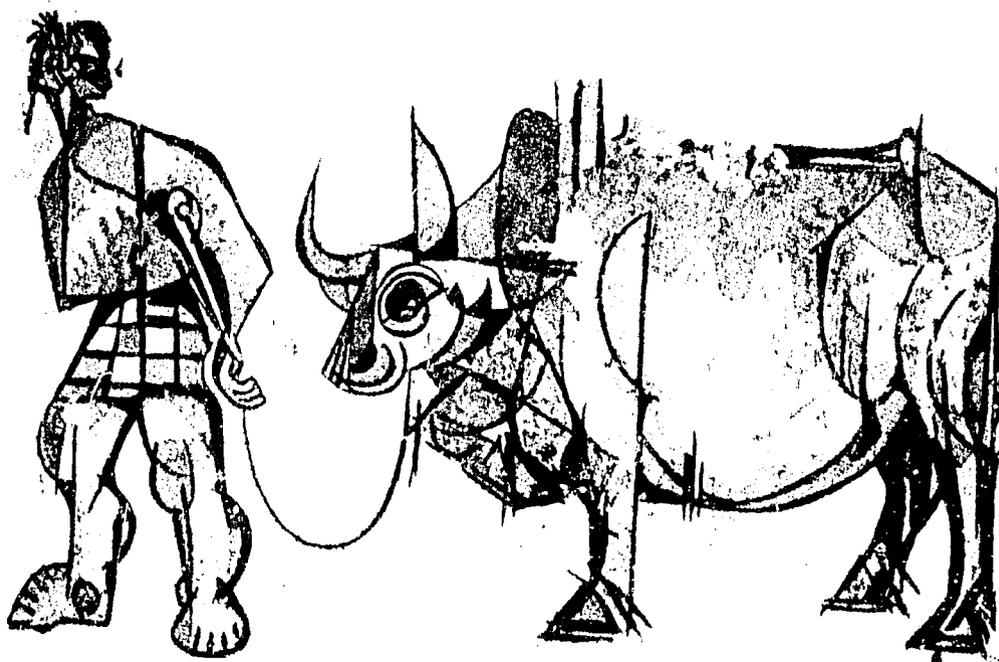


CORNELL UNIVERSITY

RURAL DEVELOPMENT COMMITTEE



Special Series on Local Institutional Development No. 8

**Mobilizing and Managing Economic Resources for
Local Institutional Development**

by

Rebecca Miles Doan

Gregory Schmidt

Norman Uphoff

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**MOBILIZING AND MANAGING ECONOMIC RESOURCES FOR
LOCAL INSTITUTIONAL DEVELOPMENT**

A report prepared by Rebecca Miles Doan, Gregory Schmidt and
Norman Uphoff for the Rural Development Committee, Cornell University,
with the support of the Office of Rural and Institutional
Development, Bureau of Science and Technology,
U. S. Agency for International Development

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PREFACE TO SPECIAL SERIES ON LOCAL INSTITUTIONAL DEVELOPMENT

This series of reports presents the findings of a year-long study by our working group on Local Institutional Development (LID). It was sponsored by the Rural Development Committee at Cornell University and was funded by the Office of Rural and Institutional Development in USAID's Bureau of Science and Technology.

Our initial concern was whether local institutional development could be adequately provided for by approaching it on a sector-by-sector basis, or whether it represents something needing and warranting attention across sectors. As with most "either-or" questions, there turned out to be some merit in both views. Certain issues and provisions are particularly relevant for developing local institutional capacity for certain sectors. At the same time, individual sector-specific initiatives are likely to lead to neglect of more broadly-based capacities, which themselves are important for sector-specific kinds of LID.

Our analysis offers a firmer conceptual base for the often but ambiguously used terms "local" and "institution." It analyzes what kinds of LID are likely to be most appropriate for the different activities frequently initiated in rural areas. Finally, it examines how local institutional capacity can be strengthened by national and donor agency efforts.

Throughout the analysis, we draw on the experiences with LID which emerged from a review of the literature. Cases which proved particularly instructive are reported in annexes at the end of the reports. Not all readers will be interested in all the activity areas covered by our study, so we have organized the presentation of findings accordingly.

Five of the eight reports (Numbers 2 through 6) are sector-specific, and readers may have particular interest in just one or two of them. We trust that all readers will find the introductory report (Number 1) useful, as well as the observations and suggestions contained in the concluding reports (Numbers 7 and 8) which are relevant across sectors. The full series is listed on page ix.

In condensing our observations and conclusions into these reports, we have not been able to include all of the case material and literature references which were covered in our study. We now know how broad and complex is the subject of local institutional development. Our discussions in this series present only what appear to be the most tenable and salient conclusions. We plan to integrate these analyses into a

book-length presentation of the subject for readers wishing a single continuous treatment of LID.

Though this project involved an extensive literature search and review on our part, it must still be considered more exploratory than definitive. Few of the available materials addressed LID issues analytically or even very explicitly. We thus cannot and do not attempt to provide "recipes" for local institutional development. This is an initial mapping of some important terrain not previously surveyed systematically. We welcome any and all efforts by others to contribute to the understanding and practice of local institutional development by adding to a more thorough knowledge base.

THE LOCAL INSTITUTIONAL DEVELOPMENT WORKING GROUP

Harihar Acharya (Anthropology)
Chris Brown (Government)
Art Corpuz (Regional Planning)
Peter Doan (Regional Planning)
Rebecca Miles Doan (Rural Sociology)
David Douglin (Agricultural Economics)
Rada Dyson-Hudson (Anthropology)
Milton J. Esman (Government and Public Administration)
Gerard Finin (Regional Planning)
Johanna Looye (Regional Planning)
Ruth Meinzen-Dick (Rural Sociology)
Nancy St. Julien (Regional Planning)
Greg Schmidt (Government)
Norman Uphoff, chairman (Government and Rural Development)
Katy Van Dusen (Vegetable Crops)
Suzanne Wallen (Regional Planning)
William F. Whyte (Sociology and Industrial and Labor Relations)
Ruth Yabes (Regional Planning)

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LOCAL INSTITUTIONAL DEVELOPMENT
Rebecca Miles Doan, Gregory Schmidt and Norman Uphoff

MOBILIZING AND MANAGING ECONOMIC RESOURCES FOR LOCAL INSTITUTIONAL DEVELOPMENT

1.0 INTRODUCTION

The effectiveness of local institutions in mobilization and management of resources is crucial to their ability to provide valued goods and services to their constituencies and to establish and sustain themselves over time. The resources involved in institutional development and performance are not restricted to the economic ones usually classified as goods or services (when used as inputs to production, classified as land, labor and capital). There are various other kinds of resources which institutions need to mobilize and manage. Information is an obvious one which is acquired, accumulated, generated and dispensed by institutions, though it is difficult to denominate. Status and legitimacy, likewise hard to measure, are resources of real importance to institutions' effectiveness. Indeed, the extent to which an organization is accorded legitimacy from its relevant publics is an indication of its having the status of an "institution." However, the resources which are most tangible and most amenable to generalizable strategies are ones denominated in economic terms: cash and credit, in-kind payments (material goods), and labor (services). In this report, we will focus on how these resources can be mobilized and managed at the local level, and how outside resources can be provided in a way that enhances rather than compromises local institutional capacity.

There are several reasons why local capacity for economic resource mobilization and management should be of concern:

- (1) it can expand the resource base for dealing with development needs, by increasing the amount of resources available or the efficiency of their use;
- (2) it can encourage local commitment to sustaining an activity or maintaining an institution over time; and
- (3) it can enhance local control over the course of development and the application of scarce resources to priority needs in preferred ways.

From a local perspective, it can also strengthen institutions' claims for getting more resources and assistance from outside the locality, though this is not a consideration which government and donor agencies will regard as important, except as it reflects better local institutional performance according to the other three justifications. We would emphasize the third rationale which reflects "qualitative" concerns. It is often overlooked in favor of the "quantitative" value attached to the first reason and the "sustainability" concern represented by the second. If local people have a greater degree of control over program activities, they will be more willing to accord an institution the status and legitimacy it needs for effective performance over time and for its local standing as an institution.

We would add that when people collectively mobilize economic resources it can produce some social and political resources for them. It is reported for the Pikine primary health care project in Senegal that one reason for having community residents pay a fee for drugs and services was to make the government staff more accountable for the timely supply of drugs and more respectful in their treatment of patients (Jancloes et al., 1981; see Annex of Report No. 4). In the Gal Oya irrigation case from Sri Lanka (discussed in Report No. 7), the fact that the project expected farmers to contribute their labor for rehabilitation of field channels gave them some bargaining power vis-a-vis engineers. When the latter were designing structures and scheduling work, they had to consult farmers more seriously and respectfully than farmers had experienced before. This unanticipated gain in influence and status for farmers gave a boost to the establishment of water user associations (Uphoff, 1984).

With the growing "fiscal crisis" in developing countries, there is reason for governments to look toward local institutions to help with resource mobilization. But one can also see the importance of this function in terms of the effectiveness of development efforts themselves. The study by Morss and associates (1976) of small farmer development projects found that these were more likely to be successful if the intended beneficiaries contributed some of their own resources to the effort. In a more recent study Charlick (1984) found this same effect in animation rurale projects in Francophone countries.^{1/} When local organizations made some initial contribution of

^{1/} Charlick studied 37 agricultural and rural development projects in Cameroon, Haiti, Niger, Senegal and Borkina Fasso (Upper Volta). Projects where there was no resource contribution (no resource mobilization) had an average success rating of 13%, whereas those with some contribution, even if low, had a rating of 43%. Those with moderate to high contributions were rated at 51%. It should be said that these were projects in some of the least favored areas of the Third World.

resources, subsequent growth in financial capacity and growth in managerial capacity at the local level were greater. Also, the higher the initial level of contributions, the greater the ensuing levels of local participation and ability to get external support in terms of resources, programs and personnel (1984:103).

In the first section of Report No. 7, we reviewed three different modes in which support for local institutional development can be given: Assistance, Facilitation, and Promotion. The Assistance mode presumes that there is already some local capacity for resource mobilization and management. Where this mode is feasible, the amount of outside resources needed in proportion to local resources is usually diminished, and the efficiency of their use is increased. A good example is the Mmankgodi Farmers' Association in Botswana. Farmers in this case had already organized themselves to carry out rotational grazing and to spray their cattle to reduce insect-borne diseases. To have better disease control, however, they wanted to construct a tank for dipping their animals. A small grant (less than \$1,000) was sought and obtained from the self-help fund of the American Embassy to pay for cement and other materials. Members contributed their labor to build the tank and a storehouse for supplies. To cover the costs of maintenance and operation (mostly chemicals), the organization charged a fee for each animal brought for dipping, collected before the animal could enter the tank. The Association's activities were successful enough that it moved into developing an irrigated fruit orchard, so the outside assistance had a multiplier effect (Kloppenburger, 1983).

