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grassroots development

JOURNAL of the INTER-AMERICAN FOUNDATION



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Cover photo: Workers classifying wool in cavernous warehouse run by Central Lanera Uruguay (CLU) on outskirts of Montevideo (see article p. 10). Photo by Kathryn Shaw.

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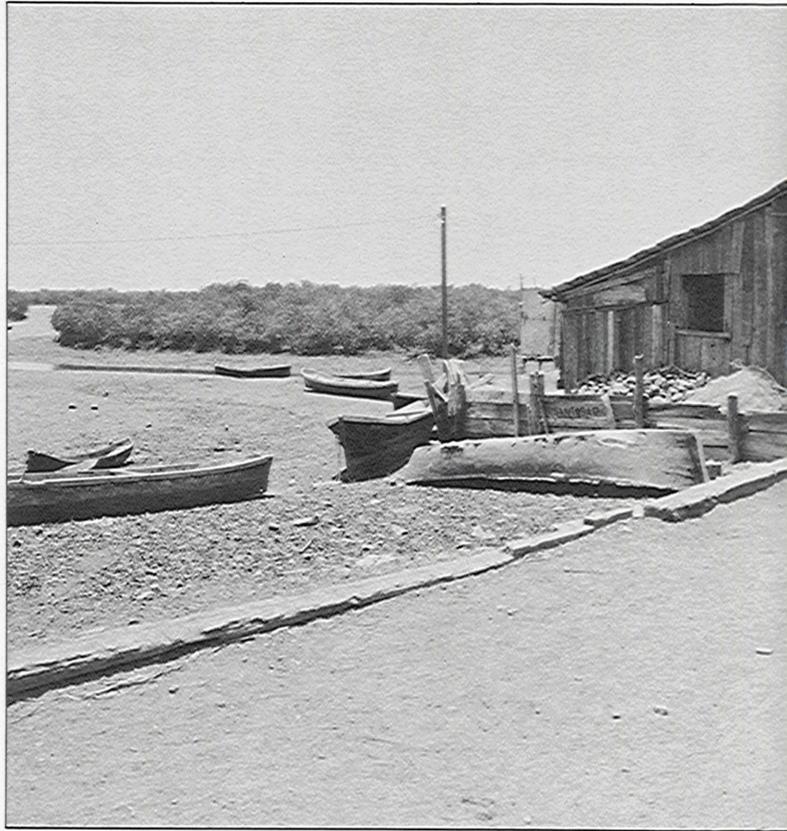
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THE LURE OF BAJO AGUÁN

Patrick Breslin

Pioneers pursuing the promise of good land go in trucks rather than covered wagons these days, but the obstacles they face are still intimidating. This is the story of what happened to several hundred Honduran pioneers who left their homes on the drought-stricken south coast for a fresh start in the fertile North.



Desiderio Lagos left this house on the barren shores of the Gulf of Fonseca in Honduras to try his hand at farming in the North.

Sitting in one hammock, listening to Juan Felipe Baca's tale of how the migration project was falling apart, I could see the disappointment growing on Arturo Duarte's face.

Duarte, a middle-aged organizer for the Unión Nacional de Campesinos (UNC), had helped select many of the desperately poor people from San Lorenzo, on the drought-afflicted south coast of Honduras, who recently went clear across the country to the humid and fertile Bajo Aguán Valley for the promise of land and a new life. If they found it, a doorway out of poverty would open for more southerners as well. But now Duarte slumped in the other hammock as the first eyewitness report — a recital of months of dashed hopes, recriminations, and confusion — tumbled from Baca's lips.

The day had started on a brighter note. I'd come to San Lorenzo to see the conditions migrants were leaving behind. The next day, I planned to head north, to see how they were doing in their new homes. When I met Duarte at the UNC regional office, just outside San Lorenzo, he talked expansively about the move. "This is a pilot project," he said. "The UNC has helped people move before, but this is the first time we've settled people in the Bajo Aguán. If it works, we can expand it. There are many places where people need this sort of chance."

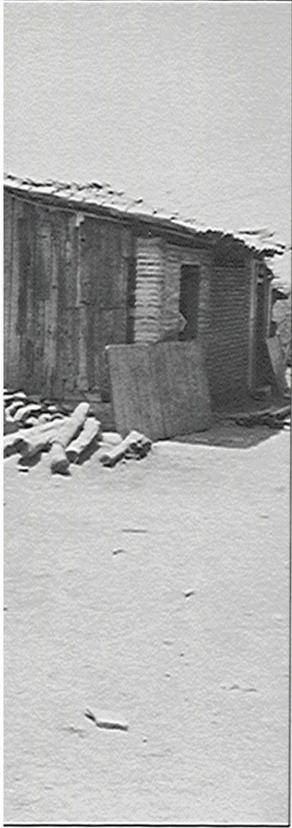
Intent on showing the poverty that drives people from the South, Duarte guided me to the barrio of Buenos Aires, where San Lorenzo ends on dingy little beaches fronting the mangrove-choked waters of the Gulf of Fonseca. Along the way, he pointed out the church building where the migrants had been told about the project and the role that other UNC organizers and officials would play in helping them get started in the Bajo Aguán. Then we began visiting the houses where

the families of men who had gone north awaited news of their luck.

The houses were similar. Most had a cement floor; a tin roof supported by slender, rough-hewn poles; walls of mud bricks or weathered and splintered planks. The few possessions included low beds of fiber matting lashed to wooden frames, strung hammocks, rickety tables, metal basins, plastic plates and cups, perhaps a few dried fish hanging from the ceiling. There was usually a partition made of grain sacks stretched taut over light wooden frames shielding a sleeping area. In one house, a crude, low-slung goat cart provided a place to sit in the main room. Before going north, Leonardo Sarmientos had made his living with it, hauling firewood and water to his neighbors. Dashes of color on the walls came from an occasional calendar, a solemn wedding photo, a framed Sacred Heart, a political poster ("Callejas, the Nation's Hope") for the losing candidate in the last presidential election, or the flattened-out wrapping from a pound of Hickory Sweet Sliced Bacon.

The women spoke of their hesitation about the move north as small children flocked around their skirts. "We would miss our family," Domilia Villatoro said quietly. "Wherever you go, you make friends, but our family is here." A few blocks away, Marta Melida Rivas talked about her parents. "They're very old," she said. "I don't want to leave them. And my son is studying at the military school nearby. He shouldn't be left alone."

