first priority; they must help the communities write their proposal, or direct them toward other technical help. For these very reasons, in fact, the studies reported that some project managers revealed a distinct distaste for the "demand-driven" mandate of their programs. They confessed to sometimes turning a blind eye toward, or even encouraged, the "supply-driven" choices guided by mayors, other politicians, and private firms. This openness of the project managers in revealing their impatience toward one of the basic tenets of the project model was remarkable--though understandable, because it was all in the name of not compromising the pace of disbursement.

In certain ways, then, the pressures from all sides to reduce costs and keep disbursement moving were healthy in that they contributed to getting projects built rapidly and at seemingly lower costs. But in terms of choice and project quality, this particular convergence of pressures also produced results that were in some ways no better for communities than those of the stereotypical government bureaucracy.

3D. Missing the poor. Communities with less technical and organizational capacity are particularly hurt by the pressures to disburse rapidly. In the rush to present projects, the SF studies report, they are outflanked by better organized and more sophisticated communities or municipalities. Often more dependent, they are less able to resist the offers of mayors, firms, and others to make the decision and prepare the project for them. Indeed, many community members reported to us how grateful they were to have *anything* delivered to them--choice being the last thing on their minds.

In light of these findings, it is not surprising that the SFs did not score well in the donor evaluations, as reported earlier, in terms of reaching poorer and more remote communities: with some exceptions, poorer provinces or municipalities tended to receive less SF funds in per-capita terms than better-off municipalities, as also was the case for those that were less organized and more remote. That this problem is clearly acknowledged can be seen in the recommendation that is common to almost all the SF evaluations--namely, that they adopt, or more vigorously impose, poverty criteria that limit the municipalities, communities, or persons to which funding will be made available, or the type of activity eligible for finance. Our case suggests another possible cause of the problem of geographic inequity: firms tend to concentrate their activity in communities closest to the towns where they are located.

SF evaluators seem confident that the problem of targeting can be turned around, with a little tinkering, while still maintaining the basic elements of the demand-driven design. The proposed remedy seeks to "fix" demand so that it will produce more equitable results: the SF agency must be more active in keeping out the better-off communities by limiting projects to certain types, persons, and places; in educating communities about the program and their choice; and in sending more "public-regarding" brokers (namely, agency staff) to help these communities prepare good projects. Having to do so much to make demand behave properly would seem to require as much work, in other words, as fixing the supply-driven approaches to which demand-drivenness is considered superior--such as decentralizing existing public providers of services and investments improving them in other ways, helping local governments to work better, and supporting tax and other legislative changes that facilitate these reforms.

In sum, a model of service delivery that queues up communities in a way tht gives preference to those with the quickest and best-prepared request, and who make the most clamor, would not seem to augur well for those who are most illiterate, furthest away, and least able to organize. Though the traditional supply-driven model may not have done any better, the very structure of the demand-driven design would itself seem to have predicted the spatial inequity found by the donor studies. It is not clear, then, how a decentralized and demand-driven approach could ever have been thought to be well suited to reaching the poor.

3E. Elusive sustainability. Taken together, these findings help to make sense of the sustainability problem reported in the donor evaluations, by tracing it back to the supply-driven way that project decisions were made. It was too early in the history of our cases to assess the extent to which these projects continued to operate after they were completed, and whether they elicited financing and other support after they were completed--whether from the line ministries, local governments, or communities of users themselves. But given that demand was so often driven by firms, politicians, and government professionals, the signs were not good--at least in terms of the iron logic of "ownership" in the demand-driven model. Also not auguring well for sustainability were the project designs for wells that did not include geological studies, the cassava mills in regions with insufficient cassava production, the input-supply stores in bean-producing areas stocked with rice-specific pesticides, and the "community contributions" tacked on by design firms or equipment suppliers trying to cover extra costs--real or imagined. Even communities that had genuinely made their own choice often commented that they believed that the responsibility for maintenance and operation lay not with them but with government, whether local or otherwise. These kinds of examples seem old, not new. They are all too familiar from evaluations of traditional supply-driven programs.

4. Conclusion: firms will be firms

When firms behaved like firms, in sum, this led to some of the same undesirable outcomes that are thought to characterize public-sector provisioning--undue standardization, monopoly, and unresponsiveness to user preferences and opinions about local conditions. Many of the project choices made via this market dynamic, in turn, seemed to be no better for communities than those resulting from government at its stereotypical worst. They were also no better with respect to some concept of the public good. The abundance of input-supply stores among the requested projects, for example, said more about their relative simplicity and standardizability in the project-design business than about their desirability to users or about some other criterion of what constitutes the public good.

Even when input-supply stores and similar projects *did* represent community choice, many of those choices turned out to be clearly second-best calculations--what skeptical communities "expected" they could get from government, rather than what they valued most. The extent to which so many community choices were "calculated" in this way, in fact, raises questions about community choice and demand-drivenness as the central organizing principle for such programs. If "choice" is so often observed only in the breach, it may be a thin reed on which to rest a new approach to the delivery of services in poor and farflung regions.

The obvious questions arises as to whether these outcomes would have been different if communities has known more about their choices. This takes us to the subject of information, and the public information campaigns of the SFs.

V - Information and Its Discontents

By now, most readers have probably concluded that if communities had simply *known* of the various options, and their rights to choose among them, many of the problems described thus far would not have emerged. A public information campaign, properly designed, would be the obvious antidote. Indeed, most of the donor evaluations recommend exactly this: beefing up the information campaigns to solve the problem of weak participation. (Information campaigns are also prescribed to treat the problem of slow disbursement.)

This particular diagnosis of and prescription for the information problem seems to make good sense. Far from being the end of the story, however, it turns out to be the beginning of another. The Brazil programs all included public information campaigns. So what happened? Trying to answer this seemingly simple question opened the door to a quite different dimension of the demand-driven dynamic.

In each of our field visits to the SIF units in the capital cities of three states, we heard rather snide offhand comments from SF managers or staff about the information campaign. We did not follow up on these comments, brushing them aside as the gossipy undercurrents that swirl around such programs. We were also distracted by the "more important" part of our task--getting to the field and interviewing community members. The information campaign seemed to be one of those "minor" components with a known and straightforward technology: if it was not working, it could be easily fixed, as per the recommendations of the donor evaluations. By the end of our trips to the interior, however, it was difficult to dismiss the rumblings about the information campaigns as mere capital-city gossip. We had encountered many communities without proper information or choice, and the shape of the comments in each of the states had been strangely similar. A certain amount of what we heard seemed to center around the marketing firm that the state government hired to design or run the information campaign. The project unit wanted one firm and not another. Or, one firm seemed best qualified, but another one, less desirable, somehow ended up doing the work. A slight tension seemed to linger in the air about the selection of the firm and how the information campaign was run--tension between the project unit and the governor's office or some other office in state government closely linked to the governor. Could something parallel to the systematic limitation of information at the community level be working, perhaps in a different form, at the capital-city level as well?

A series of evaluations of the information campaigns in ten Northeast states,[95] carried out by the WB resident office and its consultants, helped to provide some insight into the reasons for the comments we heard. (The information reported in this and the following two paragraphs comes from a consultant's review of these studies, cited as Barnett [1994], particularly pp. 9-14.) Although the project units were supposed to select the marketing firms through competitive biddings, this did not happen or there was no counter-bid, except for one of the states, Sergipe. The style and content of the campaigns seemed ill-suited to the task at hand. With few exceptions, they had an urban bias and resorted to means of communication that are considered in the business to be "information-poor." Examples are television as opposed to radio and print media,[96] T-shirts and caps with the project logo and name,[97] posters, and brochures of eight-to-ten pages apiece. Though the brochures would seem to be potentially information-rich, they provided mainly pictures and some contact information. The brochures, in fact, were actually confusing on at least two counts important for a demand-driven program: they did not distinguish between procedures for direct proposals from communities to the project unit, and they did not explain the division of labor between the requesting community and the project staff. These publicity strategies, mostly reflecting the past work of these marketing firms, were not based on the market surveys and "user" profiles that are the stock-and-trade of the marketing business. The strategies also did not draw on the substantial experience gained about information dissemination in rural areas from a long history of such campaigns by public agencies in various states--particularly in agricultural extension and public health.

With respect to the state governments, one of the most frequently reported observations of the evaluators was that these governments "were tempted to use the publicity campaigns for political propoganda [*sic*]" (p. 9). This must have contributed, the report conjectured, to the "exaggerated" cost proposals they presented by the states for the information campaigns. Tee shirts and baseball caps would certainly be consistent with politically-motivated information campaigns. They are "information-poor," to say the least; and they are commonly used in political campaigns, which are themselves usually designed by marketing firms.

The level of attention paid by the WB to the information campaigns in the Brazil case, as demonstrated by the various evaluation studies and their ensuing recommendations, was impressive. Much of this monitoring was possible because of the existence of a WB office in the region, which allowed for more sustained contact than the typical twice-yearly supervision missions. Although we were not able to track subsequent changes in the information campaigns, these efforts may well have led to improvements. If they did occur, it is still important to note that they resulted from the unusual monitoring presence of an outside donor, which could be as nosy and as demanding as it was because of its unique financial and political power over the actors. Everyday government monitoring units, let alone those of faraway donors, rarely have this combination of professional strength, financial backing, and political clout. This is not to deny the importance of any changes wrought by the donor's attention to the issue. It is to point out, rather, that information campaigns, including their design, can be strongly influenced by political and market forces, and this will often determine whether and how they work.

In sum, the findings of the evaluation reports, together with those of our interviews, create a picture of information campaigns that were clearly inferior products. As in the previous section on contracting out of design and other functions by government, the "market solution" was no better than government provision, if not worse. In comenting on the "weak content" and "confusion" of the publicity samples, even the WB consultant--himself from a reputable private consulting firm--suggested that "relying on private marketing firms" to interpret the state's general guidelines may have itself contributed to the problem (p. 10).

Similarly to the design and other firms of the last section, the ability of government to rise to the challenge of its new monitoring role in this partially privatized scenario did not materialize, though the donor certainly stepped in to fill that space with a vengeance. Rather than eliciting arm's length monitoring of a private contractor by government, moreover, the information campaign fused public and private actors in a venture somewhat different than that intended: the campaigns seemed to be fashioned to meet political needs as much as information objectives, and the firms selected to run the SF information campaigns could well have been the same as those contracted for election campaigns. The public actors in this public-private marriage, moreover, were not "the bureaucracy," but the elected leaders and their minions, to the extent that they took the campaigns away from the SIF units and brought them under their more political wings.

All this would explain the information-poor nature of the campaigns, the lack of information in the communities we visited, the discontent among SF units about the marketing firm selected, and the removal of this task from the SF unit itself to an arm of state government more closely linked to executive power. Though the evidence may not be sufficient to prove the case, it is certainly suggestive. It is also not inconsistent with the findings of various studies, including some by the donors, showing the appeal of SFs to presidents and governors as political resources (as taken up in Sections V and VI).

This section lays out a three-part dynamic that might partly explain the problem with information and choice in SFs. The dynamic is two parts political and one part public administration. First, and most obvious, this kind of distributive grant program with numerous projects in hundreds of communities provides an attractive political opportunity for elected officials to shape and reward their constituencies. Even the most "technocratically" inclined of governors would find it difficult to resist such an opportunity. Second, and less obviously, these same political opportunities contain a darker underside for elected leaders, especially if the programs are well advertised and use a demand-arousing rhetoric. The SIF agency, that is, can be flooded with requests for project approvals that, if not adequately met, can inflict serious political costs on elected leaders. Third, the unmet demand facing such an agency creates a need for rationing in a way that existing eligibility criteria do not accomplish or permit. The "excess demand" can therefore trigger, quite separately, a coping reaction by the SF agency, which is hard put to process all the requests it receives properly.

This section first treats the political costs of unmet demand. It then touches on the excess-demand problem as experienced by SF managers and staffs, and how they try to bring it under control. Finally, the section suggests why SFs are so appealing to the presidents and governors who sign on to them, despite the serious political costs that unmet demands can inflict.

1. The political costs of advertsing. Anyone visiting a SIF director in Brazil will find his outer office stuffed with local politicians waiting their turn and fanning their faces in the heat--mayors, state legislators, ward bosses. Many of these visitors (or those calling by phone) are asking the same thing. Why hasn't my project been approved yet, and when will it be? Why did you create problems for me by sending my request back for further information and elaboration? A variation on this drama takes place in the governor's office, either directly with him or his chief of staff. The plaints have a clear bottom line, whether spoken or not: I delivered for you (or your candidate) in the last election, what are you doing for me? Or, I supported your unpopular proposal in the state assembly last month, so why aren't you coming through for me? These waiting-room images and the political questioning behind them contrast distinctly with the image of the donor narratives, in which rather autonomous and private-sector-like SF managers work refreshingly free of these kinds of entanglements.

SIFs are not unique, of course, in attracting this cast of supplicants to government offices. Many public programs have to deal with more demands than they can meet. But SIFs are at one end of the spectrum in terms of their potential to generate "excess" demand. This is because of their unusually universalist and rights-granting rhetoric, combined with the small size of the projects, which allows innumerable communities to participate. In principle, SIFs offer the promise to thousands of communities or towns of access to a free project. All a community has to do, if the rhetoric is to be believed, is to choose something listed on the program menu, fulfill minimal criteria of project preparation, and present evidence that an association representing the community has formed and requested the project in its name. Also different from many other public investment programs, the SIF rhetoric celebrates community participation, and the "right" of communities to make demands on government for investments and services, and to choose and fashion what they get. The rhetoric also conveys the image of a modernizing and self-critical government: it is bent on overcoming its own sluggishness and unresponsiveness to citizens by creating a separate *persona* outside of itself in the form of the semi-independent program agency or unit.

Other types of government investment programs are anything but universalist, typically operating in a supply-driven mold and providing "technical" justifications for excluding some municipalities, towns, or regions, while including others. A plan for rural power hookups and the sinking of wells for drinking water, for example, clearly excludes some, at least temporarily, in that it proceeds from one area to a contiguous one; at any particular moment, it ignores the unserved communities outside this area or not contiguous with it. The same with a rural development project: it encompasses only one well-delineated region, selected because of its production potential or other unifying characteristics such as good infrastructure, a preponderance of small farmers, and so on. Municipalities without those characteristics are excluded, even if they border the edge of the region.