In Facilitation and Promotion modes, external agencies take a more active role in strengthening institutional capacities for resource mobilization and management, with a view to ensuring their financial viability over time. These modes may be useful for analyzing the type of support given to any kind of local institution: local administration (LA), local government (LG), membership organizations (MOs), service organizations (SOs), cooperatives, or private businesses (PBs).

There can be situations where local institutions do not need or want any outside resources or assistance for mobilizing or managing resources. This may be because they have limited objectives and are able to support these adequately already, or they do not want to compromise their independence in carrying out their own program of activity.^{2/}

^{2/} In Report No. 1, we suggested that Autonomy represents one kind of relationship (actually a non-relationship) between local institutions and outside agencies. But we have not dealt with such experience since there is little role for agency initiatives.

Rather than try to inject external resources in such a situation, it is preferable for government or donor agencies to carry out programs with other institutions in the locality or nearby localities. In some situations where these efforts are successful, local institutions which have previously rejected links may decide to expand their objectives or change their mode of operation so as to enter into collaborative relations with outside agencies.

Agencies need to use their limited resources to best advantage in working with local institutions, to make their contributions additive, rather than substitutive or possibly subtractive. We will first look at ways in which institutions can be helpful to mobilize local resources (Section 2.0) and to manage them better (Section 3.0). Second, we consider how outside resources might be used more assuredly to augment rather than reduce local resource mobilization, as sometimes happens (Section 4.0). To use the terminology of game theory, how can external agencies contribute resources to have a "positive-sum" effect, instead of producing zero-sum or even negative-sum results?

2.0 METHODS OF LOCAL RESOURCE MOBILIZATION

While there are numerous ways in which resources can be mobilized at the local level, not all are equally suited for all purposes or institutions. Taxes, for example, involve an exercise of authority which only government-linked institutions possess, whereas investments require a profit incentive, so these methods are respectively more suited for local governments and private businesses. User charges cannot readily be applied to "public" goods and services, discussed below, though any kind of institution can levy them. Lotteries can be used by private, public or membership institutions,^{3/} as can savings schemes, so long as an adequate rate of interest is paid to depositors as an incentive.

Some of the most efficient schemes can be extremely simple, such as found in certain Indian villages, where teachers' salaries are supplemented in-kind by having each child carry a stick to school for fuelwood for cooking (Douglas Pickett, personal communication). Local institutions may benefit from ideas about schemes that external agencies know have been successful in other localities. However, one important principle is that agencies should avoid standardization of local methods of resource mobilization. The success of a particular technique often depends on its "fit" with the local environment, such as whether children can readily find fuelwood on the way to school, to amplify the example just cited. There will be much variation in the resource mobilizing methods which are acceptable and productive. Taking advantage of whatever methods are feasible in the particular locality will add most to the total flow of resources.

The other general principle is to encourage a multiplicity of locally-operable methods, not relying too much on any one of them. This should spread burdens more broadly (and one hopes, more fairly) as well as make resource flows less vulnerable and less fluctuating. In Table 8-1 on the next page, we list different types of resource mobilization at the local level (and also of supra-local mobilization to be discussed in Section 4.0). We suggest for which local institutions each type is most relevant, using the classification and abbreviations for local institutions found in Report No. 1, and the kinds of goods or services it would apply to, discussed next.

^{3/} It is interesting to note that lotteries are sometimes able to stimulate ongoing interest by having many "winners" who win nothing more than a free ticket to the next lottery (Chauls et al., 1984:86).

Table 8-1: TYPES OF RESOURCE MOBILIZATION FOR LOCAL INSTITUTIONS

<u>Type of Resource Mobilization</u>	<u>Type of Goods or Services</u>	<u>Local Institutions</u>
<u>LOCAL</u>		
Taxes: general revenue or specific purpose	Public/mixed	LA and LG (MOs may have levies with similar effect)
User charges	Private/mixed	All
Savings and credit	Private	All
Revenue from productive schemes	Private/mixed	All, especially MOs, co-ops and PBs
Collection schemes including lotteries, competitions	Mixed/private	All, but less for PB
In-kind contributions -- land, supplies, equipment, food, etc.	Private/public/mixed	All
Labor contributions	Private/public/mixed	All but PB
<u>SUPRA-LOCAL</u>		
Local shares of taxes (levied and collected supra-locally)*	Public/mixed	LA, LG, possibly MOs, co-ops, SOs
Block grants	Public/mixed	LA, LG
Matching grants	Public/mixed	LA, LG, MO, SO
In-kind contributions	Public/mixed	All but PB
Subsidies	Private	MOs, co-ops, SOs and especially PBs.

* This category can include a share of supra-local taxes collected locally and kept by the institution (LA, LG or maybe MO or SO) as a commission. The Taiwan Farmers Association example is discussed in Section 4.1.

2.1

Public goods are ones which cannot be produced or utilized without cooperation among persons because of indivisibility of benefits, non-excludability from benefits, scale of investment required, or interdependence of users as analyzed in Section 4.0 of Report No. 3. It is usually accepted that such goods and services should be covered by general revenues.

Private goods on the other hand are divisible, excludable and have no significant externalities. User charges are feasible and usually desirable, unless some subsidies are deemed warranted through public decisions, e.g. for purposes of familiarizing users with a new good or service, or making it available to low-income users.^{4/}

Mixed goods are ones such as agricultural research, water supply, irrigation, extension advice, and education, which produce benefits for society as well as for individuals. These may justifiably be funded partly from general revenues and in part from resources raised in other ways, with the composition depending on the balance of public and private benefits.

One of the concerns which may reasonably be expressed about depending on local contributions of resources is distributive. If local resources are the main source of program support, more developed areas will be able to advance more quickly (Golladay, 1980). However, more advantaged areas are likely to fare relatively better under almost any system -- the more so if the central government matches the resources mobilized locally, as Thomas (1980) found with the harambee self-help movement in Kenya. In fact, because poorer areas generally have less political influence, they are less likely to get government assistance. So in absolute terms, a self-help approach is more likely to produce local improvements for poorer areas than waiting for official largesse.

One way of reducing the bias which existing inequalities in resource endowment can create is to establish different formulas for central matching of local resource contributions as done with the Saemaul Undong movement in South Korea. Wealthier communities got relatively smaller funding for their development activities, though to create incentives for self-help, the largest government contributions have gone to the

^{4/} We have already suggested in Section 3.3 of Report No. 7 that subsidies sometimes present local institutions with serious operational problems. However we find cases where subsidies seem able to speed up LID processes (see, for example, Willett, 1981).

middle range of villages which made the greatest development efforts (see Annex of Report No. 7). Some modification of this approach appears appropriate for many local institutional development situations.

2.2 TAXES

Most local governments in developing countries have less authority for levying taxes than in more developed nations, and often what authority they have is not fully utilized. Moreover, because a higher proportion of total tax revenue comes from indirect taxation like import and export duties, the tasks of tax collection also fall somewhat less on local administration. Scholars and consultants have often recommended an increase in resource mobilization through locally-levied and collected taxes, but there are various reasons why the current situation prevails.

In rural localities, the absolute amount of resources available appears relatively less and the difficulty of collection is relatively greater than in urban areas in part because rural economies may be less fully monetized. Local bodies are reluctant to raise tax revenue even when empowered to do so, and reluctant to take action against those who do not pay. This is particularly true when it comes to "conventional" taxes on income, sales and property.

National governments may be satisfied with this state of affairs because often they do not want local governments having an autonomous financial base. It has been part of the prevailing ideology of "national planning" that investment decisions should be made under central coordination or direction. Local decisions might contradict national ones or at least compete for resources. There may also be the political fear that more self-sufficient local governments, not dependent on financial hand-outs from the center, might become an independent base of opposition, a fear made more real when ethnic or other distinctions create centrifugal tendencies within the state.

These considerations would not explain why authorized taxing powers are not fully used. First, in areas where much of people's real income is in kind rather than cash, or where fewer commodity exchanges take place through the market, it is difficult to assess accurately the amount of taxes owed. Second, there may not be agreement on the economic unit on which to base taxes, as when land is held communally or when "families" are very ambiguous. Third, the financial and administrative resources available may not be adequate for collection of the more conventional taxes, which can

have very high costs of collection.^{5/} Finally, the persons who have the most resources to tax are usually in control of local governments and may be averse to taxing themselves very substantially, or as much as other community members consider proper.

Local bodies do often tap a number of "minor" sources for funds. Village panchayats in India, for example, collect a variety of house taxes, profession taxes, labor taxes, pilgrim taxes, drainage taxes, water and lighting taxes, taxes on fairs, festivals and entertainment, on ferries and fisheries, animal taxes, vehicle taxes, taxes on agricultural land and on commercial crops, etc. (Vyas et al., 1983:61). In North Yemen, the Local Development Associations collect a zaqat tax, which is like a tithe on production, and are considering a tax on the income of migrants returning from the Gulf states (Cohen et al., 1981).

Strategies for improving resource mobilization through taxes would include:

- (a) combining a wide variety of less conventional taxes (like those just listed from India) with taxes for conventional sources like income, sales and real estate, wherever possible, tying them to specific purposes to assuage suspicions that the funds may be misused;
- (b) finding simpler and more inclusive ways to assess conventional taxes, such as the Graduated Personal Tax in East Africa and the tax on "trades and professions" used in some Indian states to reduce assessment problems by taxing potential income,^{6/} or using simple fiscal cadasters instead of more expensive, legally precise land cadasters for property taxation (Kent, 1980); and
- (c) developing more fair, flexible and effective ways to collect taxes, where possible applying quicker and cheaper social rather than legal sanctions.^{7/}

^{5/} In the Indian state of Uttar Pradesh, the cost of collecting property tax amounted to 50 percent of the collection (Vyas et al., 1983:70).

^{6/} The GPT is based on the family unit and was devised in lieu of property taxation when land was held mostly by the tribe. Like the Indian tax, it used an estimate of the average income for given occupations. Successful assessment is achieved in part by consulting local committees that know how much wealth or income people have. In event of a disaster, reductions can be made for areas or individuals. The tax provides an incentive for greater production since any income earned over the average for one's category is tax-free. The tax appears to be regarded as fair and to be accepted because taxpayers realize that the revenue will be applied to locally desired improvements. The Indian tax on trades and professions is like a poll tax based on the average earnings of the taxpayer's occupational category (Hicks, 1976:33).