The women had heard rumors of problems in the north. That the bean crop was late getting planted. That the bean crop was ruined. That insects were fierce. That there was no



Once in the Bajo Aguán Valley, Lagos (left) and others quickly built new houses using abundant local materials.

school, or that it was too far away. Even, once, that there'd been a massacre. That wild rumor, UNC officials said, sent a few distraught relatives racing north to investigate. Countering the rumors were reports that the land was good. "My husband was one of those who went up to see it before the move," said Mrs. Rivas. "He came back enchanted with the land."

The Baca house was the last one we visited. It sits on a dusty street sloping up between low stone walls from a depression that the gulf waters flood at high tide. In the spring, the water surges up the street, and the people of the barrio drop nets between the walls and scoop up the trapped, flopping fish when the tide ebbs. As we entered the house, we glimpsed, low on the horizon, a camouflaged U.S. military aircraft sweeping in for a landing at the nearby base. In the bar next door, "Walk Like an Egyptian," the hit song by the U.S. female rock group the Bangles, blared from a radio.

We hadn't expected to see Juan Felipe Baca. But when, after a few moments of introductory conversation, we asked his wife, Laureana, what news she'd had from him, she said he'd returned a few days before, complaining of being sick. At that, Baca emerged, a bit sheepishly, from behind the sleeping screen: a short, black-haired, barefoot man with a thin mustache and skin dark like oiled tropical wood.

It was true that he was sick, he said. He'd injured his side and couldn't work, so he and three other migrants had decided to return home together. He paused, offered us seats in the hammocks. But that wasn't the real problem, he finally said, walking to a corner of the room and leaning against the wall. "I'll tell you the whole story.

"We went to a place called Río Claro. We planted our beans. We built houses. Two months of work, every day, even Sundays. And then they came from the Regional and said we had to move to another piece of land, far away. You have to cross two rivers to get there. El Diamante, it's called. Three big men there control everything. They think they're kings. They bring in people to work for them. Someone said they threaten people with pistols. We went willing to work, but not like that. So we skipped out."

The return home didn't end Baca's problems. As we left, he walked part way down the street with us. Before going north, he'd made his living as a fisherman. He'd left his boat, a big dugout, in a friend's care. But the friend didn't protect it from the sun, and Baca showed us the result—a two-foot long crack low on one side that he ruefully stuck his hand through. He didn't know whether it could be repaired. A new boat would cost about \$250 in local currency. "I feel pretty discouraged," he told us.

Arturo Duarte wasn't feeling much better as we sat in his house a half hour later. "I can't understand what happened," he said. "We knew there were earlier attempts to move people up there. But they created dependency, they gave people too much. Clothes, tools, food. The people sold the tools, sold the clothes. The problem was they'd had no orientation. So in this project we emphasized orientation. Everybody attended a three-day course before they went. We used it as a sort of filter and some people decided not to go."

But the present is barren in the South and the future unpromising, so most of those offered a ride to the Bajo Aguán jumped aboard. "These people are hungry," Duarte said.



Julio Gevawer talks with Marta Melida Rivas and her family in San Lorenzo as they await news from her husband and other settlers in the Bajo Aguán.

"There's no work, the soil here is poor, and only a few own their land. And the prices you have to pay for corn and beans are in the clouds."

For almost two decades now, ever since groups of migrants started moving into the Bajo Aguán, desperate southerners have gazed at their dry-as-dust surroundings and felt the pull of the fertile North. The idea of migrating was raised once again last year by Julio Gevawer — a fieldworker for Pueblo to People, a nonprofit U.S. group that markets the products of Central American craft and agricultural cooperatives—and by officials from the UNC Regional in Colón (the department that includes the Bajo Aguán). Gevawer grew up on a farm, and has long been involved in the campesino movement in Honduras. His brother Agosto is a technical adviser to the UNC in Colón.

The regional office opened there in 1985 and set about organizing peasant cooperatives and helping them acquire land in the Bajo Aguán under the agrarian reform law. By last year, 25 cooperatives had been formed, with a claim on 4,200 hectares, but there were only enough members to work about half the land. The UNC office in the North, having land but lacking peasants, and the UNC office in the South, serving largely landless peasants, gravitated into cooperation like reversed magnets.

Duarte and a few colleagues began to organize groups in September 1986 to start planning the move. Meanwhile, the UNC Regional in Colón requested funds from the Inter-American Foundation, which granted \$42,000 to cover the costs of transportation, hand tools, and food for 75 families until the first crops were harvested. Carrying only essentials, small groups of neighbors from the communities of Orocuina and San Lorenzo started moving north in rented trucks last October. The organizers stretched the budget to cover 108 families. They spent about \$8,000 of the IAF grant on truck

rental, fuel, and food along the way, moving 489 men, women, and children — for about \$16 a person. Forty family members who stayed behind would eventually be sent north.

"From San Lorenzo, mainly the men went," Duarte said. "From other places, the whole family. Maybe *that's* the problem. Maybe if the trucks were bigger, more family members could have gone." He plunged on, analyzing the apparent failure, growing more bitter as he talked. "You know, some of these people just wanted to go because their friends were going. They weren't really determined to make it work. Or they were looking for immediate results. They aren't well educated you know, most are illiterate."

It was time to leave, to begin the drive back to Tegucigalpa. Duarte's pessimism had deepened. "I don't know what to do now. This is going to cause problems with credibility. We may have to work in other towns, not here. It's going to be difficult to explain a failure, and for me, this is a failure." He shook hands and sank wearily into his chair, his lined face wearing the same sad expression it had assumed in Juan Baca's house.

We left Tegucigalpa before seven the next morning for the long drive to the Bajo Aguán — Julio Gevawer; Cristina Kessler, a former Peace Corps Volunteer and now a free-lance photographer in Honduras; and me. Gevawer, who had provided advice and encouragement at the early stages of the migration project that now seemed endangered, hoped his brother in Colón would have some answers to our questions.