In reality, of course, even these access-limiting and non-universalistic criteria are often bent to meet political considerations. Indeed, they are sometimes respected only in the breach.

The carefully defined geographical boundaries of the Northeast Brazil rural development projects of the 1980s, for example, tended to "expand" during the project design period, as mayors and legislators representing excluded municipalities on the border of the project area made their dissatisfaction known.[98] Is there really a difference, then, between universalistic and "technical" criteria if, indeed, those "justifiably" excluded by the technical criteria can, with a little help from their political friends, so frequently get back in? The answer is yes, there actually is a difference, and for the following reason.

Most simply, the rhetoric and process of supply-driven programs do not promise the trinity of equal access, citizen choice, and rapid response that SIFs and some other demand-driven programs do. When the traditional limited-access programs do not deliver to certain excluded individuals or places, an elected official can at least claim the high moral ground. He can point to a vision of the public good, as esconced in a plan of investment, that "requires" technical choices that by nature exclude some places and persons while including others.[99]

In demand-driven programs, in contrast, elected officials have no such higher principle to appeal to when trying to explain why their constitutents, or the local politicians who represent them, did not get what they were promised. The SIF criteria for eligibility, of course, actually do ration demand somewhat and, hence, reduce the political costs of excess demand. Project proposals can be sent back for re-working when they are not technically adequate; the community's choice may be rejected as being outside the menu of options; or the association can be deemed inauthentic. But the rhetoric of universal access, citizen rights, and participation lays a potentially dangerous political trap. The delays, complications, and rejections *seem* to violate the program's promise of universal access. Elected leaders therefore need to find a means of rationing demand that is more effective than the "technical" eligibility criteria, and not so politically costly. Limiting the advertising about choice is one way to achieve this.

The political side of the excess-demand problem, in sum, throws light on the information mystery and the strangely formed choices that we encountered in the field. The political costs of excess demand, that is, partly explain the timidity of the information campaigns and, as reflected in the grumbling we heard, the transfer of responsibility for information (and sometimes other decisions) from the technical realm of government to the more political. Curtailing information in a way that heads off the possible political damage of excess demand dovetails, of course, with the opportunity to use the information campaign for political ends. The same can be said of how agency managers and staff respond to the challenge of making their jobs manageable, a matter we turn to now.

2. The public administration of excess demand

The idea that some public programs face more demand for their services than they can handle is not new. But it has been developed most with respect to the realm of public administration, rather than that of politics. For some time, scholars of bureaucracy have studied the quandaries faced by the staffs of government agencies when cornered by excess demand, and the choices they are thereby forced to make. The problem is particularly acute for public services to which all citizens, as with the SFs, are supposed to have equal access--like public education and police services. Staff workers develop a set of behaviors that helps to fit demand within more manageable bounds by rationing it. An example of such behavior from our case would be the opening gambits of design firms upon arriving in a community: the conversation starts routinely, as noted earlier, with a question about what is being planted and ends, predictably, with a proposal for an input-supply store. These otherwise understandable coping behaviors can shape programs profoundly, and often in ways that inadvertently undermine their goals. Michael Lipsky's *Street-level Bureaucracy* (198X), including case studies on teachers, social workers, and the police, is among the best examples of such research.[100]

With respect to our case, Brazil SIF managers and staff frequently voiced fears that the information campaigns would overload them with community requests.[101] Indeed, this was one of the most commonly spoken observations emerging from a set of meetings with them. As a result of this concern, they said, they purposely resorted to more "selective means of publicity" about the program--like mayors, state agencies, rural labor syndicates, NGOs--rather than meeting directly with communities.[102] We did not look directly for other forms of rationing that these concerns may have generated, à la Lipsky. In addition to what is already reported here, we do know that each state excluded many types of project requests explicitly or implicitly, as described earlier, while concentrating on a few others. These narrowings of the menu of project choices had technically reasonable justifications.[103] At the same time, they also helped the project staff to cope with the problem of excess demand by allowing them to standardize the project designs; this reduced, in turn, the time-consuming process of project analysis, including the tailoring of projects to individual situations.

As in the Brazilian case, SIFs in other countries have imposed similar limitations on community choice, or intervened in other ways in the process of demand formation. The donor evaluations show awareness of these limitations of the project menu, sometimes criticizing the standardization as inflexible. Sometimes, these actions are interpreted by the donors as slippage back to "old" supply-driven approaches, a clinging to "top-down" habits that were never rooted out, and a tendency toward "re-centralization."

These interpretations may be in some ways accurate. But some of the "failure" to wholeheartedly adopt the new decentralized ways may more accurately reflect an attempt to manage the excess-demand problem generated by SIFs. To dismiss these attempts as old-fashioned top-downism or creeping re-centralism, then, may be to misdiagnose their cause. To be blind to the problem of excess demand that elicits these behaviors, in turn, may lead to proposed solutions that do not reduce the problem. The donor evaluations' exhortations to SFs to work harder to achieve a more representative choice, partly through improved information campaigns, is an example. If successful, that is, these efforts could actually exacerbate the problems of excess demand as experienced by agency staff and managers, as well as by politicians.

3. Conclusion

This section has suggested that two separate influences converge to limit information and choice: (1) politicians seeking to control the damaging political costs of not serving demands unleashed by an environment of rhetoric inciting to participation; and (2) program staff and their managers trying to place some boundaries around the unmanageable demands on their time and administrative resources. Both are reacting to the same problem--an excess demand that is generated, in part, by a come-hither rhetoric. The problem is not resolved or reduced by the partial privatization of the SF model--namely, contracting out the information campaigns to private firms rather than doing them, as previously, in-house. The market tends to work in the same direction as the two forces noted above, rather than against their grain. The convergence of these three forces--political, bureaucratic, and market--is particularly powerful in its tendency to limit information and choice: firms do it to keep their costs down and increase their volume of business, politicians do it to avoid the political costs of unmet promises and to take advantage of the opportunities to ration scarce political resources, and agency staff do it to make their work manageable.

This particular convergence of forces suggests that information dissemination is a problem, and that trying to improve the technical quality of the campaign may not solve the problem. At the same time, the donors see information campaigns, or improvements on them, as a *solution*. A particularly apt solution, it would seem, because information campaigns are the treatment of choice for two separate problems--of weak community involvement and ownership, and of slow disbursement, like that which periodically afflicted the Brazilian cases.[104] The donors, in other words, urge and support a seemingly worthwhile course of action--more information dissemination--that generates the excess demand that leads, ironically, to the *limiting* of information.

There is, in sum, an inherent contradiction in the demand-driven model. The more successful it is in generating truly informed and fundable project requests, the more problems it may create for public managers and their staffs, and the more political costs it threatens to impose on elected leaders. This would seem to place SF designers on the horns of a dilemma: to go back to the supply-driven approach with its technical criteria for keeping demand within reasonable proportions, or to allow excess demand to be rationed "naturally" by limiting information, reducing choice, or even rewarding projects according to political criteria. Neither of these alternatives may be particularly appealing. One way out of the dilemma, however, is to look again at the SF experience with a particular question in mind: were certain SFs able to (1) become truly demand-driven, with informed and inclusive community decisionmaking, and at the same time (2) succeed in disbursing briskly, while building projects more flexibly and at a reduced cost? If so, what were the circumstances under which this happened? The existing studies of SFs do not provide sufficient material to answer this question, though it would seem basic to determining whether the model is viable.

On the sunnier side, at least for elected leaders, the limiting of information opens up some space for re-arranging the proposals waiting in the approval queue in a way that creates political opportunities, as distinct from political costs. This takes us to the next section, where we turn to the well-known political opportunities inherent in distributive programs.

VI - Politics and Autonomy

If the main contribution of SFs to the daily life of presidents and governors is to burden them with the possible political costs of excess demand, then why would these programs be so popular with the presidents and governors who sign the loan agreements with outside donors? The donor reviews, as well as other research and our own fieldwork, provide substantial evidence that the SFs are richly embedded in politics, from the local to the national level, and often an old-fashioned clientelistic politics at that. Some of these same donor reviews, as will be seen below, go so far as to suggest that the prized autonomy of SFs itself makes them at least as vulnerable to political manipulation than traditional programs. Against this background, it is confusing to see SFs portrayed as a story of "autonomy"--namely, as liberated from clientelism and other political entanglements, and from the rigidities of traditional bureaucracy, which itself often serves as a conveyor for political meddling. Part of the confusion may stem from our possibly conflating two separate kinds of autonomy--"political" autonomy" with "managerial" autonomy; this and the last section seem to question the strength of the former, whereas SF supporters may be claiming strength of the latter. At the same time, there is a considerable area of overlap between the two, as this section will reveal.

This section explores this confusion and, in so doing, attempts to create a picture of SFs that is more faithful to how they operate, when successful as well as unsuccessful.

Understanding the political dimension of SFs helps explain some of the problematic outcomes running through the donor reviews, as well as our findings--particularly that SFs are often less driven by universalist criteria and community choice than advocates report. Without the political dimension, moreover, the causes and nature of SF success, when it occurs, can be easily misinterpreted.

Despite the absence of politics in our own research agenda, we kept running up against it in various ways. Some legislators told us, thankfully, of how the SF projects they "arranged" for their constituents were crucial to getting them elected. Governors or their staff members told of their satisfaction with the "political yield" of the SF program in the countryside. Consistent with these reports, donor staff spoke of the enthusiasm for SFs expressed by the governors or presidents with whom they negotiated these loans, and subsequently visited during monitoring missions. Also, we heard complaints from a wide variety of state-government directors and staff of the "clientelism" and "welfarism" of the program, sometimes interfering with their own efforts to conduct parallel programs in more "modern" ways. Our curiosity was piqued by these comments because they were no less prevalent in one of the states, Ceará, that had a longstanding governor considered by the donor community and Brazilians alike to be outstandingly "modernizing." This seeming anomaly bothered us increasingly as our research proceeded, and was partly responsible for our turning to some recent (and not-so-recent) political science literature for a possible clue.

This section shows how the use of SFs for political purposes takes one or more of the following forms: (1) as reported in previous sections, the limiting of information and choice at the local level by political actors in determining which communities (or community factions) will receive projects and of what type; (2) the naming of "political appointees" to SF management (or staff), and pressuring or removal of managers who resist allocating projects according to political criteria; and (3) the use of SFs by presidents (or governors) and ruling parties to fashion new political coalitions that help make up for the losses of support caused by the introduction of belt-tightening macro reforms. The evidence brought to bear on the subject comes from field observations of the donor studies, supported by material from outside research, including our own; studies that find a statistical association between geographical patterns of SF spending and electoral strategies; and studies that identify macro-political strategies in Latin American countries adopting major economic and administrative reforms, and within which SFs play an important role.

1. Politics in the field

The evidence provided by the donor evaluations on the political side of SFs is not easy to interpret. Somewhat scattered, it is not woven together into a coherent position on the subject the way the public-administration elements of the SF model are. Though presenting some rather withering examples, the reviewers nevertheless do not take a stand on whether the problem seriously compromises the SF approach and, more significantly, whether it is greater or less than in traditional government programs.

The donor reviews do seem to identify problems of a nature, which they also link directly to the same autonomy of SFs that is highly praised in other sections of the reports. The IDB evaluation, for example, concludes that SF mechanisms for rapid disbursement "have an obvious potential for partisan patronage, particularly during election periods." Their recommendation that "technical staff not be treated as political appointees, to be changed with each new government" seems to more frankly reveal a problem than reassure reader that it can be fixed. The UNICEF review, in turn, questions whether the degree of SF autonomy from line ministries actually protects SFs from politics; indeed, it concludes that the formally demand-driven programs are the most vulnerable to such manipulation, with results that are often "highly politicized, and often inequitable."[105] The study lists examples from five countries in which SFs were "extensively manipulated for political ends despite their 'autonomy'"--Egypt, Senegal, Sri Lanka, Peru, Honduras.[106] For the Peruvian case, this seems to be confirmed by Graham & Kane's study of that country's SF, which reports that "[d]espite the demand-based mechanism," the locations receiving funds (as well as overall amounts disbursed) were "vulnerable to government discretion."[107] Another study, by Joan Nelson, also reports that some of the SFs are "used as the direct instruments of particular political leaders or parties," citing the Peruvian and Mexican SFs as examples (though Mexico, "less clearly" so).[108]

A review by the U.S. Agency for International Development goes even further, pointing to SF autonomy as a distinct *weakness* rather than a strength: the waivers of procurement and civil-service regulations, among others, lead to "waste, mismanagement, and resource allocations based on political expedience...."[109] More generally, the IDB reports that SFs sometimes make the decision about whether to work directly with communities or through the municipal government according to whether that government belongs to the ruling party. If the local government is in the hands of the ruling party, the SF will channel its projects through the municipal structure; if the mayor is from the opposition party, the SF will "try to bypass [it] and work directly with the communities."[110] This "punishing" of opposition governments by withholding or delaying transfers, of course, is not uncommon in Latin America; it clearly disrupts the goals of intergovernmental transfer systems and other programs that, like the SFs, are set up to decentralize government responsibilities and funding according to universal criteria.

In studying the Peruvian SF's expenditures during the 1991-1995 period, Schady (1998) tries to understand the "massive spike" in expenditures in the last quarter of 1994, an electoral year. He tells of a SF director, who was highly regarded by the WB and IDB and who insisted upon a rigorous screening of project proposals. Peru's President Fujimori became increasingly dissatisfied with the director's "unwillingness to meet 'disbursement targets'" and replaced him during August of that year with someone "more sensitive to the political importance of a speedy approval process."[111] (In relating this story, Schady also cautions that the electoral calendar did not necessarily determine other expenditure changes during the four-year period he studied.)

Given the repeated appearance of this kind of political use of the SF in the Peruvian case, some observers have concluded that that this case was atypically politicized.[112] But Graham tells a similar tale about the Bolivian SF. It, however, has the reputation in the donor community for being the most successfully autonomous and technocratic; the UNICEF review, for example, points to the Bolivian SF as a "counter-example" to the other politicized cases it criticizes, concluding from various studies that it operated "*without* significant political influence" (italics ours).[113] The Bolivian SF, however, suffered increasing political meddling in project allocations after its first glowing years, and "became less protected from political pressures over time";[114] on one occasion, during an electoral year, these pressures to allocate projects according to political criteria led to the resignation of the director and several staff members.[115] Ultimately, a new SF was created--again with donor support--to get away from the violated autonomy of the previous one.