^{7/} In a Bolivian case when male heads of households declined to pay their assessment for community development work, the women in the community confiscated their portable radios and other moveable property until the assessment was paid

One hesitates to recommend "raising taxes," since it can be reasonably argued that most rural areas are more underserved than overtaxed. It is not possible to develop strong local institutions without a firm financial base. If taxes are not to be instituted, other resource mobilization methods may need to be introduced.

2.3 USER CHARGES

Although these tend to be underused as a strategy for funding certain activities at the local level, they are appropriate for private or mixed goods which yield a clear benefit to specific persons. Some of the direct taxes listed above, such as water or vehicle taxes, really amount to charges. Tolls on roads or bridges, payments for using a public well, fees for health care services, and levies for electricity provision would be other examples. Irrigation water issues, schooling for children, and curative health services are things that people seem particularly willing and able to pay for.

The main issue in levying user charges comes with mixed goods, where there is some public interest in having many people share in the benefit. If the fee is such that poorer members of the community are excluded, for example, from primary education, there is reason to consider some subsidy from general revenues or to adjust charges to match ability to pay. Some sort of "progressive" fee structure can often be established, especially where LA, MOs or SOs are involved.^{8/}

Prices are "user charges" for goods and services provided by private businesses. Upon occasion, private providers may adjust their prices to suit customers' or clients' financial circumstances. This is most often done through some credit mechanism rather than through differential prices, by not charging interest or by forgiving or reducing the debt at some future time.

(Savino, 1985). In Peru, one rural community has an annual round-up of cattle, and anyone whose local taxes are in arrears has the choice of paying them up or having one of his cattle sold at an auction. The proceeds in excess of taxes due are contributed to the community's fiesta, so anybody getting "caught" is not particularly angered, (Whyte and Boynton, 1983).

^{8/} For an example in primary health care, see Annex on Piaxtla case in Mexico, in Report No. 4.

2.4 SAVINGS AND REVOLVING CREDIT

One of the most widespread methods for mobilizing savings for private purposes, informally institutionalized in many countries, have been "rotating credit" schemes (March and Taqqu, 1982:63-77; Ralston, et al., 1983:108-100). We have been particularly impressed with the credit union movement in Cameroon, where such a mechanism has been developed into a national system of savings associations (see Annex, pages 34-35). However, rotating credit schemes are often not institutionalized, because members do not feel a need to continue the group effort, because the scheme was mismanaged, or because members lack the financial means to keep participating.

Institutionalized credit schemes involving some savings component are of more interest for development purposes. These create funds which can be borrowed from and which are replenished by repayments. Their size increases if interest payments more than make up for any defaults (and their real size increases if its growth exceeds the rate of inflation). Jayaraman (1980) recommends revolving credit as a means of financing soil conservation investments in watershed management.

Such schemes have been more successful where all or most of the funds were contributed as savings by members and where there is peer pressure for repayment. Unfortunately the pool of resources available is less likely to be maintained or increased when most of the funds are from the government. As discussed in Report No. 5, the repayment of loans from Bangladesh cooperatives was quite respectable when mostly members' money was at stake, but the revolving funds stopped revolving after there was a major infusion of outside credit (Blair, 1982). The Grameen Bank in Bangladesh, reported in the Annex pages 33-34) has done well so far with revolving credit using outside funds (Sadeque, 1984). It remains to be seen whether its almost perfect rate of repayment can be sustained. The rural savings movement in Zimbabwe, also described in the Annex (pages 40-41), is an excellent example of mobilizing savings for use as productive credit without any infusion of government funds.^{9/}

^{9/} This savings movement is one of the organizational bases for a remarkable improvement in agricultural production in Zimbabwe during 1984 despite the drought that has affected that and other African countries. About half the small farmers in the rainfed communal areas are now members of local agricultural associations (really groups), which acquire inputs and sell outputs collectively. Bratton (1983) found that the maize production of "member" households was almost double that of "non-member" households, though their landholdings were equivalent. Moreover, the amount of maize marketed by "member" households was seven times greater, without reducing household

Member-operated funds are in the best position to judge ability and willingness to repay. Such credit mechanisms can deal with very small loans and amounts of savings, obviating the heavy overhead costs of a more formal institution. However they cannot compensate for the poverty of members where this is extreme. Interestingly, when this became a serious problem for poverty-oriented programs in India and Haiti, the solution was to establish more formal "banks" to mobilize the savings of the less poor to help absorb and buffer costs of operation.^{10/} More resource mobilization (and management) could be done through such mechanisms but only if the skills and judgment of members are fully mobilized in their operation.

2.5 REVENUES FROM PRODUCTIVE SCHEMES

Income-generating mechanisms should be built into LID strategies whenever possible without detracting too much from institutional objectives. A graphic example is the decision by the YMCA in Kitwe, Zambia, when planning to construct a new building to raise more money than needed to build their facilities, in order to construct a row of shops on the ground floor. These could be rented out to earn revenue for operating expenses (Leonard, 1982:203). Another good example is the practice of a water users' association in Tamil Nadu, India which auctions off the right to catch the fish remaining in the bottom of the irrigation tank at the end of the dry season. The money from this goes into the association's treasury which helps pay for waterguards to oversee the distribution of irrigation water (Meinzen-Dick, 1984, see Annex, pages 36-37). Such fund-raising means are reported from some other "active" communities in India (Sharma, 1985).

In these cases, the revenue generation does not detract from institutional objectives. The "price" paid by YMCA members for their income to cover recurrent program costs is having to walk upstairs (something which might not be acceptable to

consumption. In 1984, these smallholders produced for sale about 400,000 tons of maize, more than 2½ times as much as the government had expected. New York Times, December 2, 1984.

^{10/} The Working Women's Forum in Madras, India found that many women seeking to establish small enterprises could only gather enough means to begin repayment after they had gotten three small loans. (The ceiling for loans was relatively low.) To absorb the costs of being flexible with these women, the Forum opened its own bank (Chen, 1983; see Annex in Report No. 6). FICOP in the Haiti also evolved as a bank-like institution owned and managed by a cooperative in an attempt to improve its ability to lend to the poor (personal communication, Tony Barclay, DAI).

an institution with elderly members). Auctioning off fishing rights does not interfere with the functioning of the water users' association, and it even generates some social excitement.

There is always the danger that a commercial operation can divert some of an institution's talent and energy from other tasks, since once begun it cannot be allowed to fail. This does not seem to have happened with the Taiwan Farmers Associations, discussed in Report No. 5. They finance a considerable range of extension and other services, including scholarships, from the proceeds of their savings and loan operations and their sale of fertilizer and other inputs (Stavis, 1983).

2.6 COLLECTION SCHEMES

A variety of often-ingenious forms of monetized collections are found in practically every society, such as the large, regular lotteries run in some Latin American countries by service organizations, the sociedades de beneficiencia, that raise funds to defray operating expenses of local hospitals, or the fiesta queen contests that generate money for local governments in the Philippines. These may be ad hoc or done on a regular basis.

A case from Burma indicates the wide variety of collection schemes that can evolve when local institutions are given responsibility and latitude for mobilizing and managing resources for a program which the people value. To support the primary health care program put under their charge, the Village People's Councils (local governments) have developed the following schemes, augmenting with ad hoc contributions the kinds of taxes and user charges already discussed:

- (1) fixed or variable payment for services;
- (2) voluntary donations for services;
- (3) fixed payments for drugs;
- (4) fixed or variable household levies;
- (5) special donations by wealthy villagers;
- (6) periodic donation campaigns; and
- (7) cultural programs with admission charges dedicated to support the primary health care program (Chauls, 1983).

Not all of these arrangements are "institutionalized." If accepted by the public, however, they become part of the resource-raising repertoire of local institutions, available as needed and thus useful adjuncts to other methods for mobilizing resources. Governments or private agencies can sometimes encourage these arrangements by providing recognition or rewards through publicity and prizes for localities that excel in such resource mobilizing efforts, considering not only the amount raised but also the "originality" that is demonstrated.

2.7 IN-KIND AND LABOR CONTRIBUTIONS

Given that providing substantial quantities of cash is many times difficult for rural residents, local institutions often find it easier to arrange for contributions of materials, equipment, land or labor. Schemes like the Malawi self-help water supply program or the Baglung bridge building program in Nepal have mobilized substantial resources of this sort. The advice which Glennie (1982) gives based on Malawi experience is that pilot projects be undertaken which can show some tangible and impressive results to enthuse potential contributors, but once the program is started, it needs to be carried forward quickly and steadily so that momentum is maintained.^{11/}

The potential for in-kind and labor contributions is limited to certain types of activities, as some will undoubtedly require large amounts of cash. The Malawi and Baglung cases, to be sure, did produce substantial cost savings over what it would have cost the government to provide the infrastructure built. Among the most significant case of in-kind resource mobilization is the Chhattis Mauja irrigation scheme in the terai (plains) of Nepal. This 7,500 acre scheme was built by local people about 150 years ago, taking water from the Tinau river by a diversion structure and canal to serve 54 villages. The farmer-members contribute 60,000 man-days of labor each year for maintenance of the main system (the river coming out of the mountains carries a lot of silt). This is in addition to the maintenance they perform on distributary and field

^{11/} Both Glennie (1982) and Pradhan (1980) report that while unskilled labor was given free, skilled laborers from the community were paid. In the Nepal case, most of the unpaid volunteers who helped carry the steel cable from the road to the village and rocks to the bridgehead sites were from higher castes, while it was lower-caste blacksmiths and masons who got paid for their work. We would not generalize on this point because in Botswana, members of the Mmankgodi Farmers Association who were masons were not paid even though they had special responsibilities during construction (Jack Kloppenburg, personal communication).

canals. Cash or in-kind (rice) contributions are made to cover the salaries paid to the irrigation organization's officers and the technical staff employed by the organization to oversee operations and maintenance. As seen in the Annex, pages 37-38, such massive resource mobilization requires a well-institutionalized organization, in this case having three tiers, with the highest one corresponding to the sub-district level (Pradhan, 1983).

Procuring such contributions will to varying degrees be influenced by cultural predispositions. The tradition of shramadana (gift of labor) in Nepal and other South Asian countries helps with the mobilization of labor for irrigation maintenance and for other collective action tasks. One particularly impressive example of resource mobilization for irrigation coming out of a similar tradition is found in the Northern Philippines where in 1980 nine zanjera groups were reported to have contributed nearly 16,000 man days of effort and over 22,000 pieces of local materials (Siy, 1982). Chauls (1983) suggests that the primary health care program in Burma is able to attract volunteer health workers partly because of the "merit" associated with Buddhist beliefs to community service. In fact, there is value attached to participation in community activities in many if not most rural areas, no less in the Andean highlands of South America, for example, than in the Hindu or Buddhist localities of South Asia.