We took the main road north, the same route the migrants had taken. It curled up through parched pine forests, and then down into the Comayagua Valley and past the sprawling air force base at Palmerola, the largest U.S. installation in Honduras. U.S. military vehicles had rumbled by us at the rate of one a minute, 61 trucks and jeeps in the hour it took us to reach the valley floor. From Comayagua, the road climbs

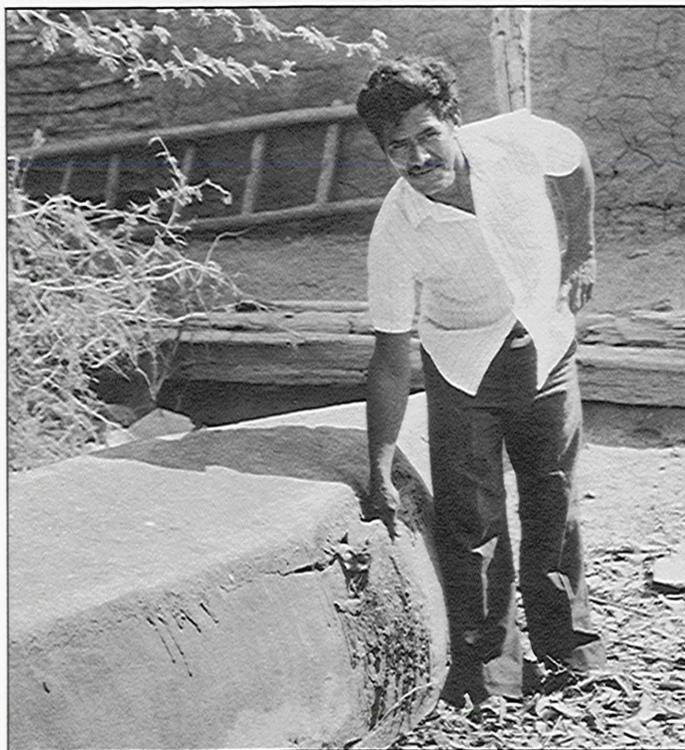
again, skirts Lake Yojoa, and then drops quickly towards the north coast as the air grows heavy with humidity and the vegetation more tropical. Banana plants begin to appear, as well as pineapples, coffee bushes, rice paddies, and African palms.

Just past the La Ceiba airport, which the U.S. military had taken over for exercises, a packed dirt road leaves the coast to skirt south, then east around the Nombre de Dios coastal range into the Aguán valley. In the rainy season, it's all mud and streams to ford. Now, in the dry season, every vehicle churned up choking, eye-stinging shrouds of dust.

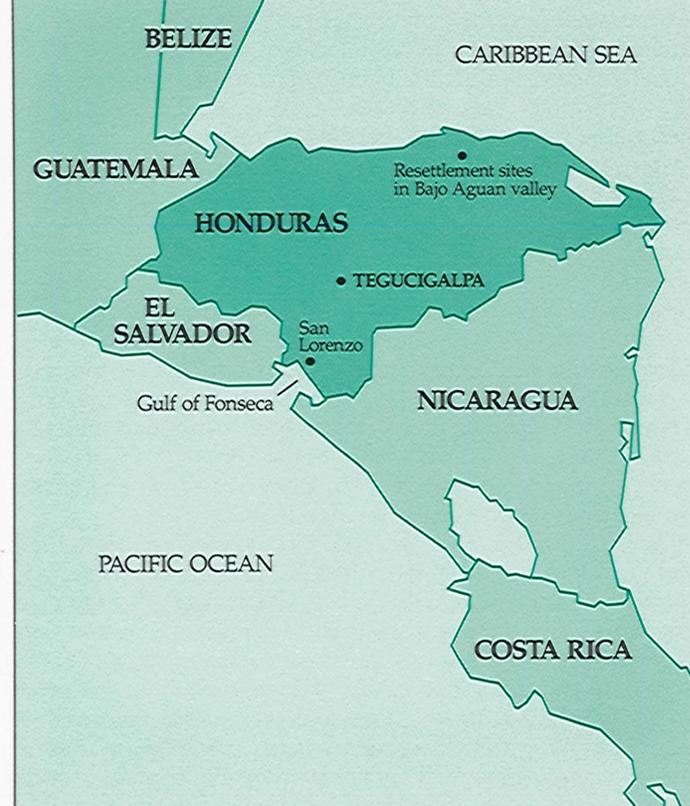
The first migrants in this project came down that road in open trucks a few months ago, passed through Tocoa where the UNC has an office, and eventually were dropped off at the side of a dirt road running straight as a taut string towards the banana docks at Puerto Castilla. Since entering the Bajo Aguán near the town of Sava, they had seen the valley's promise of wealth. The road cleaves through the Isletas Cooperative where a dark green sea of banana leaves stretches to the horizon. Then it passes through thousands of hectares covered by stately rows of African palm trees with their heavy, spiked clusters of oil-rich fruit. In between, wide flat fields are neatly studded with long lines of grapefruit and orange trees.

Land reform came to the Bajo Aguán in the early 1970s as former banana company holdings and cattle ranches were turned into cooperatively-managed plantations to produce palm oil and grapefruit for export. Millions in external loans were pumped into development projects, and thousands of Honduran campesinos were encouraged to settle. But too often, the promise of development turned illusory. Palm oil prices dropped under the pressure of increasing production in Asia. The debts incurred while waiting seven years for the trees to mature grew so staggering that cooperative members often chose to just slip away and abandon their homes.

Juan Felipe Baca shows the crack he found in his fishing boat when he returned home disillusioned with the migration project.



Cristina Kessler



map by Mary Ann Wojciechowski

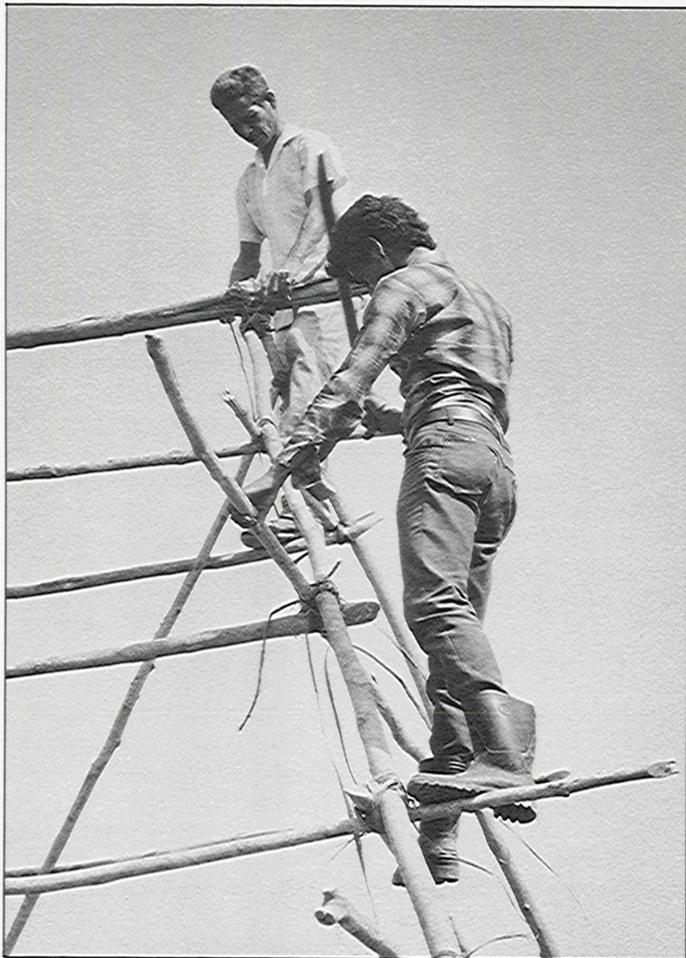
Grapefruit trees planted on inappropriate soil couldn't produce a marketable fruit. Experts with yet another expensive plan for developing the Bajo Aguán must have found themselves whistling as they rolled past the vast graveyard of rusting tractors and farm machinery that once sat outside the town of Tocoa.