Whether a SF serves its professed goals, then, may vary from one period to the next, depending partly on the electoral cycle. Presidents, governors, and ruling parties find the distributive SF programs to be well suited to their political purposes, and refreshingly accessible precisely because of their disentanglement from the rules and regulations of the line ministries. At best, then, the managers and staff of the more autonomous SFs engage in a struggle to protect their programs from the very political lure that SFs offer to politica actors. In this sense, the otherwise different Peruvian and Bolivian cases share a certain similarity--a constant tension between strong managers and politically interested elected leaders, with the latter exercising a kind of "ownership" that hinders rather than helps. With average managers, the results can be even less positive.

2. Electoral studies: SFs and votes

The pattern of association between vote-seeking and SF expenditures is richly complex. The intensity of the political courtship through SFs varies from one period to the other, depending not just on the electoral cycle, but on other factors like the strength of each opposition party at a particular moment and how much of a challenge it represents, on whether the elections are midterm or not, and on the balance struck betwen rewarding those who vote or voted in favor, withholding from those who vote against, and courting the fence-sitters.[116]

At least three econometric studies have found the geographic pattern of SF expenditures to be linked in one way or another with electoral strategies--Schady and Graham for the Peruvian SF, and Molinar Horcasitas & Weldon (1994) for the Mexican SF.[117] With respect to Peru, Schady finds SF expenditures to be directed to provinces "where the marginal political impact is likely to be greatest."[118] Such findings are not novel, of course, or unique to SFs. They are consistent with earlier studies, for example, of the distribution of public-works expenditures by the U.S. federal government to states during the Great Depression;[119] they are also consistent with a larger economics literature that has identified "political" business cycles" in public-sector spending.[120]

That SF allocations are determined by electoral strategies does not necessarily mean that they will not reach the poor. Indeed, Schady concludes that the Peruvian SF's expenditures flowed disproportionately to the *poorest* provinces during the 1991-1995 period (though not necessarily to the poorest within those provinces).[121] This pro-poor distribution was clearly the result of an electoral strategy by President Fujimori to court the more marginal and rural populations. Like the donor reviews cited above, Schady stresses the importance to these findings of the autonomy of the SF model; the expenditures could be "truly discretionary" because of a "freedom from restrictions, paperwork and inefficiencies which have given the public sector in Latin America a bad name."[122] Also important, a backlog of thousands of project proposals made it possible to fund projects "at opportune times, in provinces deemed to be electorally important."[123]

That a large logjam of project requests might be desirable because it could be broken up quickly at politically opportune times suggests a possible explanation for a seeming contradiction in the donor evaluations. Though SFs are repeatedly characterized as fast-disbursing, a reading of individual country evaluations often reveals problems of *slow* disbursement--as the UNICEF review itself comments.[124] Donors often attribute such disbursement problems to lack of commitment on the part of the central government, or to faulty intergovernmental transfer mechanisms, with the central government failing to transfer counterpart funding to the SF agency with due speed. But part of the problem of slow disbursement may also reflect a cycle of waxing and waning political interest in SFs as a political instrument. Elections might be less immiment during the waning periods, and rulers could be distracted by more politically demanding matters; or the SF might not yet have proven itself to be a fast-disbursing and high-yield political instrument; at these points, the SF may not be on a particular ruler's radar screen.

As suggested by the case of the Peruvian logjam, leaders may also find it advantageous to "save up" project approvals for a later electoral period, when their rapid release all at once creates a more effective political impact than would a steady stream of disbursements throughout a four- or six-year electoral mandate. At least one of our Brazilian states fit this slow-then-fast pattern: disbursement was problematically slow for some time, and then became so fast during the year leading up to elections that the WB, at the request of SF management itself, insisted on suspension of disbursement until after the elections.

SFs, then, *can* be fast-disbursing. But this is not only because of procurement waivers and other "flexible" procedures that fit their goals and good management procedures. In addition, they can disburse rapidly because this serves the electoral strategies of presidents and ruling parties, who find that access to them for such purposes is pleasantly unencumbered. At these moments, however, the goals and the good management procedures will often be breached. When SFs succeed in disbursing quickly or in reaching poorer regions, in other words, this may result more from the political pressures of a particular president and his ruling party, than from a model of service delivery that can be counted on to work consistently through time, and in quite distinct countries around the world. Similarly, the superior administrative features of the model themselves invite a form of political "ownership" that then works to undermine the model. This raises the question as to whether the model is inherently unstable and, hence, a sustainable approach to improved service delivery.

Political pressures in and of themselves are not necessarily bad for program implementation. Various examples have been noted above of how political pressures on SFs might advance their goal of fast disbursement, albeit at the cost of undoing some of their desirable features as a model. Studies of rather successful SF-type and other social programs in Kerala and Maharashtra states in India, moreover, point to the key role of these programs in creating a new "political market" for implementation which, in turn, pressured administrators to perform well. During the 1980s, for example, the Maharashtra Employment Guaranty Scheme guaranteed employment (or an equivalent cash payment) to anyone out of work; as a result, the job or the cash payment soon became a "right" around which workers themselves could and did organize at the local level, for the first time, to demand their just due.[125] In Kerala, Patrick Heller has evoked a similar explanation, involving political mobilizing that included excluded marginalized populations, in trying to understand the unusual performance of that state government through time in terms of providing universal education, reducing morbidity and infant mortality, increasing life expectancy, and carrying out an effective tenancy reform.[126]

These kinds of results are exactly what the demand-driven logic of the SF rationale is supposed to bring about. But the "politics" of the SF cases, as laid out above, are quite different than those of these Indian examples. The latter seem to represent the result of *political* mobilizing, including by the intended beneficiaries themselves; whereas those of the SF stories told above, including from our fieldwork, sound like the "old" politics of patron and client.[127] In this sense, the Indian examples look more truly "demand-driven."

3. Modern and traditional: the perfect marriage

There is something distinctly new about the political economy of the 1980s and 1990s within which the "old politics" plays itself out through the SFs. In a recent article on Mexico's Salinas and Argentina's Menem, Edward Gibson (1998) spells out a remarkable complementarity between the seemingly old and the new, and how the SFs are involved. Other studies develop similar material for Fujimori's Peru and, secondarily, Bolivia, in addition to earlier studies with analyses similar to Gibson's of the Mexican case itself. Gibson starts with the two questions that plagued political economists in the 1990s. What explains why certain Latin American governments, elected with populist rhetoric and support in the 1980s and early 1990s, did such an about-face after their elections, wholeheartedly adopting the free-market economic reforms that were so contrary to the populist rhetoric of their parties? Even more puzzling, why were they not spurned by their electorates for doing this, as revealed in polls and subsequent elections?[128]

In attempting to solve this mystery, some political scientists had pointed to the "insulated" strength of the economic technocracy, and the professional kinship they shared with like-minded economists in top U.S. universities or international financial institutions. Without denying these explanations, Gibson points to something else. He describes a national-level political strategy that mobilizes two quite separate coalitions--the "metropolitan" and the "peripheral." Urban groups form the basis of a *policy* or functional coalition that supports, and will gain from, "modernizing" reforms. By itself, however, the metropolitan coalition cannot deliver sufficient votes for an electoral majority, generating the necessity for a "peripheral" or "territorial" coalition that mobilizes votes in a different way. The peripheral coalition reaches into the more backward rural regions and towns, where traditional patron-client relations prevail; more recently, it reaches into previously politically marginalized or traditionally opposition sectors in cities, like small and medium businesses and informal workers. Whereas the metropolitan strategy courts votes through policy reform, the peripheral strategy works mainly through the old-fashioned politics of distributive programs and other forms of patronage.

The two-coalition political strategy is not unique to the 1980s and 1990s era. It actually evolved from a similar metropolitan-peripheral strategy dating at least from the period of import-substituting industrialization (ISI), and the need to mobilize electoral support around that similarly "transformative" project--to use Gibson's term. The subsequent post-ISI reforms create clear losers within the old metropolitan coalition--particularly among unionized workers, civil servants, and businesses that are hurt by the withdrawal of trade protection and other subsidies. In the newly constituted metropolitan coalition, these losses are compensated for by bringing in particular sectors or firms that already operate successfully in international markets, the workers in these better-positioned sectors, and small and medium businesses that did not benefit from the ISI regime and hence had nothing to lose from its dismantling.

This new support for the metropolitan coalition, however, is still not sufficient to generate electoral majorities, and hence the particular importance of the peripheral coalition. In Mexico, for example, Salinas and his ruling party, which had relied for years on a metropolitan policy coalition favoring organized labor and business, courted the needed periphery votes amongst marginalized small and medium local businesses, and the rural poor.[129] In Peru, President

Fujimori clearly relied on a strategy of reform that alienated urban and certain middle-class sectors; not linked to a ruling party, he relied on a different rhetoric of the "outsider" together with the distributive programs like the Peruvian SF, through which he vigorously courted the rural poor (Roberts 1996). In Bolivia, the SF built support for the government's macro reforms among "previously marginalized groups"; this contrasted with the lack of support from the "'losers'" of the macro reforms, namely the "lower and middle classes and organized labor" who would not work at the low wage levels of the SF employment projects (Graham 1998:141). The hardships of macro reform that threatened voter disaffection in these countries, then, elicited a compensating political "course correction" toward wooing poorer and, to a certain extent, more rural voters with classic patronage politics--for which the SFs, as distributive projects, were eminently suited.

The metropolitan side of the two-pronged strategy gives the politics of Salinas, Menem, and Fujimori its "modern face,"[130] to use Gibson's terms, while the peripheral side gives them their traditional face. While the metropolitan coalition works through the policy benefits delivered by a transformative policy package, the peripheral coalition works through a set of distributive programs and other resources delivered through a traditional patronage system.[131] In the cases of Mexico and Peru in particular, the SF becomes the key instrument for capturing these periphery votes. It is no accident or throwback to the past, then, that at the same time that President Salinas of Mexico was being acclaimed by the donor community as a forward-looking technocrat, adopting many free-market macro reforms, he also masterminded the creation of a vigorous and highly political SF, which he endowed with more budgetary resources than those of all the Latin American SFs combined.

Gibson and others writing in this vein are not alone in revealing how modernizing economic reform and old-fashioned clientelistic politics mix well, and may even depend on each other. In another context, Celina Souza (1998) writes about a modernizing-and-clientelistic political dynasty in the state of Bahia, one of the states where we carried out our research. She identified periods in which the leader of this dynasty, as governor, fiercely protected certain agencies engaged in his favored "modernizing" initiatives, by placing these agencies "off-limits" from patronage appointments, even his own. Other agencies, at the same time, continued to be the object of this leader's traditional patronage. Souza found a similar pattern in the government of the state's capital caity, Salvador, during a period of decentralization. The protected agencies in these cases, not unusually, were those relating to economic development; those burdened with additional patronage were in the "social sectors"--particularly education and health.[132] During the same period, the burden of patronage actually *increased* in some of these other agencies, because the reduced space for patronage appointments in the newly-protected had to be compensated for somewhere else.

The inclination of a "modernizing" elected ruler to insulate his bureaucracy in service of a developmental agenda, in sum, did not necessarily preclude him from being vigorously clientelistic in his style of governance elsewhere. Like Gibson, then, Souza found two distinct sides to these leaders and their style of operating, with each side being integrally linked to the other.[133] To the extent that donors offer such eminently distributive projects like SFs, as part of the larger packages through which they demand and support major macro reforms, they contribute to the forging of this link of the new to the old. In this sense, the SFs marry the modern and the traditional.

4. Ceará, the Brazilian example

Many Brazilians and Brazil-watchers might consider Souza's argument about Bahia to be relevant only to that state. Bahia is renowned for its rule by a conservative and clientelistic political dynasty that at the same time has been aggressively entrepreneurial in terms of the state's economic development. The dynasty has been headed by a prominent politician--Antônio Carlos Magalhães ("ACM"), the governor described by Souza who protected his economic development agencies. Over the last two decades, ACM has become a major national figure, and in recent years has been leader of Brazil's conservative party, the PFL, in the Brazilian Senate. Despite the singularity and power of ACM as a national political figure and state political "boss," Brazil scholars have nevertheless noted the pairing of the modern and the traditional in the governors of several other states.[134]

Most of these observers nevertheless draw a distinct contrast between the style of politics and governance in Bahia as against that of Ceará. Ceará has had a governor for more than ten years who has been lauded by Brazilians and donors alike as reformist, modern, and "apolitical" in his governance. Indeed, in a trip to Northeast Brazil in 1998, the president of the World Bank passed up the Bahian state--in a last-minute change, and to Bahia's profound consternation--in order to bestow his visit and his approval on Ceará's governor instead. Ceará's Tasso Jereissati is widely respected and revered--as "technocratic," explicitly anti-clientelist, aggressively taking on difficult belt-tightening reforms, and "untainted" by the old politics because of his having come from the private sector, where he managed his family's extensive business patrimony.[135] Jereissati's public image was exactly the opposite of political bossism and clientelism surrounding

Bahia's reigning dynasty. He has the kind of reputation in donor circles that Carlos Salinas had in Mexico, until his fall from grace.

Tasso Jereissati was first elected (in 1986) on a platform explicitly denouncing "clientelism" and promising to bring a "government of changes" (*govêrno de mudanças*). He was re-elected two times, was among the country's top-voted governors and, in the early 1990s, was named national president of the new center-left political party to which he ultimately switched--the PSDB, the same party as President Fernando Henrique Cardoso. Like Gibson's leaders at the national level, Jereissati introduced several belt-tightening and potentially unpopular reforms--freezing the real wages of civil servants, stepping up collection of taxes, and firing thousands of "ghost workers," to name just a few of the more salient reforms.[136]

It was because of the conspicuousness of Ceará's non-clientelistic and modernizing governor, in fact, that we came to be puzzled by the sameness between Ceará and the other states, including Bahia, with respect to the frequency of politically-determined SF project choices in rural areas, and the problem of information and community choice. Through the years, moreover, it seemed that Ceará's SF came to be increasingly valued by the executive office of the state government for its "political yield"; complaints that political motives shaped project approvals were voiced increasingly over time by public-sector managers and other civil servants inside and outside the SF unit, as well as from outside government.[137] The findings we reported earlier on information and community choice did not seem inconsistent with these kinds of complaints.