In-kind resource mobilization may be preferred in some local institutions because it reduces the likelihood of mismanagement, a problem discussed in the next section. Cash in hand can create suspicion of malpractices if not malpractices themselves. In one of the Local Development Associations which we studied in North Yemen, the prevailing attitude among many LDA members was that the officers were "thieves," even though our researcher found no evidence to support this view (Swanson and Hebert, 1982). One of the reasons why Pradhan (1980) thinks that the Baglung bridge-building efforts in Nepal succeeded so well was the small amount of cash involved, since conflicts over money have often undermined trust in the local panchayat system. With only small amounts of cash given to cover the payment of skilled labor (the rest of the inputs being contributed in kind by community members or the government), there was little scope for suspicion. The requirement in Botswana that the dam groups (discussed in Annex of Report No. 2) collect a fixed watering charge per animal was ignored by the groups partly because the amount set by the government was higher than needed to cover operation and maintenance costs, but also because having cash in hand was a source of difficulty. Groups preferred simply mobilizing labor from members to do maintenance work when needed, and to take up ad hoc collections for any unavoidable

cash expenses, like replacing pump parts or buying diesel for the motor (Roe and Fortmann, 1982).

Knowing about such problems and appreciating local adaptations throws a different light on the conventional concern with "resource mobilization." In our review of LID experience, we were struck by the frequency with which rural people devised means of financing by some combination of cash, labor and in-kind contributions those efforts and investments which they understood and valued. Resource mobilization seems to be particularly a matter of matching proposed activities to recognized local needs. "Institutionalizing" resource flows is a valid concern to outside agencies, especially as they become ever more acutely aware of the problem which financing recurrent costs of local programs poses. The two rules of thumb which we introduced at the beginning of this selection for taxes apply more generally for all resource mobilization efforts at the local level — flexibility to suit local conditions, and diversification of sources. However, we have been impressed also by the extent to which resource mobilization depends on good resource management at the local level, so that locally recognized needs are dealt with effectively by the activities undertaken, for which resource contributions are needed. This points to a separate but related consideration of management capacity.

3.0 METHODS OF LOCAL RESOURCE MANAGEMENT

The activities of resource management and mobilization are more closely linked for local institutions than those at higher levels, where specialized personnel and means of enforcement are in place to ensure that resources are collected as planned or owed. At local levels, even payment of taxes is often as voluntary an act as contributions of labor. Resource mobilization is generally contingent on how well the resources paid or contributed are used and whether they are used for things local people value. Any inefficiency or corruption in resource management is a direct and obvious impediment to resource mobilization, and usually to the institution the effort is associated with. Conversely, effective application of resources to meeting local problems is a definite stimulus for mobilization.^{12/}

Technical assistance to local institutions from government or private agencies in the techniques of bookkeeping, inventory management, cost-accounting, and investment decision-making can be some of the most important aid outside agencies give. As Fortmann (1982) points out from studying rural local institutions in Botswana, poor record-keeping is one of the most frequent causes of misuse of funds and breakdown of trust, which leads in turn to institutional decay. One of the kinds of training which the Bangladesh Rural Advancement Committee (BRAC) found most important once local groups were formed under its aegis was in accounting (Ahmed, 1980; Korten, 1980). Both the Mmankodi and Pikine cases referred to already report very strict financial management procedures intended to give members confidence in the program (Kloppenburger, 1983; Jancloes et al., 1981).

Controlling dishonesty can be undertaken by essentially two methods, external or internal. Some institutions like BRAC have found it important for an outside agency to conduct audits of local institutional finances to ensure proper use of funds (Korten, 1980). In the Puebla project in Mexico, when some members were flaunting the group credit scheme by not repaying loans, the intervention of the authorities to arrest these "bandits" was a boost to the local organizations (CIMMYT, 1974). Tandler (1981) suggests that outside agencies may be helpful in the recovery of loans which "insiders" are reluctant to press upon friends and neighbors.

^{12/} An evaluation of the Pikine primary health care project in Senegal noted that improvement in the quality of services was a more important incentive for making contributions than financial savings to which community members could point (Jancloes et al., 1981).

On the other hand, there are recommendations for reliance on internal mechanisms. A "goldfish bowl" technique of reporting and even conducting financial business in the public eye can be more of a check on misconduct than paper transactions with outsiders. The very successful indigenous local institutions, the subaks in Indonesia, have established the practice of assessing all fees in public meetings so that all members know how much should have been collected, from whom and for what (Birkelbach, 1973).

Financial matters arouse suspicions easily in any society. Openness and accessibility are likely to provide more protection than auditing procedures, which however complicated they are made may be circumvented by fraud or connivance. One of the most interesting LID examples we encountered was in Aceh, Indonesia, where a community development program was able to get villagers to turn out dishonest leaders who were defrauding the organization once finances became a matter for the whole membership to review (Van Sant and Weisel, 1979; see Annex in Report No. 7).

Apart from financial management, the management of equipment and facilities is a common problem for local institutions. There are various reasons why maintenance is so unevenly and poorly done. We discussed this in Report No. 3 with regard to rural infrastructure, where the issue most often arises. A study of local organizations' potential for promoting rural development concluded as we did that maintenance presents a special problem because:

Many rural organizations are mobilized on an irregular basis for a particular purpose or event. Continuous, intensive organization is not sustained. Examples of successful, locally organized self-help usually exhibit periodicity and a purpose-specific character. Maintenance requires a new structure of incentives, rewards for leadership, a building of new capacity into organizations. (Ralston et al., 1983:117)

The problem referred to is that of "institutionalization," of going from uncertain to predictable performance by "a building of new capacity into organizations." Ability to carry out maintenance on a regular basis could well be one of the tests of "institutionalization."^{13/}

^{13/} Ralston and her associates maintain the same distinction between organizations and institutions that we spell out in Report No. 1.

Maintenance activities are difficult to institutionalize at the local level unless there is some evident need for them. We found in studying the role of local organizations for managing catchment dams in Botswana that maintenance was periodic, done only at the time of the year when the dams were most needed and therefore in use. Outsiders had the impression that there was no maintenance being done because it was not evident at times when they visited the rural areas. But a field study showed something akin to "optimal" maintenance, just enough to protect the dam bund and control cattle access. The dam groups preferred to keep maintenance below a level which would require their assessing and handling regular cash contributions, as discussed above. Instead, they relied on contributed labor and materials or occasional emergency collections of cash (Roe and Fortmann, 1982).

There appears to be a fairly common disposition in rural areas to avoid mobilizing cash if possible, because of the potential for misuse and distrust, as reported by Coward (1979) for irrigation groups and by Pradhan (1980) for rural infrastructure activities. Alternatively, organizations may collect money only when needed for a specific object, for which the cash is spent quickly and accounted for. This presents a problem from an LID perspective because institutionalization can be more difficult if there is not a reliable resource base. One element of strategy may be to establish as routine certain procedures for non-monetary resource mobilization or ad hoc cash collection.

One way in which local institutions can be encouraged to take on more regular maintenance responsibilities is by provision of technical supervision as seen from experience with water supply projects in Peru. One of the inhibitions holding back local initiative on this function was a lack of confidence that sufficient technical expertise was available locally. After obtaining technical training and backstopping, local governments were more willing to carry out maintenance work on water systems as needed (Haratani et al., 1981; see also Annex of Report No. 3). Such technical assistance is one of the more straightforward kinds of LID support which can be provided by outside agencies.

Local institutional problems with maintenance arise most often when jurisdictions are unclear, or when the facility or service is not well understood or needed by the community. In Report No. 3, we considered circumstances under which good maintenance was less likely -- where the need for maintenance was not obvious, where responsibility for repairs could not be readily fixed, or where the users were unconcerned or not influential. Gradual deterioration of a road is less likely to be taken

care of than a landslide blocking it, and the breakdown of a diesel electricity generator is more likely to be attended to than a leak in a water supply pipeline. Where need, responsibility and demand for maintenance are clear, local institutions seem to be able to find the means, including technical know-how, to do the job.

This observation applies more generally to resource management by local institutions. Demand for management does not necessarily create its own supply of management skills or of resources to make the skills effective. However, local management capabilities are substantial where the objectives of local institutions are understood and supported. Some good examples of this from rural Thailand have been documented by Calavan (1984) and are included in the Annex (pages 39-40). For such management capacity to be tapped, however, it requires "appropriate administration," the equivalent in the managerial domain of "appropriate technology." Calavan suggests some ways in which outside agencies can create "space" for local initiative and responsibility to become linked to development activities being introduced. This is useful perspective to bring to issues of resource management for LID.

4.0 LINKING SUPRA-LOCAL RESOURCES WITH LOCAL RESOURCE MOBILIZATION

If there are appropriate local institutions backed by conducive policies, national and international resources can be used to elicit greater local resource contributions for the sake of a wide variety of development efforts. The objective as suggested in Section 1.0 is to create a "positive-sum" dynamic so that outside resources do not replace local contributions but rather increase them.

We will discuss some of the mechanisms whereby external resources can be used to "prime the pump" of local effort, but we emphasize that the framework of institutions and policies is more important than the amount of resources expended by government or donors. The return on such resources can be phenomenal if institutions and policies are supportive. Not many countries can match the ten-fold or more expansion of investment which Atteh (1980) reports for Kwara, one of the poorer states in Nigeria. In 1967, the government decentralized its structure, creating 19 states where there had been only four regional governments before, and subsequently establishing district and local government bodies. As reported in the Annex (pages 38-39), communities in Kwara State, had in ten years' time carried out 20 million naira worth of projects, including roads and bridges, court houses, classrooms, dispensary-maternity centers, postal agencies, market stalls, libraries, hospitals, dams for water supply, and electrification of larger settlements.

All these projects were initiated by local people and their children living in urban centres. Villagers determine priorities, plan, finance, and execute development projects on their own. The people therefore have provided themselves with more amenities than the government did. Most of these projects are financed from the sale of crops produced by 'traditional' agriculture which is deemed primitive. Yet government appreciates and coordinates these efforts, lending a hand through grants, technical supervision of projects, etc. (Atteh, 1980:421-422)

What makes this all the more remarkable was that it occurred during a time when the central government of Nigeria was still rather flush with petro-dollars and one might have expected local people to sit back and wait for official largesse. There were many, probably justifiable complaints about corruption, foolish investments, and technical errors in the years right after this immense redistribution of authority, but

the scope of work undertaken made some problems unavoidable. Against these complaints one should set the scale of activity which was attained.