But the rich land abides, always beckoning new settlers, and the ups and downs of market crops were far from the minds of the most recent migrants when they finally clambered down from the trucks and surveyed their new land. Beans and corn were the crops they needed to get in the ground. Fifty-five families from Orocuina moved onto land flanking the road at Río Claro and began to clear the top of a knoll for their houses, and to plant beans in the level fields.

By late March, they were proudly discussing their accomplishments. We sat in their spacious community house, a long building thatched with fronds from the corozo palm that also provides a meaty white nut tasting like coconut. In the absence of chairs, Gevawer and I sat with about 20 of the men on tightly-packed sacks of beans, their recently harvested first crop, while the children cavorted for Kessler and the women hurried her away to photograph their vegetable garden.

The oldest migrant, Benigno Corrales Alvarez, 77, described how the community got started. "The first nights, we slept in neighbors' houses, in cooperatives nearby. It took us three days to build this house, and then everyone could sleep here. We had to learn new things. The soil is more humid here. The planting season is different than in the South. Even the machetes are different. In Orocuina, we used this machete," he said, brandishing a short-bladed hooked tool. "It's for working rocky ground which would destroy a regular machete. But up here, we can use the long blade."

Asked if they missed the stones of Orocuina, the men laughed. "No," said several.



"Ah, but we brought one along to sharpen the machetes," Corrales pointed out, pushing a heavy chunk of rock into the middle of the floor with his bare toe.

In between planting the bean crop and preparing the *milpa*, the communal corn field, the families started erecting the individual houses. Each is entitled to a hectare of land for its own use, although to preserve the integrity of the cooperative, the family cannot sell that land. The rest is worked in common, and production shared according to the number of days each family member puts in. Tasks and hours are assigned according to a work plan drawn up by the assembly of all cooperative members and overseen by a committee.

The houses went up quickly. With the materials — poles, fibrous bark, and corozo fronds — on hand, four or five men working together can get the basic structure up in a morning. Then they lash horizontal strips of split bamboo to the poles inside and out to form walls, before finally packing mud between the strips. It takes about a day to fashion an earthen oven. Once it is cured, the kitchen is ready.

By Christmas, houses up, seeds in the ground, the settlers were ready to celebrate in traditional Honduran fashion with the baked tamale-like dish called a *nacatamal*. "It didn't feel strange to be celebrating in this new place," Corrales said, "because we were all from the same community."

Now, as they wait for the corn to ripen, their main concern is for a school. From the knoll, we could see enormous container trucks hurtling their loads of bananas towards the dock at Puerto Castilla. The drivers are paid by the trip, an inducement to high speed. Their trucks roared down the middle of

the straight dirt roads, all but the high cab obscured by thick, swirling clouds of dust, as if the cab and the tons of steel and wheels and cargo behind it were bodysurfing a rushing wave towards a beach. When one of those trucks thunders past, a driver in a car or a pedestrian is left blinded and disoriented for perhaps 20 seconds, until the dust cloud slowly begins to settle. To go to school, the children have to walk a couple of kilometers down that road, and their parents live in mortal fear of a gruesome accident. "We've already cleared ground to build a school here," Corrales said, "but who knows when we'll be able to get a teacher."

While the Orocuina people seem to have taken root in one part of Rio Claro, a couple of forlorn shacks on the other side of the road, just a few hundred yards away, are reminders of the pitfalls migration projects face. This is where Juan Baca and some of his friends decided to give up farming after two months and return to San Lorenzo. In January, already late in the planting season, members of 53 San Lorenzo families had moved into a tangle of underbrush there and cleared space for houses. Originally, the UNC had planned to settle them in an existing cooperative having less than the 12-member minimum required to benefit from provisions of the agrarian reform law. But when they arrived, Augusto Gevawer told us at the UNC office, "They decided they wanted to have their own land, just like the Orocuina people, rather than join other groups. The only land available was better suited to grazing than farming." Nevertheless, the settlers plunged ahead, sowing their beans on the side of a hill.



photos by Cristina Kessler

From left to right: Settlers at El Diamante, using materials from the surrounding forest, raise the framework for their new houses. Horizontal strips of split bamboo form walls which are then finished off with packed mud. Finally, the roof is made of palm fronds.

Within a few weeks, most of them knew they'd made a mistake. A renewed invitation came to join the cooperative at El Diamante. Juan López and a couple of other men went to see the site, and reported back that the land was better. At that point, Baca and a few others balked. They weren't going to move again, not even to take a look at El Diamante.

All but one of the remaining 45 families pulled down their houses and abandoned Río Claro. When we visited, less than two weeks later, the underbrush was reclaiming the former homesites. On the slope, bean plants struggled for nourishment in the dusty soil. In a tiny house at the corner of the beanfield, Desiderio Lagos watched over the crop and waited for the harvest to ripen. We had visited his home in San Lorenzo two days earlier, and brought him a letter from his wife, Domilia Villatoro.

Lagos, one of his daughters, and another man had been left behind to tend the beanfield when the San Lorenzo people decided to start over. Once the beans were picked, they would rejoin their neighbors. But meanwhile, sheltering in the hut's shade from the fierce sun, with not much to do but watch the plants languish on the lonely hillside, there was plenty of time to brood. Lagos knew his neighbors were working together to build houses at El Diamante. Would they be willing to drop everything and help him with his house when he finally got there? He'd already seen the plot that was to be his. Would it still be available? Who knew?