In watching the Ceará government over the last ten years, we were puzzled by a seeming disconnect between the state's modernizing policy initiatives with respect to fiscal reform, administrative reform, and industrial development and the seeming lack of vision or action in the rural areas. The rural sector accounts for half the state's population and one third of its labor force; it is home to a long-stagnant agricultural and livestock economy, whose contribution to the state's output has been roughly halved (to 12%) over the last 15 years. At the same time, the electoral support of this government in the "metropolitan" region--mainly the metropolitan area of the capital city, Fortaleza, which accounts for one third of the state's population--seemed to be more difficult to come by in subsequent mid-term elections. (This is what a Gibson-like analysis might actually have predicted.)[138] Also puzzling, given this electoral challenge, Ceará's state government seemed to back off from and lose interest in two of its outstanding successes in the "peripheral" rural area--a radical "de-clientelization" of emergency relief programs for the state's frequent droughts, and an innovative program of public procurement from small firms in the interior.[139] Differently from the peripheral initiatives of Gibson's analysis, these were clearly "modern" and "metropolitan-like" in creating the basis for increased incomes and eschewing the traditional clientelist politics; at the same time, they could have generated distinct additional electoral support.

Ceará's rural region, with half its population and where the SF operated, did not "feel" very different, then, from that of the other states we visited--at least with respect to the processes of community decisionmaking and information dissemination in its SF. If anything, in fact, the "more clientelistic" state of Bahia seems to have pulled ahead of Ceará in recent years in giving a modern cast to a set of rural initiatives meant to revitalize agriculture. Though we did not gather robust enough evidence to support these arguments, the puzzle of the case of Ceará in relation to the other states seemed best explained in terms of the analysis of Gibson and the others cited above. The realm of the state's modernizing reforms was its "metropolis" and its metropolitan strategy, à la Gibson. The SF, in contrast, was being played out in the "periphery" where, as a distributive program, it fit the need for the building of a "peripheral coalition" and relied on the kind of old politics necessary to carry out that task.

5. Conclusion

Modernizing and backward styles of governance, in sum, seem to mix well and, often, to even need each other. The inclination of modernizing elected rulers to insulate certain initiatives or certain agencies in the service of a reform agenda, moreover, does not necessarily preclude them from allowing, or even encouraging, clientelistic governance in other parts of their institutional realm.

That such highly distributive projects like SFs would lend themselves to the attempts of presidents and governors to court their electorate, or reward them for loyalty, should come as no surprise. For some time, political scientists have provided a rich empirical understanding of how this actually works, and not only with respect to distributive programs.[140] Nevertheless, donor assessments of government policies and programs tend to present the modern and the traditional as polar opposites--apolitical vs. political, professional vs. patronage hiring, modern private-sector management styles vs. old-fashioned public-sector management, clean vs. corrupt government, and so on. Good leaders or managers are portrayed as possessing one of the other set of these polar qualities, but certainly not both.

There is actually a certain similarity of reasoning, strangely enough, between the "apolitical" donor view and the highly political side of things explored in this section. Donors and elected leaders alike view SFs as a direct response to the hardships of macro reforms and structural adjustment. Both also see the semi-independent and quick-disbursing SF units as disentangling these programs from the sluggish bureaucracy and serving the programs' purposes more effectively. Both emphasize the plight of the poor, and the toll taken on them by macro reforms. With some exceptions, both sides initially saw the SFs as serving a temporary and even emergency purpose. The similarity, however, ends here.

For the reform-spearheading presidents, girding themselves against the likely electoral defections of those hit adversely by the reforms, the SFs offer a well-tested instrument of relief: they present an opportunity to make up for voter disaffection in one part of their realm by more vigorously courting constituents in another. It is not just that SFs can be counted on as traditional distributive projects, à la Lowi; but their disentanglement from the bureaucracy makes them particularly accessible for management in a patronage-friendly way that meets these electoral concerns. The donors, in contrast, view SF autonomy in just the opposite way, as a *new* form of public management. By "going direct to the community" and being located institutionally outside the bureaucracy, SFs seem to *avoid* bureaucracy and politics.

Which of these two versions of the SFs is more accurate--old-style politics or new-style efficient public administration? Driven by clientelism, or by community choice? Subject to political control by national political leadership, or ensconced in faraway localities safely removed from central, if not local, political control? The analysis above suggests that the answer may be yes to both versions, or variations on them; the answer will also vary from one country to another, and from one time period to another within the same country. The Bolivian SF is an interesting example of the latter: a "star" in its early years, it came to be used thereafter for electoral purposes to the point that another "autonomous" SF was created anew, with donor funding again; the old SF had become, like the line ministries, the ogre from which only a new SF would offer escape.

That political agendas might influence SF allocations does not necessarily mean that the outcomes are worse than they would be in a politics-free space. Indeed, this can be a sign that leaders are trying to be more responsive to the needs of citizens. Patronage criteria for allocating public goods and services may sometimes be perfectly consistent with an improvement in their availability, their quality, and even their inclusiveness. Some scholars, in reporting on particular cases, have made exactly this argument.[141] That politics is around and about in these programs, also, does not mean that political influences necessarily substitute routinely for the demand-driven and participatory criteria that are supposed to govern SF project choices and approvals; nor does it mean that every case of politically-determined allocation will seriously compromise the program's mode of operations. It does mean, however, that politics will sometimes dominate "community" choices and SF approvals, and sometimes it will not; when politics does dominate, it will sometimes seriously compromise program management or goals, and sometimes it will not. This kind of indeterminacy around the conditions under which the SF approach actually works as it should, needless to say, does not inspire much confidence. As such, then, the SF model seems to have a propensity for politically-determined instability that is at least as serious a handicap as those facing the reform of service delivery by traditional agencies.

In closing this section, we turn back to earlier views of development thinkers, donors, and other development practitioners about how to improve government performance. In the 1950s to the early 1970s, before disillusionment about government came to assume such proportions, development thinkers worried about "political meddling" and the threat to good administration of programs that it presented. This resulted in an emphasis on the importance of building government institutions that were "autonomous" and "insulated" enough to deal with unwanted interference. In a complementary way, a generation of political scientists identified the "autonomous state" as key to successful developmental states. With the benefit of hindsight, the view that technocratic autonomy from politics was the key to good government seems incomplete, if not naively optimistic or simply anti-democratic. Correspondingly, in the literature that attempts to explain successful developmental states, "autonomy" from politics has now been replaced by "embeddedness."

The concern about insulating government administration from politicians and their patronage has been currently overshadowed by a new worry about protecting government programs from *bureaucrats*--that is, from government itself. The power of government's over-centralized bureaucracies, in this view, derives from their inaccessibility to user-citizens, together with the political strength of public-sector workers, and sheer inertia. Programs that are decentralized and demand-driven, it is argued, help get government out from under these bureaucracies. The more sophisticated arguments for decentralization actually acknowledge that politics may be no more benign in its effects on programs at the local than at the central level. But they view politics as more "tameable" at the local level, because user choice and involvement will now surround local politicians with pressures to act in the public interest.

Aside from the fact that this view may be just as incomplete as the one it replaced, the findings reported in this paper do not seem provide strong affirmation for it, at least in the case of SFs. Getting away from bureaucrats in this particular way may amount to a leap from the frying pan into the fire. It really all depends on the circumstances. But these are not particularly promising in many backward regions.

VII - Conclusion

By the donors' own accounts, Social Funds do not live up to the faith placed in them. They have not contributed significantly to the reduction of unemployment and poverty, and they tend to work better for communities or persons who are less poor. Their track record as a model of service delivery is, at best, mixed: sustainability seems low, and project choices and designs are often decided not by communities but by private firms, politicians, or SF staffs. Some of the SFs' very strengths, moreover, seem to be the source of their weaknesses.

On the one hand, SFs are said to carry out myriad small projects in rural areas with record speed and at lower costs compared to the traditional public sector; on the other hand, they show clear signs of unsustainability--all the way from a lack of maintenance and operational support at the local level to the absence of significant budgetary support from the countries where they operate, making them highly dependent on outside donors. SFs, moreover, are praised for their autonomy from line ministries and from other entanglements, like procurement and civil-service regulations; this same autonomy, however, also makes the SFs more vulnerable to mismanagement and more accessible to political manipulation, often in a way that undermines their goals. Similarly, the same accounts that laud the more flexible and speedy disbursement of SFs also point disapprovingly to these traits as causing SF-served communities to be deprived of choice, information about options, and time to deliberate. Many of these problems are not peculiar to SFs, and are indeed quite familiar from evaluations of traditional government programs. This might suggest that the SFs' shortcomings are not that damning, except for the fact that SFs are claimed to represent a significant improvement upon these programs.

As with the arguments for decentralization and partial privatization in general, the SF model is said to bring in new agents in a way that traditional programs do not: private firms and nonprofit organizations (NGOs) will help to reduce government's monopoly power as provider, an important source of its inefficiency; and the ensuing competition among potential providers will produce results that are more responsive to consumer needs and preferences, and more tailored to local conditions. Surprisingly, the considerable empirical research on SFs has not looked into the veracity of these claims; our case studies were not encouraging on this count, revealing private providers to be as standardizing and insensitive to user needs or local conditions as is considered to be typical of the *public* sector--though for different reasons. With respect to NGOs, moreover, the same SF evaluations that assert the greater flexibility and commitment to the poor of NGOs, found them to have had little presence on the SF scene; when they were present, their projects were among the least sustainable, and often suffered from no less incompetence and politicization than did programs of the public sector.

In itself, this mixed bag of results might not be sufficient to discard SFs as an approach to reforming government. But it casts serious doubt on the claim that SFs do *better* than efforts to reform existing government agencies. And it raises questions as to why more attention and resources are not devoted to reforming existing government in these particular sectors.

Contrary to the narratives of the donors, many SFs are actually *supply*-driven rather than demand-driven--exactly the critique that is made of traditional government provision. Because the "choices" of the communities are often not actually made by them, the lack of sustainability and ownership of the projects comes as no surprise. If there is a contrast between SFs and traditional government programs, then, it seems to lie not in bringing user preferences into the picture but in substituting a new cast of "supply-driving" characters for the traditional bureaucrats of faraway agencies: building contractors, equipment suppliers, and project-design firms; political personages (mayors, legislators, ward bosses); and even government technical agents themselves--this time from the SF, a new or newly-empowered unit in central government. It is not clear whether, and under what circumstances, this is good or bad. It remains difficult to answer this question, however, as long as SFs continue to be described, inaccurately, as participatory or demand-driven.

Some of the afflictions of SFs originate in "asymmetries" of information and power, so important in the literature of the new institutional economics. Asymmetries of this nature can cause trouble in various kinds of contractual relationships--between buyers and sellers, service providers and users, central governments and local governments. If one side knows much more than the other and keeps that information to itself, the under-informed and less powerful party to the transaction does not fare well. The new institutional economists have warned that when these kinds of information asymmetries prevail, the usual assumptions about the benefits to be gained from decentralizing and partially privatizing do not hold. The World Bank's illustrious senior vice president and chief economist for development economics, a seminal figure in this literature, has himself pointed this out on various occasions.[142]

Unfortunately, SFs typically work in environments where asymmetries of information and power are significant--rural areas and poor communities. Population densities are lower, illiteracy is higher, and travel and other means of communication are more difficult; government is also less present, either as provider or as regulator, partly because monitoring is more difficult and costly under such conditions. This suggests that the SF model might actually work *least* well in such environments, not better. As an indicator of this problem, many of the remedies suggested by the donor evaluations to fix SF shortcomings would, if taken seriously, require a significant increase of SIF presence in the countryside--in terms of time, personnel, resources, and effort. But this would also move SFs back in a supply-driven direction, more like the traditional government agencies from which they are supposed to differ. Such a change would also compromise one of the SFs' most acclaimed "strengths"--their lean profile and low administrative costs.

Those who worry about asymmetries of information and power often assign to government the role of correcting or counter-balancing them--as regulator, mediator, or broker for the weaker party to the contract and provider to him of information. This is exactly what SF units are meant to do; and SF project design, or monitoring recommendations, often call for strong public information campaigns about the new choices available to communities, and the procedures for taking advantage of them. Our cases, however, revealed information and community choice to be surprisingly low in assisted communities, despite the presence of information campaigns in each project and the serious monitoring attention paid to the issue by the donor. In trying to understand this strange outcome, we found that there was something about the SF model itself, when brought together with political, market, and bureaucratic forces present in typical SF environments, that reinforces the asymmetry of information, inadvertently, rather than reducing it.

Three separate sets of actors turn out to have an interest, strangely enough, in *limiting* information rather than broadcasting it--elected leaders and other politicians, SF management and staffs, and firms. Their behavior, in doing so, is not necessarily a matter of rent-seeking or other forms of mean-spiritedness. Just as often, and perhaps more relevant, these actors are doing what they think is right--maximizing profits, making the best of a situation bounded by various constraints, or enacting a particular vision of the public good.

On the political side, informing citizens that they have universal access to a program as long as they follow the rules, and a right to choose what they want, deprives elected leaders of a rich political resource. As in all such distributive programs, and as studies of SF expenditures and voting show, SFs' myriad small projects provide the political wherewithal to reward loyal constituents, to court those who are on the fence, or to withhold from the opposition. Only the strongest of managers can resist the will of a president or a governor in this matter--and, even then, only for a period of time, as the Bolivian, Peruvian, and Ceará cases show. At the same time, to widely disseminate information about the availability of funding for projects creates the possibility of "excess demand" for them, and angry queries from constituents and loyal voters or party faithful about what has happened. This combination of political costs and patronage opportunities inherent in SFs lead to an attempt to shape and control choice, rather than to let it run free.

For quite different reasons, excess demand is also a serious problem for SF managers and staff. Aside from trying to manage the political pressures to disburse, they struggle to keep the potential flood of project proposals within manageable proportions. This demand-management problem is not peculiar to SFs; indeed, it characterizes most programs that promise universal access to all who qualify--like social welfare services, public education, and police services. Limiting choice and information is an important way to keep excess demand from materializing, and of coping with it when it does.