Too often the way outside resources have been provided has not had such a positive-sum effect. Instead the result has been zero-sum, with external resources substituting for local resources. Even negative-sum consequences have been reported when external inputs reduced the level of local contributions by more than the amount provided from outside over time, such as with certain food-for-work programs discussed below.

Contrasting approaches can be illustrated with examples from Ecuador and North Yemen. In the first case, a local institution handling electrification began raising its own funds before the end of the project, so the donor cut its allocation by the amount of funds mobilized. This created a disincentive for the institution to begin raising funds until the project was terminated, and then it would have to start without experience or precedent (Tendler, 1979). In contrast, the Ministry of Health in Yemen made grants to Local Development Associations for part of the costs of construction of primary health care units, expecting the community to come up with the balance of funds needed. If an Association raised more funds than needed for its unit, the grant would not be reduced and the LOA could use the excess funds for other purposes. This gave incentive to put real effort into the fundraising (Cohen et al., 1981).

4.1 LOCAL SHARES OF TAXES

Collecting taxes levied by the central or state government is always difficult and costly. One practice which has advantages both for national and local governments is to delegate collection of these to the latter, giving them a fixed share of revenue as a commission for their work. In Taiwan, this has been extended to membership organizations where the Farmers Associations (FAs) get a percentage of the land tax which they collect in kind (as rice) for the government (Stavis, 1983:218). This provides a stable source of income to the FAs, reducing their need for subsidies to cover the cost of certain services (mixed goods) that they provide.

In countries where the revenue structure is convoluted with a variety of earmarked taxes, local jurisdictions may receive revenue (or certain shares) from specific taxes on exports or on commodities originating in their region. Such special taxes are common in countries like Argentina and Peru and cover much of the cost of

public works in the Philippines, for example (Caiden and Wildavsky, 1974:, 271-273, 285-287). An alternative source of funds is the remission of some share of general revenues to local governments according to certain formulas. Such systems have the advantage of giving some fiscal stability to local institutions, but there may then be little incentive to generate additional revenue locally. "Earmarked" funds are not easily adjusted or eliminated, though formulas can be set which reward special resource mobilizing efforts (Bahl, 1982).

Such systems present the same problem, as does paying commissions for tax collection, that the flow of resources to different institutions is likely to be unequal, reflecting existing patterns of development. Here too, formulas for revenue distribution can be altered such that they compensate for economic disadvantage. To deal with this problem, however, it may make more sense to transfer funds as grants.

4.2 GRANTS

These can be designed to further a wide range of objectives and can be directed to the whole range of local institutions with a view to increasing the overall volume of resources devoted to development. Two issues of special concern are the use of grants to ameliorate inter-regional and inter-locality inequality, and the choice between categorical and general purpose grants.

Grants promoting equalization may provide a needed stimulus to poorer areas, but they can also be a disincentive for local resource mobilization, discouraging richer areas that may feel discriminated against, and encouraging poorer ones to accept gifts in lieu of self-help. We have referred already to the way the Saemaul Undong movement in South Korea handled this. At first it gave all communities the same amount of grants in-kind (cement and steel for construction). But this had no incentive effect, so villages were classified as "basic," "self-reliant" and "independent." The middle category got the most aid, as a reward for their own effort, with the first getting more than the last. There would be some disincentive to "graduate" into the third category, but this was compensated for in part by the status given such villages as good examples for the others (see figures on this in Annex to Report No. 7).

Having three categories like this is simple administratively but the sharp differences in assistance might better be avoided with more incremental changes. An alternative is a progressive grant structure in which communities receive decreasing

increments of aid as their ability to mobilize own resources increases. Kenya established such a system during the late 1950s to assist the newly-established District Councils (Hicks, 1961:422-424).

Determining some common denominator on which to base an "equalization" criterion is difficult. Should it reflect current income levels, if these can possibly be known? The number or proportion of households demonstrably "poor"? The potential for rapid improvement? Systems of fiscal equalization presume that there is a relatively uniform system of local taxation. But as suggested in Section 2.1, standardization can undermine creative local resource mobilization. In the name of establishing equalizing grants, one would not want to reduce local initiative.

With regard to types of grants, block grants and matching grants have different characteristics. Comparing the grant systems in countries having a British colonial past, Hicks remarks:

Block grants as a type get good marks both from the point of view of leaving Local Authorities to plan their own priorities unfettered, and from the consideration that an equalizing element can relatively easily be included. Their main drawbacks are firstly, absence of direct stimulus to activity, and secondly, that unless specific conditions (for instance concerning general standards of performance) are written in, they give no incentive for careful management....

In contrast to block grants, the main advantages of specific grants are stimulus and control, and these are very valuable factors. At the same time there is a danger that they may upset the balance of local budgeting. (Hicks, 1961:309-310)

Obviously there are arguments to be made for and against each kind of grant from an LID perspective. To the extent that either block grants or specific grants are given on a "matching" basis to reward local resource mobilization, they make a positive-sum contribution. Whether they aid the process of institutionalization is not so clear. The subsidi desa (village subsidy) program in Indonesia, discussed in Report No. 3, provided block grants with some restrictions on what the funds could be used for, and it mobilized some "match" in the form of local labor and management (Prabowo, 1973). Workers were paid, but not necessarily a market wage, so the difference amounted to a kind of local contribution which augmented central resources. It appears, however, that the village governments were not uniformly strengthened by this program, especially where the projects undertaken were chosen by local elites and not particularly popular

with the people. There was no systematic effort to build up local capacities for planning and implementation, and maintenance has reportedly been a problem.

A major advantage of giving block grants in the Assistance or Facilitation mode is that they provide some core funding for local institutions. It is observed with regard to LID in the rural infrastructure area that the stability and predictability of funding levels is often more important than the amount of funds provided (Garzon, 1981). Core funding is essential for institutions to have incentive to focus on future-oriented activities like planning. The quality of requests for assistance and the kind of things asked for will be affected by whether institutions are thinking in terms of "windfall" benefits or things that need to be (and can be) developed and maintained over time.

There are hazards in having too much as well as too little funding from outside. Generous and unconditional block grants can undermine local resource mobilization and institutional capacity as surely as can scarcity of resources. This happened with a rural works program in Bangladesh (then East Pakistan) which was reasonably disciplined and productive in its early period. Both characteristics declined once large amounts of money began flowing to the union councils (Thomas, 1971). The matching grant requirements were relaxed in order to "move money" faster, and more of the implementation was carried out by private contractors, who often did not give value for money. Such poor performance detracted from the legitimacy and support which the Union Councils (locality-level LG) had enjoyed. We find that grants, especially if given on a matching basis, can be useful financial mechanisms for supporting LID capacity, but the Bangladesh experience confirms the adage that there can be "too much of a good thing." Large amounts of funds flowing into a local institution are no solution for inadequate capacity and indeed become a problem.

4.3 IN-KIND CONTRIBUTIONS

There are a number of good examples where external gifts or grants of materials elicited matching local inputs of labor. The example of the Local Development Department in Nepal assisting the work of local bridge-building committees in Baglung district by providing steel cable, difficult to obtain in the hill districts, has been cited previously. The value of communities' contributions of labor and material inputs was many times greater than that of the cable. Similarly, the Community Development Department in Malawi gave pipe as well as training and technical assistance to

committees that managed the installation of extensive gravity-flow water supply systems. (Both cases are written up in the Annex to Report No. 3.) The women's garden groups in Senegal, described in the Annex to Report No. 5, were greatly aided by a donor's giving them improved wells for irrigation and trucks to transport produce to market.

The material contributions not only spur local effort, but their being given in-kind reduces possibilities for corruption and institution-corroding suspicion that would have existed with grants of money (Pradhan, 1980). This was one of the reasons why the government in South Korea gave its initial aid to villages involved in the Saemaul Undong movement in the form of cement and steel reinforcing rods. However, the inefficiencies which resulted from identical provision of materials to all villages shows why grants should be tailored to local priorities and needs (see Annex of Report No. 7).

One objection to such a strategy can be that the provision of materials with the expectation that communities or localities will provide matching labor for construction can be a regressive form of resource mobilization. Particularly in communities that are highly stratified, poorer members are likely to have to provide proportionally more labor even, if, as with projects like road construction, they derive relatively less benefit.^{14/} How unfair the impact of in-kind contributions from government, PVO or donor agencies may be depends on the task at hand, the prevailing stratification, and the policies followed in apportioning contributions.

A more serious problem that may arise from outside in-kind contributions is the disincentive effect which commodity aid (often given as "food for work") can have on local institutional efforts. We have seen in Botswana and Sri Lanka how traditional

^{14/} It is often thought to be beneath the status of richer members to contribute labor, though they may be expected to contribute money to the effort in lieu of work. Whether this happens depends on local norms and leadership orientation. In an AID-supported water project in Ethiopia studied by Cohen, not only did the rural poor contribute most of the labor to dig the trenches and lay pipes for the system, but once it was finished they had to pay for water when they had previously gotten it free (reported in Uphoff, Cohen and Goldsmith, 1979:274). In neighboring Kenya, Thomas (1980) found less regressiveness in self-help projects because outside grants were matched more often by money than labor (and the money was used to pay for labor). Richer members of the community, partly for prestige, gave a larger share of resources, though poorer members might be expected to contribute some labor in lieu of cash. The traditional custom of shramadana (the gift of labor, for community purposes) referred to in Section 2.7 often produces similar inequities in the distribution of costs. The fact that the rural works program in Bangladesh emphasized roads, which were chiefly of value to larger farmers with a surplus to market, meant that the poor derived relatively few benefits even though they had to provide most of the labor (Garzon, 1981:18).

community customs of voluntary work -- for road maintenance, cleaning irrigation channels, etc. -- can be undermined by introducing payment in-kind, so that people subsequently refuse to continue the work unless given free food. An evaluation of a rural water supply project in Peru concluded that:

The interjection of 'food for work' in development projects where a tradition of voluntary community involvement exists can produce more harm than help. (Haratani et al., 1981)

The result of such outside resources can be negative-sum -- resource demobilization -- where the total amount of resources mobilized for development tasks over time is diminished due to a withdrawal of local resources previously contributed on a regular basis.