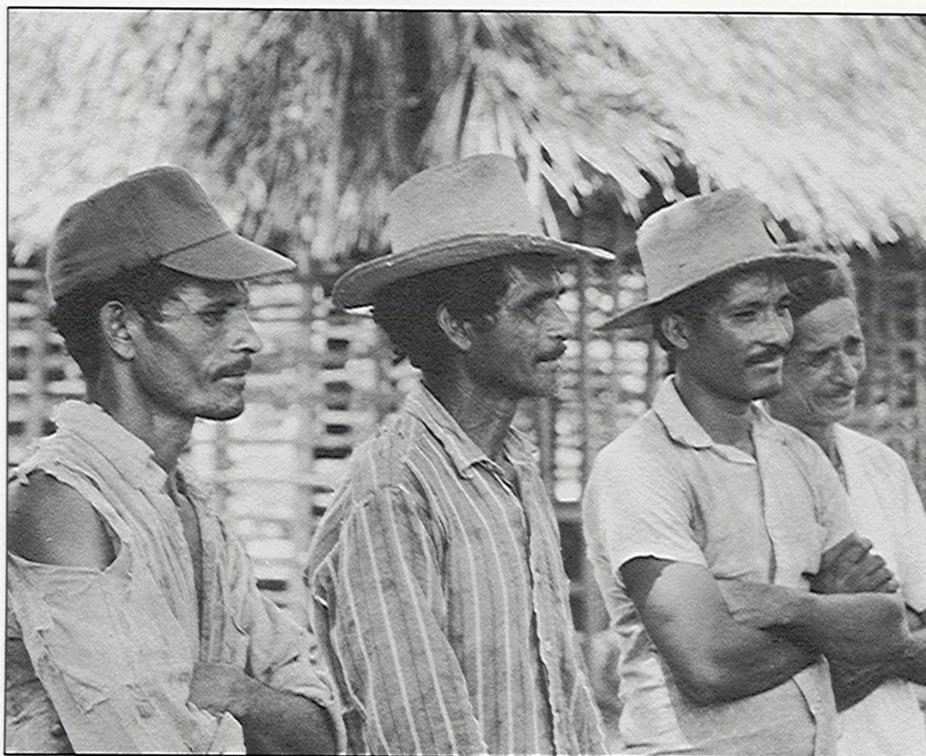
Two fishing nets hung from pegs on the wall behind Lagos. He'd been a fisherman in San Lorenzo, living in a house he and his wife had built 14 years earlier and where they had 11

children. He'd also worked as a conductor on a bus, he said, showing his identity card for each profession. He had found no use yet for his nets in the Bajo Aguán, but they hung there as silent reminders that he could always go back. "I never touched the land before," he said. "But I thought I'd come up here and try my luck. I'm still making up my mind. I'll stay until August, and then we'll see."

El Diamante is only a few miles from Río Claro, off a side road that runs through the delta of the Aguán River to the coastal town of Santa Rosa de Aguán. Abandoning Río Claro, the Orocuina families had dismantled their houses and taken most of the material with them. Now, at El Diamante, in little clearings just back from the road, the houses were rising again. The area looked like illustrations for a manual on how to build a wattle-and-mud house. Each step in construction, from four poles stuck in the ground to completed house with family members looking out a window, could be seen on a quick circuit of the community.

Juan López, a lean man of 64 who looks 20 years younger despite a face in which one eye and half an ear are missing, explained what was going on. López lived in the South almost half a century, raised 9 children, and survived the truck accident 30 years ago that scarred him. When friends in the UNC asked him to help organize groups to go north, he quickly agreed. "I'm a poor man, but my word is taken seriously," he said.

He gestured to his neighbors who were swarming over the skeletons of their houses. "We should get all the houses up in



Juan López (center) and some of his neighbors at El Diamante talk about the first weeks in their new home.

another week," he said. "Right after that, we'll begin working on the milpa. In four months, we'll have a corn crop. It's magnificent land here, and abundant rain. You know, a man who has no land gets emotional when he sees good land. In the meantime, we have the food we receive from the UNC, and soon we'll have the bean crop from Río Claro."

Food seemed plentiful at El Diamante. As we talked, a woman walked by with a bunch of plantains. Small chickens worked the short grass. "We bought them with money we earned selling firewood," López said. We had seen clusters of corozo nuts behind each house, and a couple of men split the tough shell with rocks so we could taste them. "Food is no problem," López agreed, "but the mosquitos are."

By this time, a score of his neighbors had gathered in the shade of the big tree in front of López' house. Like him, they were dressed in pants and shirts, ripped and stained by hard work; black rubber boots, and straw hats or baseball caps. They chorused agreement when he complained about the mosquitos. "They're bad enough to drive people away from here," one said. "Some people just can't stand them. More than anything else, we need mosquito nets," he said, looking at us hopefully. Later, López showed the makeshift net in his house: heavy, close-woven grain sacks sewed together and draped over a cot. "Does any air get through that?" I asked. "Not much," he said. "It's very hot at night. But the mosquitos are worse."

Mosquito nets cost 15 lempiras (around US\$7). Yet none of the settlers at El Diamante can afford them. "We've got no cash," one of the group said. "We don't even have money to get around. We can't send the children to school because we can't pay the costs. We've got to solve the economic problem soon."

But with all their energies going into the houses and then the milpa and the bean harvest, no one had definite ideas about how they would do that. As if he were thinking aloud, Julio Gevawer planted an idea. "Plantains would be a good crop on this land," he mused. "You know, there are lots of

workers on the African palm plantations, and they don't grow their own food. They have to buy it. You could sell plantains to them."

Several of the men nodded, but the immediate problems of housing and planting corn were clearly more on their mind. Later, there will be time to plan next steps, dream new futures, and the room to put plans and dreams into practice. Many of these people earned five lempiras (\$2.50) a day in the South and often only found work twice a week. If they did not own a house, they paid 50 lempiras a month for rent. A *manzana* (about 3.66 acres) of land to work cost another 300 lempiras. Now their own houses are rising on 12-by-25 meter homesites, and 350 hectares of flat fields stretch out around them waiting for the plow.

While the people build their new community, the UNC office is at work legalizing their claim to the land. A first step is gathering birth certificates for each family head to establish eligibility. The office also helps with some of the more pressing problems, petitioning the Ministry of Education for a school or the Ministry of Transport to control the speeding banana trucks. That effort was having an impact. We were stopped twice as we crisscrossed the region by a Transport Ministry team doing a survey on the average speed of different kinds of vehicles.

Despite the hardships, the abundance of good land and the parsimonious but seemingly effective support from the UNC office seemed to offer the migrants a fighting chance for a better future. "Why then did some people return to the South?" we asked. "Juan Baca and the others?"