With respect to firms, providing information to communities about their options for choice conflicts with their attempts to reduce costs and be efficient in other ways. To achieve these efficiencies, firms pursue economies of scale, standardize project design, specialize in one project type, minimize the time spent consulting with communities, and work mainly in the communities closest to them. These perfectly rational market behaviors all lead inexorably to firms' limiting the information they provide to communities and, hence, to limiting of their choice; the same dynamic reduces firms' flexibility and responsiveness to user preferences and local conditions, rather than increasing them. This is just the opposite of what is expected to occur under decentralization and partial privatization. In this sense, these firms' strategies lead to results that are more similar to, than different from, traditional government behavior: they are overly standardized and inflexible, are not tailored to local conditions and needs, and do not have the user's interests at heart.

The difference between our judgments about SFs and those of the donors has less to do with empirical findings--since much of our evidence comes from the donor evaluations themselves--than with the interpretation of the problems. Granted, the donors seem to take the flaws they uncover in their SF evaluations seriously; but they also assume that these problems can be readily fixed. We, in contrast, see these findings as meriting greater pause. The basic problem is that SFs cannot be judged to be a desirable approach if it turns out that informed community choice, sustainability, and reduction of inequities of service provision are incompatible with their most marked achievements. If the SFs consistently have problems in these areas, then they are really not that much better than existing approaches to reforming traditional agencies.

In itself, the finding of incompatibility between basic goals or instruments within the same program is not unusual. For years, scholars of the behavior of organizations have shown that they have goals that are often conflicting, and that this mix of conflicting goals serves various organizational purposes and constituencies. Treatises on effective organizational leadership, in turn, show how the best agency directors manage these contradictions skillfully, and in a way that presents a unified face to the outside world. It is not the incompatibilities themselves, then, that are cause for concern.

Rather, it is the way in which the habit of not acknowledging them keeps the donor community from understanding what is actually happening, at least as revealed in its public documents.

At their best, SFs may represent a "deconcentrated" version of *supply*-driven service provision that results in the construction of small infrastructure projects in quicker, lower-cost ways. (Keep in mind, nevertheless, that these projects seem to do no better in generating maintenance and operational support than those of the traditional agencies.) Or, SFs may show the way for the traditional public sector on how to simplify procurement regulations. (The SF evaluation studies report, however, that such a demonstration effect has yet to be documented, whether in this or other areas.) Or, SFs may do well only in certain kinds of communities (for example, better-off, better organized, less remote); or only with certain kinds of activities (for example, more standardizable, like schools and clinics). To arrive at these more measured judgments could pave the way toward substantial learning from the SF experience. It should be kept in mind, however, that the caveats within the parentheses above are serious ones. They do not really justify the canonization of SFs as the late-20th-century solution to serving poor communities in rural areas.

Trimming down to size the expectations about SFs is not to suggest that traditional supply-driven agencies are necessarily better. Rather, if SF experiences *and* those of the traditional line agencies could be looked at with a more open and curious mind, it is quite possible that more constructive lessons could be drawn from both. For example, with respect to the SFs' reported achievements in rapid disbursement rates and lower unit costs, they may represent such significant progress in service delivery that it is well worth continuing to work in this vein; it would have to be understood, nevertheless, that this mode of operation may not be compatible with participation, locally-tailored solutions, or sustainability. By the same token, it is important to attempt to shift the focus of attention to the reform of existing agencies and programs in a way that causes *them* to reduce their costs and delays.

These are the ways in which the SF experience can provide some help, but only if SFs are no longer portrayed as fulfilling, "more or less," the qualifications of a good decentralized, partially privatized, and demand-driven program. Not admitting to the extent to which SF shortcoming compromise the validity of the model itself makes it difficult to discover exactly what SFs have accomplished (and not accomplished), and how the lessons learned from the experience might be applied to more traditional government departments.

This case study, together with the findings of the SF evaluations and the political-science literature, suggests a particular set of questions that should now be raised about SFs, as well as other decentralization reforms. Namely, if SFs and traditional public programs *both* tend to be supply-driven, then which produces the better results in terms of service delivery and the public good? What are the circumstances, moreover, under which more decentralized and partially privatized provision actually *does* produce better results, even when it *is* supply-driven?

Correspondingly, what are the circumstances under which firms as providers of public goods and services are, contrary to the usual assumptions, *not* likely to be responsive to user needs nor particularly user-friendly--not likely to coexist well, that is, with user choice and participatory processes? This review and the Brazilian case studies suggest that the answer to these questions will vary with the nature of the task, the particular environment, the time period, and various other aspects of "context." Admitting to this kind of indeterminacy--namely, "it all depends"--does not constitute a reassuring brief for SFs as a desirable model of service delivery.

It is difficult to elicit any interest in the questions posed above if one starts out by assuming that programs with demand-driven designs actually *are* demand driven, that demand-driven is better than supply driven, and that private and decentralized provision is always more compatible with user choice. The stubborn persistence of these assumptions may explain, in fact, the strange absence of simple empirical research on some of the questions posed above, despite the outpouring of evaluation studies on SFs. Instead of holding these assumptions to be self evident, turning them into research questions could generate considerable empirical material of value about how markets work under partial privatization, how communities decide, and how politics influences outcomes--whether for the better or for the worse.

In closing, we return to the question posed at the beginning of this paper. If SFs do not measure up to the broadly-held understanding of how they work and what they accomplish, then why are they so popular? Similarly, if SFs have some of the same problems that afflict existing government agencies, or do not constitute a sustainable solution to these problems, then why have they elicited more good feelings and attention among donors than efforts to reform traditional agencies working on similar problems? The answer to these questions can now be easily drawn from the evidence and analysis presented in this paper, as complemented by conversations with staff members of the major donors.

The reason for SF popularity relates not only to the acclaimed features of the model, but to the workings of the donors as large organizations. In this sense, the popularity is supply-driven. For perfectly understandable reasons, many donor professionals like working more with SF projects than with traditional agencies. (Others do not.) The newness and greater autonomy of SFs liberates these professionals' interactions somewhat from the infuriating slowness and byzantine procedures of traditional bureaucracy. This makes it possible to see things getting done more quickly and hence easier to design such projects, as well as monitor them. Precisely because the more disentangled agency has far fewer masters to serve on the home front, in turn, the SF agency will be more accessible and perhaps even more amenable to the suggestions of the donor; its association with an international donor is one of its few sources of strength, given a certain isolation endowed by its special autonomy from the world of local bureaucratic politics. In the case of the World Bank, these effects are enhanced by the suspension of "conditionality" requirements on SF projects, as noted by the World Bank evaluation, which helps the projects to have smoother going than they otherwise might inside that organization. All these factors contribute not only to the more rapid disbursement of SFs, but they provide a greater sense of control and accomplishment to donor project officers, often making their work more satisfying than that with line agencies. As more autonomous entities, the SFs are not new in inspiring this kind of enthusiasm. In this sense, they are reminiscent of the great enthusiasm of the large donors in the 1960s for the new semi-autonomous state enterprises or parastatals in the 1960s, particularly in the infrastructure sector--and also of the later enthusiasm for integrated rural and urban development projects in the 1980s, with their newly-created semi-autonomous project-management units or agencies. The autonomy granted to state enterprises in the 1960s is now viewed as a mistake not to be repeated, and the remedy of the day is privatization. Given that state enterprises carried out activities for which income could be generated from users, the lesson learned from that experience is perhaps not directly relevant to SFs, except in some looser sense that SFs do not have to rely on local taxing authority for their financial sustenance, just as parastatals could fall back on central-government subsidies.

Closer to SFs in character and in time are the semi-autonomous units or agencies created for the donors' integrated development projects, so popular in the 1980s. By the end of the 1980s, the donors and the development literature were roundly condemning these projects and promising not to make this kind of mistake again--namely, the creation of a project agency or unit with special autonomy, including higher salaries and liberty to operate outside other government regulations. (These critiques also focused on the excessive bureaucratic complexity involved in relying on contributions from so many different line agencies.) The problems leading to the rejection of integrated projects were actually quite similar to some of those found in the SFs, as laid out in this paper and taken from the donor evaluations themselves: the resentment among line agencies and professionals working there over the higher salaries and other liberties of SFs, the resistance of these agencies to cooperate in providing the necessary support for maintenance and operations, and the lack of sustainability and ownership by government of the new units or agencies once donor support ended. If donors were slapping their own hands about the pitfalls of independent units created solely for their programs in the 1980s, what is different about SFs or the 1990s that would reverse this judgment?

Another piece of the supply-driven dynamic that makes SFs popular relates to a kind of self-reinforcing interaction between donors and host governments. Because donors are partial to SFs with their free-standing units, as the IDB evaluation notes, governments tend to favor creating them as a way of getting international financing. Similarly, donors have invested considerable effort in creating and supporting a network of SF professionals from various countries, with funding for them to travel to international meetings in which they share their experiences and learn about best practices in other SFs. This networking and outside exposure must surely contribute to learning and increased morale for the group of professionals who become part of this international network and, in this sense, may well improve the performance of SFs. At the same time, this kind of support for networking is often not available to those trying to carry out reform in line agencies, which is at least as difficult and isolating a task as the work of SF professionals. More relevant to the question about SFs' popularity, strong donor support for SF professionals to travel and mingle internationally has led to the formation, not surprisingly, of an articulate and visible support group for SFs among host countries themselves. Although seeming to be a kind of "demand-driven" support from host countries, it is actually supply-driven in that it comes from a particularly favored group of government professionals. This does not mean that it is not valid, but simply that it does not say in anything in particular about SF performance.

SFs are also popular because of their integral role in helping donors to sell austerity reforms to reluctant member countries, and in counteracting the public criticism that such measures fall disproportionately on the poor. SFs are seen as neatly compensating for this problem. (This despite the fact that donor evaluations have found SF impacts on such problems to be insignificant.) The perceived role of SFs in easing the adoption of macro austerity packages brings to them at least tacit support from a group with an influential voice in the development world--the macro economists in international financial institutions who worry about getting countries to adopt such reforms.

SFs are popular among presidents of countries, in turn, because they help these actors out of the political dilemma created by austerity programs and other unpopular macro reform measures. This help works less through the impact of SFs on the poor, however, than through the use of SFs as a distributive program for courting voters--whether poor or not--to compensate for votes expected to be lost as a result of the reforms. While SFs are being portrayed by donors as refreshingly free of entanglement in typical bureaucracy, then, presidents or other elected officials are viewing this autonomy as a different kind of blessing: it offers less encumbered access than the programs of bureaucratized line agencies for timely use in distributing patronage for electoral purposes. Though SFs get away from traditional bureaucracy, then, they are also appealing in host countries because they provide a vehicle for traditional politics--albeit married to "modernizing" reforms.

The terms on which SFs are offered to countries also make them popular--grant financing to the community, and highly subsidized terms from the donor to the borrower. At the IDB, in addition, pressure to fund SFs is created by the regulation that funding for projects falling in this more subsidized category must be committed before funds can be committed for the more typical projects financed with less subsidized terms. This requirement also turns those who otherwise might have no interest in SFs into their advocates.

The most compelling reason for SF popularity may actually lie elsewhere--namely, in their effectiveness as a powerful "development narrative," to use the words of Emery Roe, who wrote the passage with which this paper started. In environments characterized by considerable ambiguity as to cause and effect, and low predictability, such narratives offer convincing and simple explanations for the causes of certain problems, and appealingly straightforward blueprints for action. Because of their power as narratives, Roe argues, they are quite hardy in their ability to survive the results of empirical work that challenges their accuracy. This is because they surround a problem that seems otherwise difficult to understand and act upon with boundaries, certainty, and simplicity.

Roe develops three examples of such narratives and contrasts them with extensive empirical findings to the contrary in the case of Africa: the tragedy of the commons, the idea that the lack of secure and privately-held land title holds back farmers from investing in increased productivity, and the concept that the integration of economic activities (like livestock management in his study) in larger systems requires that interventions also be integrated. In each of these cases, he shows how remarkably resistant these narratives were to evidence contradicting them or the blueprints for action that followed from their logic. Indeed, he chides academics and consultants like himself for naively thinking that carefully gathered empirical evidence could have anywhere near the kind of power that such development narratives have in influencing the thinking and action of institutions grappling with these problems. SFs, actually, would seem to qualify for this position of a highly successful development narrative, with its corresponding blueprint for action. This more than anything else may explain why donors remain so enthusiastic about SFs despite the questionable evidence that they themselves have unearthed.

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Endnotes

I - Introduction

1. WB (1997a:5).

2. Not all SFs are explicitly demand-driven. A recent World-Bank review reported that between 10% and 40% of the SFs use demand-driven mechanisms (WB 1997a:24). The narratives about SFs and their strengths nevertheless often describe them as "participatory," if not demand-driven.

3. IDB (1997a:71), and WB (1997a:vi).

4. Notes 82-84 of Section III, and surrounding text, describe this research.

II - Social Funds: The Acclaim and the Paradox

5. WB data for end-fiscal-year 1996 (WB 1997a:vi; IDB data reported in March 1997 in IDB (1997a:10, Table 2.1).

6. Nora Lustig (1995, 1997) quite persuasively contests this statement, which has been frequently repeated in donor documents. With respect to the Latin American SFs, at least, she shows that donor-funded SF projects were actually under way clearly before the structural adjustment programs began to show any hint of adverse effects on the poor.

7. [cites].

8. The bad rap acquired by standardization in the hands of government actually goes well beyond the mainstream development community. It is the centerpiece of a recent historical analysis of the ills of government by the political scientist James Scott (1998). Scott points to the inevitable "need" to standardize as *the* central root of government's mistreatment of citizens throughout history. In so doing, of course, he goes substantially beyond the donors' critiques of developing-country governments. Indeed, Scott and others writing in this vein would probably even treat donor proposals about improving government through decentralization with equal skepticism. (Other studies that take a negative stance similar to Scott's with respect to government interventions in developing countries, including donor-assisted ones, have appeared in development anthropology, particularly but not exclusively among the post-modern anthropologists.)

9. Lustig (1995, 1997); Stewart & van der Geest (1995).

10. (1) ***Portfolio Improvement Program Review of the Social Funds Portfolio*** (WB 1997a; see also WB (1998, by Wiens & Guadagni); and WB (1998, edited by Bigio *et al.*); (2) ***Social Investment Funds in Latin America: Past Performance and Future Role*** (IDB 1997a, 1997b;

see also IDB (1998); (3) a chapter on SFs in ***Safety Net Programs and Poverty Reduction: Lessons from Cross-Country Experience*** (WB 1997b); and (4) a review for UNICEF by Sanjay Reddy, ***Social Funds in Developing Countries: Recent Experiences and Lessons*** (UNICEF 1998). All four studies, together with a more recent one on three SFs in Latin America (WB 1998), are thoughtful and candid attempts to review the SF experience. To the extent that half of the Latin American SFs are funded by both the WB and the IDB (9 out of 18), there is a significant overlap in the experience on which they both report.