We would not take a firm position against this form of outside assistance, however. The Kottar Social Service Society in India has made very good use of such aid, as a contrary example (see Field, 1980, and Annex in Report No. 7). There are situations where emergency relief needs to be given, and rather than provide free rations, food may be provided as part of a program to build up community assets with the labor that would otherwise produce nothing. Food for work can provide some dignity to individuals in circumstances that are otherwise demeaning. It could also be argued that one should not require rural people to provide services like roads or water supply for themselves at their own expense when urban dwellers generally do not have to make any similar investments. In any case, if one accepts the practical and ethical justifications for food aid, its implications for the strengthening of local institutions should be carefully weighed before embarking on such a program.^{15/}

^{15/} In research on local institutions in 16 villages in Sri Lanka, Uphoff found one case where controversy over apparent corruption in distributing food-for-work aid had undermined an active Rural Development Society (RDS). The ability of a community to continue voluntary labor (shramadana) alongside "paid" labor was said by local leaders to depend on the pre-existing strength of the Rural Development Society. Leaders in an already active RDS felt they could accept and use food aid without creating a dependency attitude, but others were not so confident. This suggests a need for experimentation to ascertain what effects there might be, and further that food aid is not a promising means for strengthening local institutions if they do not already have some cohesiveness and integrity as institutions (Uphoff, 1979). Negative experience in Botswana is discussed in this regard in Brown (1983:70-73). A more positive view is offered by Gooch and MacDonald (1981:58-59) who suggest that "the nature of self-help is changing with cash becoming the main contribution," so disincentive effects are less important even if free labor contributions are discouraged by payment. Indeed, they argue, sometimes food-for-work schemes "have had a positive effect in that they have mobilized communities and enabled people to keep their resources intact."

4.4 DIVISIONS OF RESPONSIBILITY

One of the ways in which outside resources can be provided with less likelihood of reducing local resource mobilization is to work out "formulas" for sharing financial responsibility that are understood and accepted at the local level. In the primary health care area, one common formula has been for the community to construct part or all of a facility, such as the "health hut" in the Sine Saloum project in Senegal, with the understanding that the project will provide training and salaries for the personnel who staff it. The cost of drugs is also fairly readily assigned to the local level, since user-charges can be levied for such "private" goods.

A systematic study of financing primary health care programs carried out by the American Public Health Association found that costs for supervision of staff, logistical support for the program, and referral services usually had to be assumed by the sponsoring agency, and that sustainable local contributions were most likely to take the form of voluntary labor and possibly some payments for services or sometimes paraprofessional salaries (APHA, 1982:41). The Sine Saloum project referred to above found it difficult to mobilize cash resources at the outset (Hall, 1981). But after a more socially sensitive approach was taken, it was able to make a new division of financial responsibility work (Bloom, 1984). In the Pikine primary health project, also in Senegal, the division of labor was also arranged so that the government pays staff salaries and the community pay for services and drugs (Jancloes et al., 1981).^{16/}

There can be various difficulties with such an approach of sharing responsibility. One problem is that rural people can have difficulty in coming up with cash (often depending on the time of year) and it is sometimes suggested that their contributions should be only in-kind. This caution is worth noting, because it greatly restricts the scope for local resource mobilization and the kind of development activities which could be undertaken, if all financial resources must be provided from outside. The experience with the primary health program in Burma suggests that cash can be

^{16/} Both projects are reported in the Annex of Report No. 4. This division of labor was debated in our workshop on LID, with one consultant suggesting that local people could best provide materials, while the government covered salaries. The opposite view was that salaries paid locally might cost less than if paid by government, and could be more flexible, reflecting seasonal variations of work load, for example. Also, this would make the personnel more accountable to the community. There are pros and cons for either division of responsibility. The Tamil Nadu irrigation example reported in the Annex, pages 36-37, suggests advantages of having salaries paid by the local organization.

mobilized even in poor communities if the service being offered is highly valued (Chauls, 1983). From an LID point of view, this underscores the importance of undertaking activities which meet local expectations.

There may be misunderstanding about the terms on which the respective local and outside resource contributions are to be made. In the Philippines, the National Irrigation Administration (NIA) works out a formal written agreement with the Irrigators' Service Association (ISA) in a particular area which NIA organizers (catalysts) have helped to establish (in a Promotion mode which becomes a Facilitation and eventually an Assistance mode). If the Association's members are not willing to accept the design prepared by the engineers in consultation with ISA farmers, the capital improvement is not undertaken. If the agreement is signed, they agree to repay the capital costs, which are reduced by whatever amount of labor and materials they contribute to the construction (F. Korten, 1982).

In Yemen, where literacy levels are lower, a very simple physical "formula" has been worked out for building schools. If the Local Development Association builds a school up to the level of the windows, the national Confederation of Yemeni Development Associations gives a grant to fund the rest of the construction, and when that is done the government ministry provides a permanent roof as its contribution (Cohen et al., 1981). This example is offered not as a formula to be replicated but rather as an indication of the kind of innovativeness and clarity to be sought in working out divisions of financial responsibility, to promote a positive-sum results in resource mobilization.

4.5 PROCEDURES

The requirements accompanying outside provision of resources can have an adverse effect on local resource mobilization. Local institutions can be discouraged from seeking matching funds or grants by complicated budgeting procedures and cycles. It often happens that the government's bookkeeping requirements for handling and later auditing its funds are forbidding, and if foreign assistance is involved, two or more different accounting systems may be required. If such complexities do not deter local institutions from seeking outside support, they absorb enough effort that the net contribution of the aid is diminished.

Perhaps the most debilitating circumstance for local institutions is the lack of fit between external and local budget cycles. Getting expenditure of funds approved in advance of activities is often difficult for rural institutions. Local administration, being part of the fiscal system, will fare better than other local institutions, but even it will have problems of fitting into the national budgeting system and often be ignored. Even if an expenditure has been approved in the budget, getting authorization to actually spend the money is another hurdle frequently difficult to deal with from a distance. Opportune times for construction and slack times in the agricultural cycle may come and go without receipt of promised outside resources. Rather than encourage more local effort, funds so unreliable or inaccessible will dampen it.

Compounding the deterrent effect is the general rule that within any budget year, authorized but unexpended funds must revert to their source. Matching resources are not likely to be mobilized locally on a rushed basis, especially if the activity is being done haphazardly or is only marginally useful. One of the major improvements which could bolster local institutions and make external resources more effective would be to relax the present restrictions on retention of unexpended funds. Authorization to carry funds over to the next year without losing them would be one of the least costly impetuses to expanded and more sensible local self-help activity.

The feasibility of allowing local institutions to carry forward some reasonable surpluses for future use depends in part on the availability of financial services from banks, credit unions, or accountants. National and donor agencies may be reluctant to give up tight control over "their" resources. But then it should not be surprising if local actors are then not so conscientious or self-exerting in their use of these resources which, by external definition, do not "belong" to the local institution. It would also be useful if, instead of the penalties which are so commonly threatened for misuse of outside resources, there were rewards given local institutions for careful and innovative application of external inputs, especially when these were multiplied or extended by local resources.

4.6 EXTERNAL INPUTS

We have considered how outside contributions, including resources in-kind, can augment local efforts. It should be said that the need to use external materials can constitute a barrier to local resource mobilization. The official technology used for bridge construction in the hills of Nepal was dependent on cement and other inputs difficult to get into the remote locations where bridges were needed. This hampered the work of government staff (LA). The provision of steel cable was essential for the impressive construction work undertaken by panchayats and local organizations in Baglung district. But another positive factor was the use of locally available materials and local technologies -- indigenous rockwork techniques instead of cement, connecting rods forged by traditional blacksmiths. This meant that people had more confidence in being able to build and maintain these bridges themselves, which was an incentive to contribute their own labor and funds (Pradhan, 1980). The Malawi self-help water supply project taught villagers to make pipes out of cement, and instead of getting rid of rocks by blasting them with dynamite, rocks were removed by hand after being cracked by traditional methods -- heating them with firewood and then pouring on water.

The conclusion of an evaluation of a domestic water supply project in Peru is borne out in these Nepal and Malawi cases:

Imported materials tend to become the limiting element in development projects and produce rigidities in project design and construction. (Haratani et al., 1981)

On the other hand, in both of these cases, there were some strategic contributions of imported materials, steel cables in the first, and faucets and other hardware in the second. The challenge always is to identify which outside inputs can have the most resource-mobilizing effect at the local level. In these two cases, strong cables and durable faucets were important attractions to villagers who were expected to contribute their own labor and money to the project.

Reliance on resources from outside the community can present problems. The Burma primary health care program discussed previously found that enthusiasm of village volunteer workers sometimes flagged when the supply of drugs from the capital was interrupted, due to problems of logistics or weather. The supply of drugs had been offered as an inducement for local participation in the program (Chauls, 1983). Where outside resources figure centrally in a project's strategy for local institutional development, its design and budget should ensure the reliability and adequacy of supply.

More serious effects of outside aid can come from sheer magnitude, which dwarfs the share of local resources and distorts local people's sense of responsibility for maintaining their flow. If the proportion of outside resources increases, invariably so will the extent of external controls. Even a development organization as committed to the principle of self-reliance as the Sarvodaya movement in Sri Lanka found that an influx of overseas funds led to a centralization of activity in the national headquarters (Moore, 1981). Local initiative and planning activities had to give way to central assumption of responsibility to satisfy all the approval, reporting and accounting requirements that came with aid, even aid intended to buttress a self-reliant approach.

Outside assistance, whether national or international, should not have to compromise local institutional integrity and capacity. Donors should understand that their objective is not so much to accomplish certain "targets" through the expenditure of their funds, as to strengthen local capacities to meet those and other targets on a sustained basis, relying as much as possible on local resources. Outside assistance can be given in ways that offer inducements to local effort if the amounts are manageable, the procedures supportive, the kinds appropriate, the pace of expansion flexible, the approach experimental, and the expectations reasonable.

Most of the cases reported in the Annex (pages 33-41) as well as in the Annexes of other reports give examples of imaginative and intelligent uses of external resources -- funds and materials, but also technical assistance and administrative support. In particular it is important for donor agencies to appreciate that there is considerable management capacity in local communities even if levels of education and literacy are not high. These talents can be mobilized if forms of "appropriate administration" as described by Calavan (1984) are utilized.

It is generally appreciated that avoiding "dependency" is essential for "development," and this is more true for LID than for any other aspect of development. At the same time, it is clear that outside assistance is needed for any widespread advances of local institutional capacity. The strategy which we have formulated from our previous study of experience with local organizations is called "assisted self-reliance" (Esman and Uphoff, 1984:253-261). While this may seem contradictory, it is not. It is only paradoxical, and much of the development enterprise is pervaded with paradox. The process moves toward both independence of individuals by creating new productive capacities and toward interdependencies as mutual resource flows and accountability establish such productive possibilities.

ANNEX

To share with readers some of the most instructive LID experiences that we found in our review of the literature, we are presenting in these annexes some capsule descriptions of such experience, positive and negative. Readers are referred to the cited sources for fuller details.