"Some were fishermen or stevedores," López said. "They didn't like working the land. The machete doesn't really fit the fisherman's hand. As for the others, they were all people who'd left their families behind. It made a difference whether the whole family came. There's no case yet of a family that came together deciding to return."

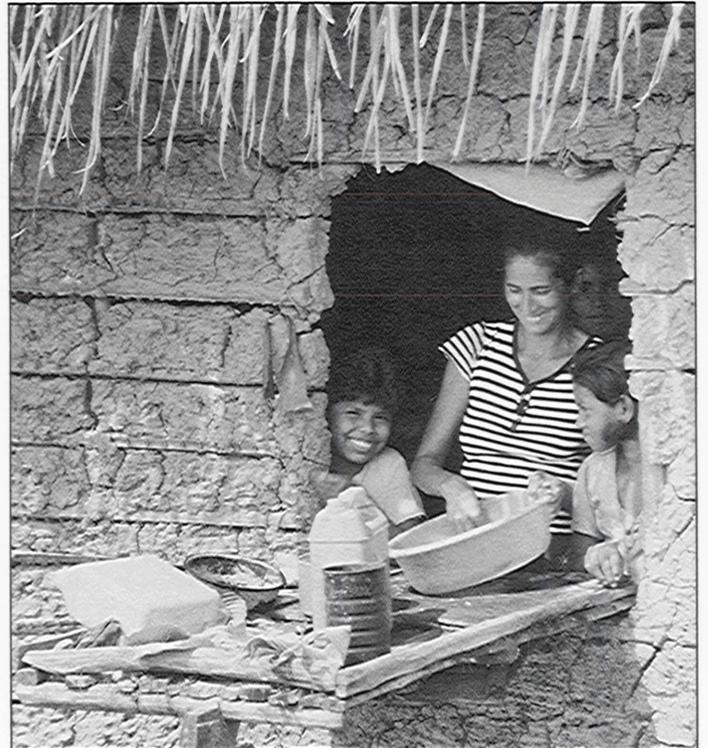
I had a final question. In the walk around the new



Five months after they left the rocky fields of Orocuina, these settlers gather in their communal vegetable garden at Río Claro.

community, I'd met the families who'd been living at El Diamante and who had invited the settlers to move from Río Claro. What distinguished them from their neighbors was that their houses were built, and cabbages, green peppers, and tomatoes were growing in their garden plots. One turned out to be a settler from San Lorenzo who had come up two months earlier than the others and had gone straight to El Diamante. The others, migrants from Comayagua, were members of the earlier cooperative. "Those people helped us a lot," López said. "They're teaching us how to tend the crops up here."

Where then did Juan Baca get the idea that El Diamante was run by three powerful men who behaved like kings and forced the settlers to work for them? Juan López and his neighbors didn't know, but Augusto Gevawer laughed when I asked him the question back in Tocoa. "The cooperative that was there before was called Los Tres Reyes (the three kings)," Gevawer said. "Some people hearing that must have thought those men were kings of the place." ♦



The kitchen sink extends into the sunlight in this recently finished home at El Diamante.

PATRICK BRESLIN, who holds a Ph.D. in political science from UCLA, is a frequent contributor to Grassroots Development. His forthcoming book, Development and Dignity, traces the history of the Inter-American Foundation's first 15 years.

WHEN THE PRICE IS RIGHT

Cooperative Marketing in Uruguay

Cynthia L. Ferrin



Kathryn Shaw

Woolgrower Juan Capurro watches as newly-shorn sheep are corralled on his farm near Durazno, one of Uruguay's most important wool producing regions.

Central Lanera Uruguaya was honored by the Bank of the Republic of Uruguay as the country's leading exporter for 1986 based on such considerations as total volume, growth of annual sales, and entry into new markets. The following story tells how two decades of hard work by a producer-managed cooperative federation have begun to pay off.

Dressed in starched white shirt and grey *bombachas*, the voluminous trousers worn by traditional gauchos even today, Roberto MacKinnon sits back in his chair and recalls the enormous difficulties that faced small-scale woolgrowers in Uruguay 20 years ago.

"I began to realize that it didn't matter one bit whether my sheep produced more wool or not since, in the end, it all depended on the market. I tried everything — selling by consignment in Montevideo, selling directly from the farm, selling at auction. And then I had to see that I was paid in cash the minute the truck was loaded."

Like MacKinnon, small farmers throughout Latin America and the Caribbean have always faced a variety of hurdles in marketing their products. They must rely on truck drivers to transport their harvests; wholesalers to sell perishable fruits and vegetables in central markets; and, if they produce for export, still other intermediaries to secure overseas buyers, prepare the documentation, package the goods, and ship them abroad. With so many middlemen involved, it is not hard to understand why farmers often receive low prices or why they are sometimes paid long after the harvest is in.

One organization, Central Lanera Uruguaya (CLU), has taken a direct approach to solving these problems in Uruguay. Founded in 1967 with MacKinnon as its first president, CLU is a cooperative federation that markets the wool produced by its 3,000 members. Today the organization handles some 10 percent of the nation's annual wool harvest, making it the fourth largest exporter of Uruguayan wool. In a complex industry dominated by large wholesalers called *barracas* (after the huge warehouses in which the wool is stored), it is the members of Central Lanera themselves — through their elected representatives — who are making a difference. By marketing their own

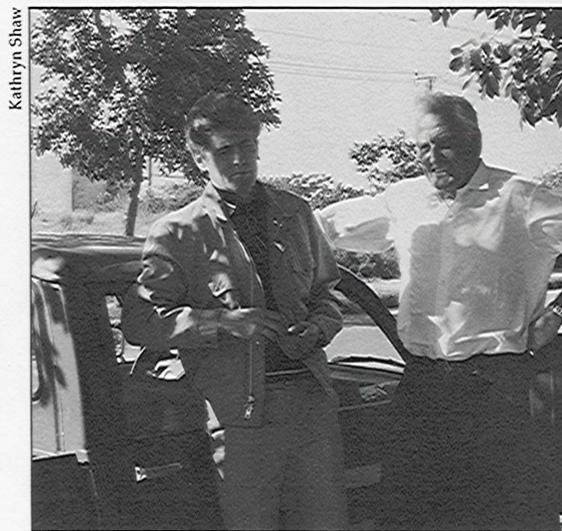
production and bypassing intermediaries, they are ensuring competitive prices and receiving prompt payments.