11. IDB (1997a:71). Lustig reports that even the most well-known, older, and highly-praised Latin American SF, the Bolivian Social Emergency Fund (starting in 1986), employed roughly only 6-8% of workers in the two lowest income deciles. The Honduran Fund employed only 7% of the unemployed (1990-1995), the Peruvian fund, 2.7% (1991-1995), and the El Salvador fund, 2.5% (starting in 1990). (For the Guatemalan fund, no data on employment generation were even gathered.) Data are from Lustig (1997:4-5), citing as sources the WB (1997a) for Bolivia; and IDB-funded studies by Cisneros (1996) for El Salvador and Guatemala, and Moncada (1996) for Honduras.

12. IDB (1997a:71[?]). In a study of the employment-creating works programs in various developing countries funded out of United States agricultural surpluses (Food for Work), Thomas (1986:26) reports an average 52 percent of total expenditures on labor, with a maximum of 77 percent; von Braun *et al*. (1992) stipulate at least 60 percent for labor expenditures as desirable for African programs. Studies of the Maharashtra Employment Guarantee Scheme in India (Costa 1978; D'Silva 1983) show how labor intensity varies with the kind of project--water projects using the largest percentage (80%) and road projects the lowest (55%). More recently, the Maharashtra Scheme has required that at least 60 percent of total costs be spent on unskilled labor (Deolalikar and Gaiha 1996).

13. IDB (1997a:22, 71). The WB found similar results in Honduras (Webb *et al.* 1995). The evaluators also note that estimates of SF job creation are often overestimated, because of the large amount of temporary employment that usually lasts only a few months (p. 22).

14. In reporting these findings, Stewart & van der Geest (1995), note that these unimpressive outcomes for benefits are partly a result of the fact that governments in SF countries committed more resources to these non-donor-funded programs than they did to the SFs. But even if SF countries had committed more resources, they claim that their calculations show that the SFs would still have reached only a smaller share of the unemployed in the lower deciles because of their greater difficulty in targeting (p. 126).

15. IDB (1997a:22-23).

16. IDB (1997a:22-23).

17. As reported by WB (1997a:18, WB 1998:xv), IDB (1997a:), Lustig (1995, 1997) IDB (1997a:), and Stewart & van der Geest (1995:). In its study of four countries with SFs (Bolivia,

Egypt, Sri Lanka, and Zambia), the WB study found that "the higher poverty headcount index of the province, the lower was the actual per capita Social Fund expenditure it received; or the actual expenditures lagged behind allocations in the areas with the highest poverty index while they far exceeded allocations in areas with low poverty indices" (WB 1997b, as cited in WB 1997a:18).

For the 1990-92 period with respect to Mexico's PRONASOL, Cornelius *et al.* (1994) report that middle-income states received more funds per-capita than poor states (as measured in terms of indices of poverty and underdevelopment) (1994:22-3). Graham (1994) reports that, more generally, none of the poverty-alleviation programs in Latin America, Africa, or Europe have been particularly successful in targeting the poorest members of the population. The IDB study points out that even after its own calculations, it is very difficult to determine targeting from the data, which does not distinguish between rich and poor within municipalities or higher-level administrative units from which the data are drawn.

Some of the studies show that whereas the SFs did not reach the poor*est* communities, they often reached communities that were poor but not among the rich. The IDB study found that the poorest-decile municipalities received less than the others, but that the non-poorest poor received more than the best-off. A study of the Peruvian SF FONCODES (Schady 1998) found that poorer communities actually get *more* SF funding per-capita.

These mixed and sometimes even conflicting results have to do in part with inadequacies of the data, commented on by most authors of these studies; they also relate to the different politics at particular moments in different countries (for further discussion, see Section VI.2).

18. Lustig (1997:5) citing WB (1997b).

19. WB (1997b:); IDB (1997a:). Based on studies of the Bolivian and Honduran SFs, Stewart & van der Geest (1995) reported that poorer communities present fewer proposals for funding than richer communities (p. 128). Herring (1983) and Gaiha (1998) found the same kinds of results in similarly-targeted and deconcentrated programs in India.

20. In a review of the Latin American SFs, Lustig (1995:31) noted that they "compare unfavorably" with these programs (she is considering only the direct-transfer aspects of SFs in the comparison). Lustig, a researcher at the Brookings Institution at the time of her study, drew on various SF evaluation studies by the donors.

21. IDB (1997a:22-23).

22. The IDB review of SFs found that, for all but one of the countries (Peru), it was not possible to determine the extent to which those employed by SFs were poor. (In Peru, an unrelated survey from the ongoing WB Living Standards Measurement Project had included a question about employment in the SF; 36% of the jobs went to the extremely poor, and 57% to the poor [IDB 1997a:32]).

23. IDB (1997a:15). The study notes that baseline data are not available for employment and income in the regions served by SFs, making the estimate of changes in poverty and income not possible. Data have been collected in several cases, however, on the employment and income generated by the projects themselves, their benefits, and surveys of project beneficiaries.

24. WB (1998:xvi, edited by Wiens & Guadagni). The WB text uses the acroynm "DRIFs" rather than SFs; DRIFs are a sub-species of SFs called "Demand Driven Investment Funds" that, according to this classification, support mainly productive infrastructure and natural resource management. The study reports on three DRIFs in Latin America--in Mexico, Colombia, and Brazil--the latter being the same program we looked at in the research reported on below. As noted later, the Brazil SFs/DRIFs do not seem to fit this particular description.

25. IDB (1997a:71).

26. Lustig (1997:2-4, and 1995). Stewart & van der Geest (1995) arrive at similar conclusions, in a study including African as well as Latin American countries.

27. IDB (1997a). The citation (p. 16) comes from a December 1996 version of this report, as cited in WB (1997a:47).

28. WB (1997a:47).

29. These arguments can be found in various donor documents. See, in particular, WB (1997b:93-116); WB (1997a).

30. IDB (1997a:64, 72); the quotation in the following sentence is from p. 4.

31. WB (1997a:47).

32. Lustig (1997 [1995]?).

33. Stewart & van der Geest (1995:).

34. Angell & Graham (1995:202-3).

35. The evidence on quick disbursement is actually somewhat mixed, as reported by Stewart & van der Geest (1995), the WB study of three social funds in Latin America (1998:xvii), and in the complaints of project-agency managers about the way community decisionmaking "slows down" the rate of disbursement. The WB report attributes the slow disbursement to delays by the central government in providing counterpart funding to the projects. Stewart & van der Geest (1995) attribute the problem to the demand-driven structure itself, which results in a time-consuming process of community- and municipal-level organizing and decisionmaking. They also point to the concern of project agencies about "clientelism" and political meddling in project selection and location, which causes agency managers to impose criteria and requirements that slow things down. Their concern about reducing delay is at odds with the WB study (1997a) that

suggests that *more* time and attention be paid to imposing project criteria that assure better participation and inclusion of the poor.

36. For example, WB (1997b:104) reports savings of 30-40% in school construction in Mexico's SF, PRONASOL; and savings of up to 35% in Mexico's Mendoza Provincial Program for Basic Social Infrastructure (MENPROSF). (PRONASOL is one of the SFs initiated without donor assistance--though it has subsequently received donor funding--and to which the Mexican government has committed more funds than all of the Latin American SFs combined.) Some SFs, it should be pointed out, do not include their own overheads in reporting unit costs; for Peru, see Schady (1998:5).

The World Bank itself also spends less on SFs for project-preparation and supervision than on other projects run through existing ministries or agencies in education and health, economic infrastructure, and for targeted or participatory poverty projects. The cost of WB input into the SF projects varied from 39% to 85% of equivalent costs for comparator projects (WB [1997a:42-43, and Table 6]). These lower costs, however, are not related to the SF model in itself, but to the fact that the World Bank does not make disbursements on SF loans contingent on "policy conditionality," which can slow down disbursements on these other projects substantially (WB [1997a:42, and note 55]).

37. WB (1997b:105-6[?]).

38. The evaluators also pointed to the inability to truly compare the demand-driven SFs to other programs, due to the lack or poor quality of the data, the classic apples-and-oranges problem of such a comparison, and the limitations of their data and methodology. The sample size was small (ranging from 8 to 69); they did not compare SFs to non-Bank-funded programs (as Stewart & van der Geest [1995] did); and they were not able to separate out, on the SF side, the sectoral piece of the SF program that corresponded to the comparator project in a functional ministry--health, education, water, roads, etc. (They also did not rank the kinds of impacts of unemployment and poverty reported above.) WB (1997a).

39. IDB (1997a:68). The study notes that this is because of the reliance on ex-post beneficiary questionnaires for these evaluations, and the lack of ex-ante data. The report does mention, however, that the impact evaluations are a valuable source of information on whether projects are operating, and whether selection and construction were satisfactory.

40. IDB (1997a:6, 46, 73). The evaluators attributed this finding to the "inflexibility" of the donors, and their "rules and limitations," which inhibited the ability of local officials to experiment with innovative solutions. One interesting example of this donor "inflexibility" related to the use of private contractors for works projects. In trying to serve the poverty-reducing goals of the SFs, donors typically emphasized works projects that trained and employed local people. This stiuplation faced the resistance or non-compliance of private contractors, who usually preferred bringing in their own workers from outside, particularly for skilled work, and complained that this would compromise their efficiency. In focus-group meetings convened by

the IDB, interestingly, mayors and community representatives expressed more concern about project quality than local employment, and therefore preferred that contractors use their own skilled labor. With respect to "inflexibility," then, the IDB evaluators were making the same critique of the donors that the latter had been making of line ministries.

41. WB (1997a:47).

42. WB (1997a:47, note 59).

43. In Bolivia, a municipal development bank (FNDR) financed water and sanitation systems through lending, while the SF financed these same investments on a grant basis. In Senegal, a Municipal and Housing Development project provided credit through a Municipal Credit Fund for financing income-generating projects; at the same time, these municipalities could receive free funding from the SF (an AGETIP) for roadbuilding. WB (1997a:32, note 34).

44. IDB (1997a:44-45).

45. IDB (1997a:72). The following three quotations in this paragraph are from the same source, on pages 44-5, 72, and 72, respectively.

46. SFs and other social safety-net programs really "leave untouched the problems of the mainline services....[and]...evade the more difficult challenges of institutional reform," because they operate outside mainline ministries, use "flexible" procedures avoiding existing problematic regulations for civil servants and for procurement, and resort to nongovernment organizations at the local level (Nelson 1997:5). These modes of operation, of course, are also supposed to be the source of SF strength.

Nelson also mentions the explicitly temporary nature of the funds (albeit now no longer the case); and the fact that some of the programs are "used as the direct instruments of particular political leaders or parties" (she cites Peru's FONCODES and Mexico's PRONASOL as examples--though Mexico, "less clearly" so).

Similarly with respect to the Latin American SFs, Angell & Graham reported that they "diverted resources (both human and physical) and shifted public attention away from problems in the line ministries," thus making more difficult the process of reforming these ministries (1995:202-203).

47. The WB review of African and Latin American projects reported concerns about sustainability, particularly with respect to the economic infrastructure and microfinance components of such projects, noting that such concerns had "been raised in other reviews as well" (WB 1997a:vii, 15-16, including footnote 9). Another WB study (1998:xvii-xviii, 46) found that none of the three Latin American projects (DRIFs/Demand-Driven Rural Investment Funds) it reviewed "performed particularly well in achieving" sustainability, and that "information from local or partial surveys suggests that a high proportion of subprojects may not be sustainable." A WB appraisal report for a Senegal SF/AGETIP noted that the "sustainability

of many AGETIP investments is uncertain," due to a lack of ownership and participation in the project identification and preparation phase and in the post-project operations and maintenance phase (WB Senegal PAR Public Works and Employment Project, 1996 draft, page 2 notes, as cited in WB [1997a:15:note 9]).

The IDB came to similar conclusions (1997a:35-41), and an earlier 1994 IDB study cautioned that "[s]ustainability remains a potentially serious problem..." (Glaessner, Lee, Sant'Anna, de St. Antoine, "Poverty Alleviation and Social Investment Funds: The Latin American Experience," p. 22, as cited in WB [1997a:15]).

One exception came from a 1990 survey of the Bolivian SF, which showed 95% of the social infrastructure projects still operating, and 80% of the social assistance projects. The survey was conducted, however, only one to two years after project completion (IDB 1997a:41). The survey also concluded that the projects mostly likely to be sustained were those where users participated most actively, where the requesting agency had had previous experience operating this type of project, and where the requesting agency had a stable source of financing for recurrent costs.

48. WB (1997a:31).

49. Eighty percent of the project descriptions did not mention sustainability, nor concern themselves with its three key components: (1) evidence of demand (range of options offered, information made available, evidence of commitment through contribution in cash or kind); (2) appropriateness of technical standards; and (3) soundness of arrangements for operations and maintenance (funding, and training)(WB 1997a:30).

50. WB (1997a:30-31).

51. WB (1997a:15-16, and note 9). The WB evaluators reinforce their concerns about sustainability with citations from their sister SF-financing institution, the IDB, and from other reviewers within the WB itself. They also question whether SF designers and managers even thought about project designs and technical standards that would be more likely to elicit user maintenance and financing for recurrent costs. They point out, it should be noted, that their findings relate more to "likely," as opposed to actual, sustainability, because only a limited number of the individual country evaluations it drew on involved SF projects with long-term objectives (p. 4).

52. WB (1997a:).

53. See, for example, World Bank Honduras PAR Report No. 13839-HO, 1994, para. 4.15, as cited in IDB (1997a:15-16, note 9).