BANGLADESH: The Grameen Bank

The Grameen Rural Bank project was started by a university-based economist in 1976. After a promising organizational methodology was developed by trial-and-error during a three-year experimental period, the project was expanded, and by 1983 it had disbursed loans to nearly 30,000 landless men and women. The repayment rate is much higher than achieved in previous rural credit programs and represents substantial resource mobilization and management on the part of the rural poor by working through a simple institutional arrangement.

In a manner similar to other examples of small-group collective action we have found in the literature, such as the Dominican Republic case below and the Small Farmer Development Program in Nepal (see Annex of Report No. 5), prospective borrowers must form a group to apply for loans. The Grameen Bank usually deals with groups of five borrowers. Since landless families, who represent approximately 50 percent of the population, do not have the usual collateral, one or two of the members will be allowed to borrow some \$30 to \$50 from the Bank, with the other members assuming joint responsibility for repayment.

In order for the non-borrowing members of the group to become eligible for loans, the first borrowers must faithfully repay. No restrictions are placed on what the loans may be used for, so long as the activity is legal and provides a weekly income. The latter requirement is adhered to so that borrowers can make weekly payments into a mandatory savings fund and can be repaying the loan in small installments. The borrowing groups serve to provide both confidence and structure. Non-payment by one member will affect the others. So if one member becomes ill or unable to handle his finances, the others have reason to pull together and cover his/her payments.

Having started with small groups, the project has begun to encourage them to merge together into thirty-person organizations called "centers" that are now found in most of the villages where the project operates.

The Grameen approach which began without financial support from the government is now under the wing of the nationalized banks, which employ the Grameen workers as regular staff. Outside assistance has come from the International Fund for Agricultural Development and the Ford Foundation. Despite having shown good prospects for commercial viability, there has been some residual resistance on the part of the nationalized banks which are not at ease with this outreach approach. Similarly, wealthier farmers are resisting the prospect that their cheap labor will increasingly move into Grameen-supported projects.

Many of the day-to-day problems are handled by dedicated young bank workers responsible for making loans and collecting payments. These workers play both a

motivating and service role, being a special kind of "catalyst" as discussed in Section 3.2 of Report No. 7. Since nearly 40 percent of the borrowers are women, women bank workers handle these accounts to minimize the social distance (Ford Foundation, 1983).

LESSONS: This effort began slowly and faced skepticism in many quarters. But by relying on group capacities, buttressed by certain requirements from "above," the project has achieved an impressive record, especially in regard to the social changes associated with the involvement of women.

Perhaps one of the most important lessons is found in this aspect of the program: borrowers can decide for themselves, albeit in consultation with the group which is sharing responsibility, which activities they will invest in. This is a departure from the kind of "supervised credit" so often extended to small farmers and entrepreneurs, with very high administrative overhead costs but with probably less "success."

The entrepreneurial spirit and creativity of landless individuals has been demonstrated, thanks in large part to the work of young, energetic employees who go out to the service areas as "bankers on bikes" to gain a close understanding of people's needs and capabilities, and to keep a reliable flow of information moving in several directions.

CAMEROON: Credit Union League

The rotating credit associations known as njangi in Cameroon have a long tradition in Africa which may have its genesis in cooperative land-clearing groups. The monetized njangi have been documented from the 1930s, though their savings and loan function probably goes back to an earlier date. A similar traditional institution with a more prominent social function is found in so-called "meeting" associations in which migrant workers contribute money to be held as savings until the end of the year, when their funds are returned with interest derived from bank deposits or loans to individuals.

In 1963, two Roman Catholic priests undertook to establish more formal credit unions. With assistance from the Department of Cooperatives (LA), independent primary credit unions formed the Cameroon Credit Union League which was given official recognition by the government. Financial assistance received from a variety of agencies facilitated training, equipment purchases and supervision. A strong desire among people to participate in savings and loan activities, coupled with a common knowledge of the procedures and operations allowed the League to expand rather quickly.

An interesting and important part of the expansion involved using existing organizations including church congregations, police detachments, agricultural cooperatives and large firms. By drawing on all the capacities of these organizations, and devising a check-off system whereby savings were automatically deducted from wages, the credit unions were able to increase their efficiency. Between 1965 and 1979 membership rose from 4,000 to 26,000 with savings rising from 16.0 to 399.5 million CFA francs over the same period. The success of the expansion effort is reported to be in large part a result of relevant offices of government and the Credit Union League's "ability to foresee problems and experiment with solutions" (DeLancey 1977:317). Note that this movement was somewhat more urban-based than the Zimbabwe case reported below.

Meeting associations, njangi and primary credit unions follow almost identical operating procedures. The credit unions, however, are more advantageous for those who need or want to borrow since the interest rate they require is substantially lower. Furthermore, since the Credit Union League has external auditors, savings and loans do not have to be returned annually, a practice that the traditional groups must normally follow to retain their legitimacy.

Credit unions have not attempted to eliminate the meeting associations. In fact, they often thrive side by side with linkages beginning to appear. "In one location a meeting group has become a "member" of a credit union, and regularly deposits its savings there in a single account. Elsewhere all the members of a meeting group have joined a credit union..." (DeLancey 1977:321).

LESSONS: The credit unions have wisely chosen to adopt practices which are familiar to local residents. Rather than trying to eliminate the traditional meeting groups they have allowed households to decide for themselves which institutional form best meets their needs for social and economic purposes. Perhaps most importantly the outside funding has been put to use in a way which amounts to a positive-sum situation. Loans and savings options are available to the same people as before, only now a larger number of households are able to borrow over longer periods of time. Sensitive and sensible modification of popular existing practices appears to have resulted in successful LID though it should be noted that the Credit Union League has not yet become fully self-supporting in covering all administrative costs.

DOMINICAN REPUBLIC: The Triciclero Association

As in many other urban centers and smaller market towns, there are a large number of individuals who support themselves and often their families as tricicleros (tricycle drivers), providing cheap and flexible transportation of people and goods in the capital of the Dominican Republic, Santo Domingo. This case is reported for its evidence of resource mobilization and management capacity among some of the poorest of the poor.

Most of the tricicleros do not own their own vehicles and therefore must pay about 20 percent of their meager average daily earnings as rent. Recognizing that these persons would be greatly helped economically if they could own their own vehicles, the Fundacion para el Desarrollo Dominicano, Accion Internacional and the Inter-American Foundation worked out a financial plan.

To reduce the level of risk associated with the loans, five to seven drivers formed groups (grupos solidarios) which were jointly responsible for everyone's payment. It is likely that many of the members initially saw their involvement in the group as a temporary expedient through which to gain a personal benefit, i.e. ownership of a tricycle. There are now over 200 groups, and many members have indeed been able to acquire individual ownership of their means of production.

However, rather than disband once the vehicles have been purchased and paid for, the groups have acquired a strong sense of solidarity in the process of repaying the loans. Instead of going their separate ways, an Association of Tricicleros was formed which brought together the smaller grupos solidarios. This in turn led to new forms of resource mobilization never anticipated when the program began in 1980.

Among the activities organized by the Association is a rudimentary health insurance scheme, and a program for covering the funeral expenses of members and their immediate families through regular contributions. It is expected that a tricycle repair shop with tools and spare parts to be used by members will be operating in the near future. Ironically, the Association has also worked to deter certain resource mobilization efforts by the local government (i.e. various taxes and fines) when these measures were not considered justified (Hirschman, 1984:13-16).

LESSONS: The organization of small solidarity groups to manage financial matters proved quite effective, based in large part on the very personal nature of the groups. Not making a payment could lead to a loss of valued friendships and more recently to loss of other more tangible benefits such as health insurance. Where members in good standing are genuinely in difficulty, others have been willing to help them out with interest-free loans.

The agencies which helped to get this program started did not attempt to chart the groups' path for them. As new ideas, activities and capacities emerged, they were encouraged. Though the program originally focused only on economic needs, the members have been able to develop some political influence to make their lives less hard at the hands of municipal authorities, by organizing "trike-ins" to protest what they think is unfair treatment.

"In this manner, a financial mechanism originally designated to do no more than protect a lending agency against default by individual borrowers is having powerful and largely unanticipated social, economic and human effects, enhancing group solidarity and stimulating collective action." (Hirschman, 1984:16)

INDIA: Tank Irrigators' Associations

Agriculture in the Indian state of Tamil Nadu has depended for millennia on irrigation water stored and distributed from small reservoirs that dam up rivers and streams or capture surface run-off. These reservoirs, locally referred to as "tanks," are now formally under the control of the Public Works Department (LA) or the Panchayat Unions (LG). But there is a strong historical tradition of autonomous local management, and irrigators' associations (membership organizations) continue to be very active in the operation and maintenance of many tanks. Their mechanisms for mobilizing and managing the resources needed to keep the tanks on which they depend for their livelihood operating are worth noting.

The level of resource mobilization in such organizations is often quite high. For example, the tank association for Sananeri tank, studied by Meinen-Dick (1984), mobilizes about three times more resources per hectare for operating and maintaining its system than the Public Works Department allocates for tank maintenance. Farmers' contributions take the form of cash, grain and labor. While some of the work is done directly, the association also hires and pays "common irrigators" who handle routine operation and maintenance tasks within designated sub-areas of the tank's command area.

The means by which the grain is mobilized for payment of the salaries of the common irrigators is particularly noteworthy. At the end of the season, these "employees" of the association go to each farmer they serve to collect a certain amount of grain per unit of land. This face-to-face collection provides a mechanism for holding

the common irrigators accountable for their performance during the season, because farmers not well served can express their dissatisfaction and even threaten to reduce their contribution. The association president is expected to keep a detailed account of all the monetary income and expenses of the tank association fund.

Farmers' contributions to the association are supplemented from another source for getting cash. The rights to fish in the tank are auctioned off annually, and the funds raised from this are used for tank management expenses. This appears to occur in other tanks including some where the panchayat (LG) now handles the auction. Where the association has formally lost control of this revenue source, it is reported that a well-organized association will send one representative to the official auction to make a low bid, which nobody (under threat of social sanctions) will raise. The fishing rights are then informally re-auctioned with more competitive bidding, with the association taking the difference to use for tank management (Palanasami and Easter, 1983). Village associations in canal-irrigated areas of Andhra Pradesh obtain funds from a similar re-auctioning of the license to sell toddy (liquor) in the village (Wade, 1979).

LESSONS: Where an activity is clearly important to rural people, as is access to adequate and reliable water supply for irrigation, they can be quite innovative and serious in their efforts to sustain resource mobilization and management activities. The strength of social solidarity is an important factor both for mobilizing resources and for protecting revenue sources, as seen from the re-auctioning strategem reported here.