THE SEARCH FOR LEVERAGE

Uruguay's wool is known internationally for its fine texture, or *finura*. A small country, it is nonetheless the world's seventh largest wool exporter. Livestock was introduced in the early 1600s, and for almost 300 years cattle and sheep were tended on the open range by the local version of the cowboy — the fiercely independent gaucho so celebrated in South American literature. Then with the invention of barbed wire in the late 1800s, much of the range was fenced off and divided into large tracts of land called *estancias*. Nevertheless, the practice of ranching remained essentially unchanged. Pasturage was so rich — many consider the land to be the country's only natural resource — that ranchers had only to turn their herds out to graze. Even today, sheepherding is extensive and largely occurs on unimproved natural pastureland.

Given such fine grazing land, raising sheep was never the problem, even for smaller farmers. The difficulty lay, as explained by MacKinnon, in marketing the wool. Unlike large growers, who were courted lavishly by the *barracas*, smaller woolgrowers had fewer choices. Purchasing agents toured the countryside, going from one small farm to the next. If they chose, they would offer to buy, on the spot, a farmer's entire harvest. Little consideration was given to the quality of the wool; rather the offer reflected the price at which the *barraca* thought it could sell the wool abroad.

Lacking cash reserves, the small farmer was often forced to sell quickly — at whatever price was offered. Or he could gamble and hope a better offer from another *barraca* eventually materialized. But even when the farmer



Roberto MacKinnon (right), CLU's first president, was also the first president of El Fogón. He stands here with George Washington Ferreira, current president of El Fogón, outside the coop's office in Sarandí del Yi. Led by MacKinnon, El Fogón and three other cooperatives created a federation of local coops in 1967 to improve small-scale farmers' access to Uruguay's wool market.

immediately accepted a bid, payment was often postponed until the wholesaler sold his inventory — sometimes as long as a year later.

Despite the great distances between their farms, small woolgrowers met from time to time at livestock auctions or when they came into town to buy supplies. Marketing problems were always discussed, but like the weather, it was never clear what could be done. Then, when one *barraca* in the region of Sarandí del Yi suddenly went bankrupt, scores of small farmers were left with no outlet at all.

Led by MacKinnon, farmers in the area began meeting regularly to talk about what to do. Those meetings led in 1961 to the formation of a cooperative



Expert sheepshearers remove each animal's fleece in a matter of minutes. After the harvest in Uruguay, many shearers will travel to Argentina, where their skills are in great demand.

named El Fogón, after the campfires around which the farmers gathered.

"All we had was the desire," says MacKinnon, "because we sure didn't have any of the know-how. Lots of ideas came from those campfire meetings, but the one that lasted was El Fogón. Looking back, it seems like a great adventure. We really were quite bold."

The farmers turned for guidance to the Centro Cooperativista Uruguayo (CCU), an organization that continues to promote cooperative development in Uruguay even today. From the outset, the fledgling cooperative's major task was to find a market for its members' wool. The first year El Fogón entered the market, eight growers took a chance and sold their entire harvest of 60,000 kilos through the coop. Although the farmers were generally satisfied with the price they received, they knew that greater quantities of wool were needed for leverage to obtain even better prices.

The members of El Fogón set out to convince other small farmers to join

them. In 1964, two other cooperatives did. They had no warehouse in Montevideo to store the wool, no knowledge of export markets, and no clear idea of what their harvest was worth. So they hired experts to help them grade and price the wool, following the example of a large barraca, Hart, whose clients came back year after year because the firm knew the exact quality of the wool it sold.

Although this joint marketing venture was short-lived, a few small farmers were convinced that the idea was sound. "The power to negotiate comes with volume," says MacKinnon emphatically.

In 1967, El Fogón and three other cooperatives decided to meet their competition head on — by forming their own barraca, in this case a federation of local cooperatives. While retaining its own identity, each coop that joined Central Lanera Uruguayaya agreed to consign its annual wool harvest to the federation, which would negotiate for higher prices.

It soon became apparent that obtaining the best prices meant exporting wool abroad. Since CLU had no foreign contacts, its leadership decided to gain some first-hand experience. MacKinnon and several others set off for Europe to seek potential clients. Their trip will be forever recorded in the folklore of Central Lanera. By doing everything wrong, they eventually succeeded!

Arriving at the wrong time of year, when most marketing contracts from the Southern Hemisphere had already been negotiated, MacKinnon and his colleagues brought a list compiled from outdated telephone directories to London and Paris, searching for buyers. They tracked down each and every name, finding that some companies had gone out of business many years earlier. They took letters of introduction to possible clients written in Spanish — which few, if any, understood — and when they did find an interested customer, they had the audacity to put restrictions on the sale.



Young girls sit atop a truck bed piled high with sacks of wool bound for CLU's processing center on the outskirts of Montevideo. Local cooperatives help arrange collection and transportation.

"I wouldn't do it quite like that again today," laughs MacKinnon. "It was really an escapade."

Nevertheless, the CLU representatives successfully negotiated several purchase orders, and the trip provided a wealth of useful knowledge for adapting Central Lanera's operations to the demands of European clients.

A NEW MARKETING SYSTEM

Today 35 cooperatives have joined CLU. Policy is set by a five-person board of directors, all woolgrowers who learned the intricacies of the business while serving as delegates from their local cooperatives. Management of daily activities — including marketing and sales, reception and classification of wool, and prompt payment to producers — is the responsibility of CLU's general manager, Sergio Helbling. CLU's Montevideo operations are staffed by 60 full-time employees, and another 150 indi-

viduals work as seasonal employees at the processing center during the annual harvest.

At the heart of CLU's operations is the consignment marketing system. Each year during the fall and winter months of May, June, and July, woolgrowers commit their harvests in advance to their local cooperatives. The coops, in turn, inform Central Lanera of the total number of kilos to be sold.

When the producer commits his harvest, he is entitled to a payment of roughly 30 percent of the expected world market value of his wool. After the wool is harvested and delivered to his coop in October or November, he receives an additional 30 percent. Once CLU has placed 90 percent of the entire harvest on the world market, usually by February of the following year, he will receive the final 40 percent, after adjustments. By transferring to the producer a line of credit it operates through the Bank of the Republic (BROU), Central Lanera can offer a preferential rate

of interest for these advances, which is discounted at the time of the final accounting, along with marketing commissions.