54. IDB (1997a:74). In Latin America, out of 16 countries and 17 SFs (Guatemala has two), Chile's FOSIS has the lowest level of external financing--11%. The next lowest are Guatemala's FONAPAZ (12%), and Colombia's RED SOLIDARIDAD (20%). (The IDB evaluators, as noted

above, ranked these three as the most successful in terms of innovative practices.) For the rest, external financing ranges from 58% to 94%, with only three countries being lower than 80% (albeit higher than 60%)--Peru, Uruguay, and Venezuela (IDB 1997a:10, T. 2.1). The Mexican SF, PRONASOL, is also one of the SFs most "owned" by its government: it was also initiated by the Mexican government without donor funding, and is one of the largest in terms of absolute resources, share of the budget, and coverage (Cornelius *et al.* 1994:14). It does not appear in this particular table of the IDB because it is currently not receiving donor funding, though it has in the past.

55. IDB (1997a:64, 74).

56. The studies report little of this problematic nature with respect to the new role of private firms, though this may be due to a simple lack of attention to the matter.

57. IDB (1997a:39). In many communities, the report said, NGOs are not that active. In addition, NGOs tended to specialize more in training and community development programs than in managing the construction projects that constitute an important activity of many SFs. In the SFs where NGOs played a greater role, then, it was because the program did not focus on building infrastructure (like Chile's FOSIS). Other exceptions were cases in which the government was "institutionally extremely weak" to the point that NGOs had more capacity to generate projects than government (Haiti) and, in general, because the SF was formally required to use them. The usual tension that exists between NGOs and government also seemed to get in the way. The NGOs disliked being the mere executors of a "paternalistic" government program, and wanted to participate more in early phases of the project cycle. The SF managers and staff, presumably, were not anxious to do this.

58. UNICEF (1998:58).

59. According to a Project Completion Report cited in WB (1997b:107). The projects were in health and education, and the study was conducted one to two years after completion. This same finding was cited in IDB (1997a:41). Lower performers on the "sustainability" measure also included projects requested by regional government institutions as *vs.* central-government institutions.

60. WB (1997b:101, 109).

61. IDB (1997a:38-39). The report suggested that microfinance components are "best administered by an existing agency as an apex institution..." because "[e]xperience shows that NGOs, generally, are not capable of providing the range of financial services required by the poor on a sustainable basis (particularly deposit services)" (p. 39).

62. WB (1997a:); IDB 1997a.

63. Stewart & van der Geest (1995).

64. IDB (1997a:15, 43). There may also be an inherent tendency for exacerbation of this problem in that the better-off communities that are successful in getting one project will come back for subsequent ones, and prepare them better; while communities that are turned down or have a difficult time will become discouraged and desist, a point made by Schady (1998:).

65. IDB (1997a:15).

66. Gershberg (1994:249-51).

67. WB (1997a:47). [IDB quote]

68. E.g., WB (1997a:vii, ix, 15).

69. IDB (1997a:x, also 72 [find page # of quotes).

70. World Bank Honduras PAR Report No. 13839-HO, 1994, para. 4.15, as cited in WB (1997a:15-16, note 9).

71. IDB (1997a:35-36).

72. IDB (1997aa:34, and 1997b:38-76, particularly pp. 46, 48, 73, 74). Also different, the Chilean government viewed FOSIS as a *permanent* program from the start (it was created during a time of high economic growth of 7% a year); this contrasts with the temporary status of the majority of Latin American SFs, and the origins of most SFs in "temporary" periods of low growth, high unemployment, and structural-adjustment or other crises

73. Angell & Graham (1995:203). They attribute this greater integration in Chile to the fact that FOSIS was integrated into the line ministries (like other new safety-net programs undertaken during the Pinochet government, particularly public employment programs) and hence "did not create a separate and competing bureaucratic layer...." Also, these sectors had been "historically relatively efficient and had provided widespread coverage."

74. IDB (1997aa:35-6).

75. WB (1997a:28, 34-5, executive summary); IDB (1997a:43). A similar finding was reported by Angell & Graham (1995), namely that SF project units were strongest in the area of health and education.

76. WB (1997a:35).

77. WB (1997a:28).

78. IDB (1997a:43), WB (1997a:28).

III - The Research: How Communities Decide

79. Tendler (1993a, 1993b).

80. [exceptions: Kottak, Song/van Zyl; Fox/Aranda, but municipal funds]

81. The Brazilian SFs started a few years later (late 1993) than those of at least some other countries; they were programs led by state governments in a backward region of a large country, rather than of national governments (albeit a federal rather than a unitary system, with the power of state governments making them somewhat like small or medium-sized countries); they were a transition from prior integrated rural development programs that had become discredited, and were therefore less a reaction to concerns about unemployment arising from programs of fiscal austerity and structural adjustment. Because of this history, they were administered not by a new agency but by a unit in the Department of Planning or Agriculture (Ceará) with responsibility for other programs (see note X below); or by the same agency that had administered the previous projects (Bahia, Pernambuco) and, through this experience, had gained considerable autonomy (Maranhão was an intermediate case.)

At the beginning, the Brazilian SFs circumvented municipal governments completely, working directly with communities, which made them unlike some SFs but similar to others. Soon, however, the WB project that funded these SFs created a parallel track that channeled part of its funds through municipal councils (FUMAC, as opposed to the community-directed PAC), which ranked the requests channeled up to them from communities. (For a recent description, see WB [1998].)

In the WB lexicon of SFs, the Brazilian projects are considered to be a subspecies called DRIFs (demand-driven rural investment funds). (WB [1997a and 1998] present a taxonomy of SFs used by the WB, and explain their differences.) DRIFs are said to be distinct from other SFs or SF-type projects in that they target rural areas and support mainly productive infrastructure and natural resources management (WB 1998:xi). The Brazilian SFs, though characterized as DRIFs in the three-country evaluation of Latin American DRIFs (WB 1998, including Brazil, Colombia, and Mexico), are actually rather different from this description in that natural-resource management is not a project category and some states funded physical as well as productive infrastructure.

82. The field research was funded mainly through two separate projects, one by the state government of Ceará (1995) and the other by the state of Maranhão (1996). (See also following two notes.) Two additional projects on related matters extended the period over which these programs could be observed. One was a prior project funded also by the state government of Ceará in the three summer months of 1992; it involved research into the evolution of various programs that came to work well. The other was a project posterior to the SF research, funded by the Brazilian Bank of the Northeast (Banco do Nordeste), a large regional development bank, over the two-year period 1997-1998; it involved research into various aspects of regional

development with the purpose of drawing out lessons for policy. Each of these projects involved Tendler's supervising 5-8 graduate students during the three U.S. summer months, and sometimes during the month of January.

Serrano participated in the second Ceará project (Serrano 1997), the Maranhão project (Serrano 1998), and the BNB project (Serrano 1999). In Ceará, he concentrated his field work in the *municípios* of Jucas, Iguatu, and Quixeló, and also interviewed project staff working in Baixio, Ico, and Lavras da Mangabeira, as well as in the capital city, Fortaleza. In Maranhão, working on a somewhat different topic, albeit also linked to the SF program, he interviewed in the *municípios* of Entroncamento, São Luis Gonzaga, Pedreiras, Pio XII, and Flores. (See also next note.)

None of the institutions named above is responsible for the opinions stated here, nor would they necessarily agree with them.

83. This involved a World-Bank-funded assessment of the Northeast programs headed by Octavio Damiani, in which Tendler was a consultant and Serrano a research assistant to Damiani. Tendler and Damiani spent two weeks in January 1996 visiting communities with SF-funded projects in the states of Bahia (*municípios* of Macaúbas, Paramirim, Rio das Contas, Planalto) and Maranhão (Grajaú, São Luis Gonzaga), in addition to interviewing management and staff in the project units in the capital cities of Salvador and Maranhão. This was part of a larger two-month period of fieldwork by Damiani, which also included other *municípios* in Bahia, and the states of Pernambuco, Ceará, Rio Grande do Norte, and Sergipe. (The findings of this evaluation are reported in Damiani [1996].) Serrano participated for one month, and visited in Pernambuco the *municípios* of Machados, Itapissuma, Caruaru, São Caetano, Arcoverde, Bonito, Paranatama, Afogados do Ingazeira, and Flores in Pernambuco; and in Bahia, Sapeacu, Gavião, Várzea do Poço, and Piritiba; he also interviewed officials in the capital cities of Recife and Salvador (this, in addition to those visited in Ceará, as listed in previous note.)

The World Bank is not responsible for the analysis reported here, and does not necessarily hold these opinions.

84. Such as understanding the existing informal structures within communities for dealing with water and water scarcity (planners were saying there were none)(Quirós 1996); analyzing a set of cases in which communities undertaking SF-funded projects had opted for collective tractors, and why they sometimes worked and sometimes did not (Hesse 1996); identifying *municípios* with effective rural labor unions, including in terms of their relating to SF projects, and analyzing why in these places and not in others (Pinhanez 1997); finding out which communities maintained their new SF-provided new water sources and which did not, and why (Steffes (1997). Other relevant papers resulting from these projects, in addition to Serrano's cited previously, were Natalicchio (1997), Tagle (1996), Morrison (1997), and Bianchi (1997 and 1998). See also the

preceding and following note.

85. The recent literature on cooperation and collective action has stressed the importance of repeated choices (or repeated "games") to the outcome of an attempt at collective action. Schady (1998) brings up this point in particular with respect to a study of the Peruvian SF (1998:). Seabright (1998) has a recent set of references on the subject, as well as an interesting discussion. In repeated games, people's behavior changes on subsequent "plays" as they become more experienced and, in particular, come to know whether they can trust the other players. In addition, a group's behavior in any particular "play" is highly influenced by their expectations about whether subsequent "games" will be played. This is particularly important with respect to SFs, because many communities do not trust that government will continue to come through with funding; this perception would seem to be enhanced by the fact that most of the SFs--like the Brazilian ones--have fixed-term funding of only four or five years from outside donors.

A careful study of repeat choices in SF-assisted communities would surely produce useful findings. We did not look into this subject because (1) the early stage of the project meant that many of the communities had only made their first choices when we interviewed them, though some were starting on their second projects; (2) these particular choice-making experiences, as will be seen from the text that follows, seemed not strictly comparable to the "cooperation" experience that is the focus of the repeated-games and collective-action literature; and (3) such an analysis would be quite a task in itself, since the outcome would vary considerably, based on the quality of the first experience. As Schady and Seabright themselves point out, even if people learn from a first experience and thus might be expected to do better the second time around, the first experience can lead just as much to *mis*trust and withdrawal, if it is bad, as to its opposite. Schady suggests, for example, that repeated choices offered to SF-eligible communities could logically have perverse income-distribution effects; this would happen if better-off communities would be perceived by the poorer ones as doing better at receiving projects on the first rounds of funding. This would stimulate more cooperation on subsequent rounds by the better-off communities, but less by the poorer ones. Though Schady's suggestion merely reveals the possibility of such an outcome. the repeated findings of the donor evaluations regarding better-off and better-organized communities receiving more SF funding suggests there may be some empirical evidence of such "perverse" outcomes; it also offers an interesting explanation.

We are grateful to Mick Moore for pointing out the relevance of the repeated-games issue to the SF story.

86. Since the Brazilian SFs, unlike many others, were not administered by newly-created or separate agencies, the term "project unit" is used here rather than "agency" to indicate an administering unit within an agency. In reality, the distinction is blurred, because in some agencies, the SF came to be the single most important activity--mostly because the donor-backed program amounted to significantly greater funding than the agency's other activities. In Ceará, home of the Iguatú region, the project unit was a department within the state Department of Planning--the Department of Special Programs (DEPES/Departamento de Programas Especiais); it had approximately 50 professionals, including the headquarters in Fortaleza and 12 regional

offices throughout the state. In the Itapipoca region, for example, one technician was in charge of 32 *municípios*.

87. Community requests for public telephone booths are common in Northeast Brazil, and are as just as commonly treated by government agencies as frivolous by government agencies on the grounds that they are "unproductive." The telephone booths, however, are often crucial to family income; they facilitate labor mobility in a region where circular and seasonal migration to better job opportunities elsewhere in Brazil contributes importantly to family income, to the flow of remittances for local investment back to the place of origin, and to the growth of small businesses. This is a case, then, where the critique of supply-driven choice may be particularly relevant: technicians trained and experienced in supplying rural infrastructure and production services, will look at stand-alone telephone booths as outside their scheme of priorities for the public good.

This does not suggest, however, that a *demand*-driven approach to providing such a service would have necessarily supplied a better outcome in this instance than a supply-driven approach. The Grameen Bank's recent initiative to supply credit for individuals renting out cellular phones in Bangladeshi villages with no phone services is a good example. Celebrated by National Public Radio in a broadcase in the fall of 1998, the initiative became remarkably popular in villages all over the country, charges to users were reasonable, and servicing of the facility was provided effectively by the centralized supplying organization. This was a clearly supply-driven scheme, though it was advanced by a visionary thinker with a sense of what communities wanted.

88. Damiani (1996) found the same phenomenon in several cases in Bahia, Pernambuco, and Rio Grande do Norte.

89. The introduction to a volume of various studies on Mexico's PRONASOL reports that the results vary significantly with the type of region, the type of community and of investment, the social characteristics of the community, the presence or absence of traditional collective organization, and the particular time period (what works well in one period does not in another)(Cornelius 1994:5).

IV - SFs Meet the Market

90. SIF project costs are usually subject to a low ceiling--in the Brazilian case, US$40,000, and later $50,000, meaning that design firms could earn up to $800 per project. The World Bank project agreement allowed firms to charge up to 8%, including technical assistance, but Ceará limited that charge to 2% (for design only).

91. Downsizing in the public sector helped to facilitate this response, especially with respect to the consulting and project design firms: several laid-off public-sector professionals--agronomists,

engineers, economists, architects--joined the design firms that took up the new work, or formed new ones for this very purpose.

92. A remarkably parallel sequence of events occurred in the states of Bahia and Maranhão in a much larger program of credit to small-producer associations (PROGER/Programa de Geração de Renda) managed by the Bank of the Northeast (Banco do Nordeste/BNB). BNB is a large regional development bank serving the nine states of Northeast Brazil and headquartered in the capital of Ceará, Fortaleza. Traditionally, the BNB had relied on semi-public agencies of agricultural and business extension (EMATERs and SEBRAEs) to prepare project proposals for credit for such associations. But following the new trend in public-sector outsourcing of part of its work, the BNB decided in 1994 to also encourage private consulting firms to prepare the credit proposals and projects for the producer associations. After four years of this particular outsourcing experience, the BNB became so dissatisfied with the performance of these firms--and their lack of commitment to the PROGER's objectives--that it put the project-design function back into the semi-public agencies (Serrano 1998:14).