Local organizations, like the Sananeri associations described here or the Chhattis Mauja scheme in the Nepal annex below, can operate without official recognition or sanction. They may devise fairly complex structures, including paid employees who handle tasks where technical skill or impartial performance are most needed. In both these Indian and Nepal cases, "accountability" of LO officers and staff is very important for keeping membership enthusiasm and support. Persons in these roles must be quite responsive and efficient to retain their position. Although there are exceptions, government employees rarely appear to perform these responsibilities satisfactorily.

NEPAL: Chhattis Mauja Irrigation Organization

About 80 percent of the irrigation in Nepal is provided through systems designed, built and operated by farmers at their own initiative, with minimal government involvement. Often the construction is carried out by a few wealthy individuals who then recoup their expenses by collecting funds from farmers of the newly-irrigated land, who then own and operate the system.

The Chhattis Mauja system described by Pradhan (1983) is a particularly valuable example of the extent and sophistication, both technically and organizationally, of such an irrigator-managed system. Constructed about 150 years ago, it irrigates over 7,500 acres of land cultivated by farmers in 54 villages. It is managed by them through a three-tiered organizational structure with 54 village committees at the base, 9 area committees, and a central committee. There is indeed an informal fourth-tier in that the organization consults with three other user-managed systems also drawing water from the Tinau river.

Because the river coming out of the mountains runs wildly during the monsoon season and carries large amounts of silt, large amounts of labor are required for desilting the channels, rebuilding the structures and other maintenance tasks. There are two categories of regular labor mobilization for which villages must contribute labor in proportion to their share of the total irrigated area. Records for 1981 show that 3,000-4,000 men worked for 17 days on desilting the main canal, a total of 60,520 man-days.

In addition, the village committees must and do mobilize labor for work on the channels within their respective areas. In emergency situations, such as repairing a breach in the canal wall, the rule is that all able-bodied men may be mobilized, with no consideration of proportionality. Farmers take turns patrolling the canals to prevent water theft, to do minor maintenance jobs, and to alert the committees of need for major repairs.

Another type of resource mobilized is the materials and tools required for repairing the system. Although many structures are made of leaves, sticks, wood and stone, these are becoming difficult to obtain locally, thus these items represent a considerable investment of resources. In order to construct more permanent canal walls and save on labor for maintenance, the central committee raised over 100,000 rupees. Fines are used to ensure that villages and individuals contribute their proper share of resources. Other contributions of cash or grain are collected in proportion to irrigated area to pay the salaries and expenses of committee officials.

The committee members helping to manage these resources at the village level are not paid, but their chairman is. He represents the village on the area committee, and each area committee is represented on the central committee. The president and secretary of the central committee are directly elected by farmer-members at an annual meeting and are paid modest salaries. The committee hires two persons in technical roles to oversee and supervise the maintenance work throughout the year. "Messengers" are also employed by the central committee to handle communication between it and the village and area committees.

LESSONS: This case demonstrates the extent of technical and organizational capability of rural people for dealing with a function which they regard as critical to their well-being. Although the literacy rate in the area is very low, the committees are able to find enough persons who can read and write to be able to keep adequate records.

The entire operation and maintenance is handled by farmers themselves without government involvement or interference. Indeed, when several years ago the government tried to intervene in management decisions, the organization said it would turn the entire responsibility over to officials if they were going to try to interfere in its management. The government responded by deciding to let this well-run system continue under farmer control.

NIGERIA: Kwara State Local Governments

Although Nigeria is one of the developing countries blessed with petroleum supplies and revenue, it cannot finance all of the local development efforts needed to raise the living conditions of its people. It inherited a colonial structure of government which even though a nominal federation was quite centralized. The structure only brought authority down one level. In 1967, the Northern Region encompassed almost 40

million people. At that time, with the threat of civil war breaking out, the government in Lagos divided the country into 19 states, and this was followed by powers being further devolved to district and local (locality) authorities.

One of the few studies we found on local government resource mobilization is for Kwara State, one of the poorest in Nigeria. A thesis written by Atteh (1980) goes into some of the rather impressive statistics accomplished there, and we cite from it directly:

With the inability of government to provide all the social and infrastructural amenities which people yearn for, villagers have taken the initiative of planning and executing development projects in their areas. This became so widespread that government created a Department of Community Development which became part of the Ministry of Local Government and Community Development, to coordinate these activities.

Highlights of data obtained from this Ministry show that in 1978, there were 100 approved post-primary schools and colleges in Kwara State, only 43 of which were built and are being run by government. The other 57 were built by communities and are run with help from the State Schools Board.

In the 1976-77 financial year, 197 projects worth N2,789,100 were executed in all the twelve local government areas by people themselves, while 454 on-going projects valued at N10,638,306 were registered with the Ministry. To aid these efforts, government gave a paltry sum of N400,000 as grants to all the communities combined. (1980:421-422)

Atteh reports that the Ministry's figures show community projects from 1967 to 1977 totalling N20,430,742 in value. Even if these are inflated somewhat, they represent a huge mobilization of resources for things which rural people judged necessary to improve their productivity and well-being.

LESSONS: Although this decentralization effort has often worked quite imperfectly, it has elicited a great outpouring of resources from the local level, including management abilities to carry out the varied development investments. Legislation formally transferring authority to these lower and local levels was necessary, together with some technical back-up. Probably if the technical capacity of the state government staffs had been greater, still more could have been accomplished, certainly to a higher technical standard. Funds were not the constraint in this effort, as the state government contributed only a small fraction of the total resources invested.

THAILAND: Tambon Councils

During the early 1970s, Thailand's Department of Community Development sent community development workers to rural villages where they would stay for several days, encouraging residents to undertake various public works projects. Without benefit of a firm institutional base, few of these projects had any long-term impact.

Fortunately, a number of changes subsequently occurred. In 1975, the central government initiated a program of block grants to Tambon Councils (LG), modelled somewhat along the lines of the Subsidi Desa in Indonesia (see Annex in Report No. 4). The program began rather quickly, with each participating council receiving \$25,000 for selected kinds of infrastructure projects. With contributions of local labor, roads, irrigation systems and ponds were constructed.

The projects proved very popular in the villages, but central bureaucrats were not happy with it, pointing to various examples of corruption and inefficiency. They managed to get the program stopped, but it was reinstated within a year because of the demand from below.

The new program, renamed the Rural Employment Generation Program, no longer gave standard grants to each Tambon Council but rather granted funds based on the size of population and the extent of rural poverty in a locality. (Tambon Councils operate at that level, not the village level.) Many residents for the first time are able to find employment during the slack season. A most important feature of the new program is that the annual allocations are fairly predictable, allowing the community development staff (LA) to collaborate with the Councils (LG) in working through longer-term community plans.

In some Tambons, all or part of the funds are reallocated for village-level projects. In other localities, local political forces create situations where small "subprojects" are negotiated to gain support for larger undertakings. Annual decisions are reviewed at higher levels of administration which also provide technical assistance when necessary for carrying out the project.

In localities where literacy in Thai is low, CD workers play a more active role such as filling out project data sheets. Some projects use small-to-medium sized contractors to provide heavy equipment and skilled operators. This is supplemented by local laborers who usually work for the one to three months it takes to complete a typical project. In keeping with a central government directive, all funds are spent during this period and cannot be carried over. However, each Tambon Council decides what criteria will be followed for local hiring (Calavan, 1984:236-239).

LESSONS: The Central government appears to have invested in further developing local government capacity of the Councils while also bolstering its own position through LA personnel at local levels, making for a positive-sum situation. Some oversight by LA was provided without undermining the autonomy and legitimacy of local government.

Where private firms were employed, both local businesses and local governments were strengthened without making the projects extremely capital-intensive, as happened in East Pakistan, now Bangladesh (Thomas, 1971). Forward planning was encouraged by making the funding predictable from year-to-year. The role of the CD workers apparently evolved from pushing physical project completion to assisting local institutions when local skills were deficient.

ZIMBABWE: Savings Development Movement

In 1963 a savings club was started by a missionary at Chishawasha Mission (near Harare) with a membership composed of twenty men and women. This initiative was

supported by a small number of voluntary workers who founded the Savings Development Movement (SDM). As a small central organization SDM has worked in both promotion and assistance "modes" with Savings Clubs scattered throughout Zimbabwe.

Saving Clubs have been supported in communities that have few material advantages, low financial resources and little chance of obtaining other sources of credit. Men and women who have a common bond such as church membership, residence or work are encouraged to form groups of ten to twenty people. In time a voluntary Management Committee of at least five persons is elected. Many Clubs also have additional "standby" officers to broaden the leadership base and ensure continuity.

Individuals who are not "founder" members and want to join must be recommended as a suitable person by a Club member. All members must contribute a minimum amount (usually ten cents) at the regular weekly meetings. If a deposit is not made a fine of one cent for each week missed is levied. Money which is collected at the weekly meeting is deposited in a travelling bank, post office, etc. as soon as possible after the close of business. In some cases Clubs must pay the bus fare of a member because of the distances involved. The Management Committee inspects the Club passbook weekly to check that the banking has been done correctly. Three members of the Management Committee must sign one week in advance of any withdrawals. To simplify bookkeeping procedures special stamps of ten cents value (printed as a donation by local commercial firms) are used on member's savings cards. This has helped eliminate errors that were prevalent in the original bookkeeping system.

As the viability of the Clubs became apparent to members their activities have expanded. Programs include a subsistence agricultural program package for the rural groups and a housing improvement program in the more urban areas.

The central SDM office, which serves a coordinating role at the national level, has worked to establish linkages with agencies such as the Salvation Army, Methodist Church, Adult Literacy Organization of Zimbabwe and fertilizer companies. During the war between 1976 and 1980 almost all of the Savings Clubs activities ceased. However, by 1981 over 400 clubs with approximately 16,000 members had "reopened" with the prospect of several hundred new clubs.

LESSONS: With amazingly little "overhead" from the SDM central office, a simple and adaptive financial mechanism for self-help was offered. Although no subsidies were given to the clubs there was enough technical assistance from the outside (e.g. the stamp system) and benefit to members to establish a number of increasingly active local institutions. Perhaps one of the best indicators of institutionalization in this case is the way so many Savings Clubs rebounded after the war.

Although the credibility of the outside agency was good, the actual intervention and control was minimal -- each Club succeeded or failed by its own efforts. However, the organizational structure and techniques which were worked out using a collaborative learning process approach minimized the possibility of financial misuse and ultimately led to much more than collective savings.

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