93. IDB (1997a:41, 43).

94. This common bias, interestingly, had to do with the shared professional backgrounds and experience of the staff and managers of the firms and government agency in the agricultural sector; adding to the similarity of these specialist preferences was the fact that on both sides of the public-private divide, these professionals occupied a world in which they moved back and forth between the private and public sectors. In the current period of downsizing, in fact, many of the firms that sprung up or expanded in response to the new program's demand for project design were run or staffed by public-sector professionals who had been laid off or taken offers of early retirement; in addition, some were still working in other places while doing their project-design work as private consultants on the side.

V - Information and Its Discontents

95. Northeast Brazil actually has nine states, but the definition of the region also includes a poor region of the state of Minas Gerais.

96. The information campaigns in three states showed no expenditures for newspaper advertisements (Ceará, Minas Gerais, and Paraíba). The television-vs.-radio problem was revealed partly in the high cost ratios of television-to-radio budgeted expenditures in some states, particularly Ceará, where the ratio was 13 to 1. Out of the seven states for which such data were available, three more had ratios of more than 1 to 1 (Rio Grande do Norte, 27 to 1, Alagoas 5 to 1, and Sergipe 2.2 to 1). Bahia, Paraíba, and Piaui each had roughly similar expenditures--one-to-one--for television and radio, and Maranhão and Minas Gerais had no television expenditures. Based on data from Barnett (1994: Table 1), who suggested a 3-to-1 rule of thumb for future publicity budgets.

97. The states of Maranhão and Minas Gerais avoided television altogether, and Maranhão was said to have implemented an innovative program of rural theater and puppet plays to disseminate information about the program (p. 8, note 8, and p. 11)

98. Most people who have negotiated donor rural development projects have observed this. Tendler (1982) described it for the Brazil rural development projects in the 1970s and 1980s.

99. This "positive" aspect of development planning was pointed to by various observers in the 1960s, when planning was more in vogue. E.g., Hirschman "Strategy..."

100. James Q. Wilson's *Bureaucracy* (1989) and writings on the police in particular are another example. A somewhat parallel set of studies for private-sector workers has emerged in the literature on large firms, where they are called "front-line workers" rather than, as in Lipsky, "street-level bureaucrats."

101. Barnett (1994:9).

102. Barnett (1994:9).

103. Ceará excluded infrastructure projects in favor of agriculture projects on the grounds that the former were too vulnerable to clientelism and the latter were more likely to increase rural productivity and income; Bahia did exactly the opposite and for similarly "technical" reasons, excluding agriculture and favoring physical infrastructure. Both decisions were supported by the states' elected governors, or even suggested by them.

In some cases, the governors themselves had a well-formed technocratic vision of the public good; they then inspired and empowered their technical minions in the SIF units to enact that vision. In other cases, the technicians captured the imagination of their rulers, and won them over to their views.

104. In commenting on the "low" rates of disbursement of the Brazilian SFs, a WB consultant on marketing notes that a "cost-effective and far-reaching publicity campaign can do a great deal to improve the distribution and application of available funds...." (Barnett 1994:1, note 1).

The donor evaluations reveal several cases of problematically *slow* disbursement, particularly at the start and including the Brazilian cases. Though the number of such slow-disbursing cases reported is substantial (as also pointed out by UNICEF 1998), the the SF model is nevertheless characterizied generically as rapidly-disbursing.

V - Politics and Autonomy

105. UNICEF (1998:71).

106. UNICEF (1998:38, 63). In Senegal, only those proposals "coming from mayors of the governing party" were funded; in Peru, SF employees "were brought to cheer at political rallies, and jobs were increased prior to elections and phased out afterwards"; in Honduras, preference was given to projects that were more easily designed and implemented "to enable politicians to take credit for as many of these achievements as possible in public."

107. Graham & Kane (1998:10).

108. Nelson (1997:5).

109. D. Kingsbury, "Compensatory Social Programs and Structural Adjustment: A Review of the Experience," A.I.D. Evaluation Special Study No. 72, 1994 [51], as cited by UNICEF (1998).

110. IDB (1997a:38-39).

111. Schady (1998:10). Subsequent quotation in this paragraph from the same page.

112. Note, however, that the IDB study, as reported in the introduction, pointed to the Peruvian SF as one of the more innovative ones. It is not clear to what extent the Peruvian case actually *is* more politicized, or whether it simply drew more researchers than the SFs of other countries. The politics of the Peruvian SF seem to have attracted more interest by political scientists than any of the others except Mexico's, perhaps because of the particular interest of political scientists in two of those countries' presidents--Salinas of Mexico and Fujimori of Peru. The findings of these researchers about the Peruvian SF's politicization have been repeated in various donor reviews. This may have introduced a bias, by default, of *seemingly* greater politicization of those two cases. One does not know if equal research attention to this issue in other cases would or would not yield similar findings. It is interesting to note, nevertheless, that the literature on the Peruvian and Mexican SFs is distinctly richer and more scholarly, and seems to represent a more realistic interweaving of the political with the administrative and the technical (the Mexican case, particularly so). Graham's work on Bolivia (e.g., 1998) is also in this vein.

It is tempting to conjecture that the richer picture of the Mexican case in particular, and its frontal inclusion of politics, is a result of the fact that much of the research on the Mexican SF was done by Mexican social scientists unsympathetic to Salinas and his ruling party, PRI--at least the earliest critical research. A wave of reactive research followed, and then a mixing of the two. The later rich synthesis of political and technical in these studies (see, for example, the edited volume by Cornelius *et al.* [1994]) might not have occurred without this earlier highly critical research phase, which opened the political side for examination.

113. The review also points to the El Salvadoran and Zambian SF as good examples (UNICEF 1998:38).

114. Kingsbury, as cited in UNICEF (1998:64, note 67).

115. Graham (199X: chap. 4, pp. 63-66[?]). It is important to point out that Graham, like Schady, draws generally positive (or at least mixed) conclusions about SFs, and does not consider such political findings to be inconsistent with this positive judgment.

116. See note 18 and the surrounding text for further discussion and citations.

117. Graham & Kane (1998) and Schady (1998) for Peru, and Molinar Horcasitas & Weldon (1994) for Mexico. Schady's Peru study actually dismisses the Graham study as methodologically flawed (as well as another study by Moncada), though he comes to the same general conclusion as they--namely, that the Peruvian SF served electoral strategies, and that this can be seen in the patterns of SF expenditures and voting (Schady 1998); his statistical results are also more robust in showing this; Graham & Kane show somewhat more varied results.

118. Schady (1998:). These causal relationships are not easy to sort out. One cannot simply read off evidence of political criteria for SF distribution, or lack of it, by calculating whether opposition municipalities get their proportional share (as some donor evaluations have attempted to do). The results will vary according to whether, among other things, the elections are only national, national *and* subnational, or subnational only; whether there is a strong opposition candidate, and which side of the political spectrum this candidate is from; and whether and how the political strategy combines the courting of opposition provinces, especially the wavering ones, with the rewarding of loyal provinces (along with the punishing of disloyal ones).

In places like Brazil, moreover, mayoral candidates often choose their own party affiliation according to which gubernatorial candidate they think will win; or they make pre-election alliances with that candidate, fearful that they will be "punished" by an opposition governor who will not channel budgetary resources to them. See Ames (1995, 1999 forthcoming) and Abrucio (1998).

119. For example, Skocpol & Finegold (1982) found that states that were politically "on the fence"--neither fully Democratic party nor fully Republican party--received a more than disproportionate share of the funding. See also Wright (1974), cited by Schady (1998).

120. Rogoff (1990 and 1994) and Nordhaus (1975), cited in Schady (1998:2).

121. As noted earlier, the available data on SFs do not permit researchers to analyze the distribution of SF funds between rich and poor *within* provinces or municipalities.

122. Schady (1998:25). Note that the last quote in our text is slightly out of context from Schady's text, since in his text it *precedes* the earlier quotation in our text.

123. Schady (1998:25). Schady also points out that poll data for Peru show FONCODES projects to be closely identified with the presidency and Fujimori himself (citing Moncada, p. 62). He also concludes, it should be pointed out, that project allocations were a combination of political *and* technical criteria.

124. UNICEF (1998:40).

125. See Echeverri-Gent (1993, particularly pp. 124-5; also 1988) and Herring & Edwards (1983). In the 1990s, the Maharashtra program seems to have lost some of this demand-driven nature and to have come more under the influence of traditional local politics. See, for example, Herring (1998) and Joshi (1999).

126. See Herring (1983) and Heller (1999 forthcoming)

127. In a certain sense, the Bolivian SF could be seen as a *counter*-example to that of Maharashtra in terms of the nature of its demand-driven features. Whereas worker organizing in Maharashtra kept program officials on their toes in the 1980s, the Bolivian SF deliberately kept the most organized workers *out* of the program--the laid-off tin miners--by giving them separate projects, out of fear of this very kind of organizing! See Graham (199X:).

128. Weyland (1998) reviews these debates, as well as weighing in on one side of the prevailing explanations.

129. A similar interpretation of the Mexican case itself, and detailed evidence of the role of Mexico's SF in the story appeared earlier in Cornelius *et al*. (1994). Despite the Mexican ruling party's historical role in incorporating urban working classes and in transforming the metropolitan political economy, its recent electoral support has been strongly correlated with indicators of ruralness, primary production, and illiteracy--and negatively correlated with urbanization, education, and urban occupations (Gibson 1998:351). This reveals the workings of Gibson's two-pronged strategy, the peripheral piece making up for the insufficient votes of the metropolitan piece. The role played by Mexico's SF in this strategy is described in greater detail in Cornelius, *et al.* (1994).

130. Gibson (1998:341).

131. Gibson (1998:342, 353).

132. The Bahian governor's protection of his well-respected economic-development professionals--who were important to his image as a serious developer of his state's economy--was the subject of particular notice because a number of them were leftist, while he was an important conservative leader during a period of military and anti-leftist government. Bahians dubbed these "leftish" professionals working in ACM's government as "Carlist leftists" (*as esquerdas carlistas*)--"Carlist" alluding to the governor's middle name, Carlos.

133. A similar pairing of clientelism and improved governance was reported by the political scientist Robert Gay (1999, forthcoming), with respect to the results of a long-term study of a large squatter settlement in Rio de Janeiro. Gay laments the tendency in the applied development literature to portray the clientelism and modern reforms as polar opposites which, he says, seriously compromises our understanding of the reality of governance. He also argues, with data from his case, that it is not correct to assume that clientelism in public programs is always

associated with poor results. (See also Gay 1998).

134. Ames (1995, 1999 forthcoming) and Abrucio (1998).

135. Actually, his family had been involved in politics for years, his father having been a well-known senator. Jereissati's incumbency will have been interrupted only once in the 1987-2003 period, when his younger protege and party colleague, Ciro Gomes, was elected governor for the 1991-1994 term. (At that time, re-election was not permitted.) Gomes was of the same center-left party as Jereissati and continued the reforms initiated by him.

136. In his first term, Jereissati refused to let public-salary salaries accompany inflation for a long period of time, which reduced them substantially in real terms; and he eliminated thousands of ghost workers from public-sector rolls. Not surprisingly, the two governors had to do battle with associations of public-sector workers, including the teachers, that resisted these and other reforms affecting them adversely. They also cracked down on collections of the 17% value-added sales tax (see Bonfim 1999 [forthcoming]).

By the end of his first term, Jereissati succeeded in reducing the share of government expenditures allocated to salaries from nearly 100% to 70%, freeing up substantial funds for investment; in his second term, he attracted substantial investment funding from outside--in particular, from firms relocating to his state from the more developed part of Brazil, as well as foreign firms, and from international donors. Early on in his first term, and as a result of these reforms, Jereissati initially lost support in the state assembly (subsequently regained), and his party's leader in the assembly at that time (Ciro Gomes) was roundly booed for a period of time every time he entered the chamber. (See Tendler 1997 for sources and more information on these reforms, and Bonfim [1999 forthcoming].)

137. More extensive reports of this nature can be found in Bonfim (1998a and 1999 forthcoming).

138. In his election for a second term, in 1993, he earned only X% of the vote in Fortaleza, the seat of state government and the state's largest city, accounting for X% of its population, and Y% of its urban population (metropolitan area is Y%); he was also not able to elect his party's candidate for mayor of Fortaleza that year, despite vigorous campaign efforts to do so (see Bonfim 1998a and 1999 [forthcoming]). This was a surprising defeat for such a popular governor, and in an electoral system where strong governors usually "elect" their favored candidates easily (see Ames [1995 and 1999 forthcoming] and Abrucio 1998).

139. One initiative took power away from "clientelistic" mayors in the administration of relief during the 1987 drought, much to their consternation, and handed local management over to a municipal council presided over by the local agronomist from the regional office of the state's extension agency; the other initiative channeled public procurement to small interior firms in a highly innovative way, which angered the traditional large suppliers of these items to the state.

In subsequent droughts, however, the mayors of the interior regained some of their power, returning to preside over the local council. In a more serious reversal, a few years into some stunning successes of the procurement program, it ended as a result of legal challenge in the courts (politically motivated, some say) to the waiving of procurement regulations; the state seemed to have little interest in fighting the challenge or getting around it. These episodes are described in greater detail in Tendler (1996a, 1996b, and 1997 [chapter 3 and 5]).

140. Woodall's study (1996) of the construction industry in Japan is a good example; the studies on Franklin Roosevelt and the New Deal, as noted above, provide an example of how he used his public works programs to help win support for, and fend off opposition to, his set of modernizing policy reforms (Skocpol & Finegold [1982], and Wright [1974]).

141. [integrate with earlier material:] See, e.g., Scott's (197X APSR) article on machine politics in Chicago, which argues, among other things, that patronage politics helped to extend urban infrastructure and services available to lower-class populations, often immigrant, that had hardly been served before. Gay (1998 and 1999 forthcoming) and Molinar Horcasitis & Weldon (1994) make a related argument (with respect to Brazil and Mexico, respectively), suggesting that patronage should not be routinely dismissed, if it occurs within a democratic context that actually causes populations previously excluded from the benefits of public programs to be better off.

VII - Conclusion

142. Joseph Stiglitz--most recently, in speeches to WIDER (1998a) and ECLA (1998b).