The consignment program minimizes administrative overhead by delegating responsibility to Uruguay's well-established system of rural cooperatives. CLU concentrates on marketing, while the local coops encourage individual growers to participate in the program. In addition, the cooperatives help arrange collection and transportation of harvests for processing. Cooperatives also vouch for the trustworthiness of local growers, which allows CLU to guarantee the advance payment program. For their efforts, the cooperatives receive a commission of approximately 2 percent of the market value of the wool they consign.

Central Lanera has also introduced changes in the way the price of wool is computed. Instead of paying the grower at one rate for his entire harvest, CLU has developed a broader classification

system. As wool is received at the processing center, specialists classify and separate it by texture into various grades, and then by quality within each grade. Separate accounts are kept for each producer that record the number of kilos of each grade of wool in his lot, as well as the quality of his production.

As market orders are processed by CLU, the wool is either sold to domestic clients or is baled and trucked to the port of Montevideo for shipment abroad. When the complete harvest has been sold after several months of trading, CLU takes a final accounting and computes an *average* price for each grade of wool that evens out fluctuations in the world market.

Average prices are determined by adding up the income from all the sales of each grade of wool, and dividing the sum by the total number of kilos for that grade consigned by producers. At the time of final payment, each grower receives a computer printout detailing exactly how his wool was classified by CLU and how the average price for each grade was calculated.

CLU administers this complex marketing system from its central processing facility in Montevideo, built in 1979 with

a grant for \$1,020,000 from the Inter-American Foundation. Acquiring the center not only saved CLU high rents for storage, it also permitted the federation to process more wool. During the 1986-1987 harvest, CLU sorted and baled the highest volume in its 20-year history — 8,700,000 kilos. The improved facilities have made the classification system feasible, and have allowed the federation to contemplate increasing the value of its wool through additional industrial processing, such as washing (*lavado*) and combing (*peinaduría*). As a result, CLU's revenues have increased and, in turn, so have the capitalization of local cooperatives and the net earnings of their members.

THE BENEFITS OF WORKING TOGETHER

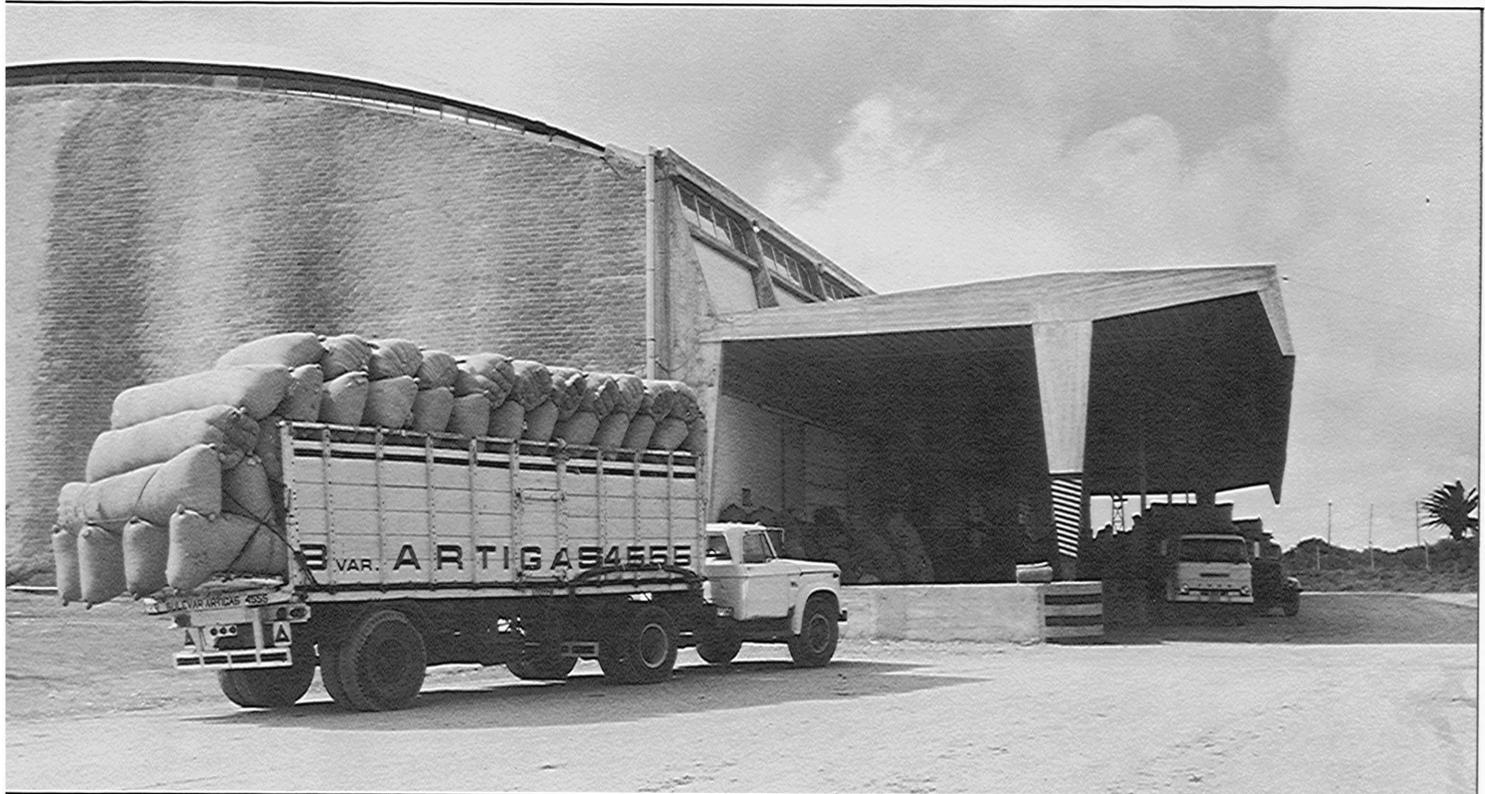
Research shows that members of CLU do not differ greatly in age, education, or landholdings from other woolgrowers who do not use its services. "What sets them apart," according to CLU board member Eduardo Pietra, "is their conscious choice to join forces to achieve a common goal." They do so although it

means losing individual identity in the marketplace, as well as forgoing the excitement of speculating on prices that could — on a lucky day — increase individual earnings. For many woolgrowers, however, what they give up in autonomy is more than offset by CLU's improved security.

"It takes a load off my shoulders," says Pietra, himself a veteran woolgrower, "not having to decide the exact day I should sell my wool. I can focus on other things, knowing that CLU will sell my wool for me, and what's more — I'm sure that I will get paid."

Not all woolgrowers agree with Pietra, however, and herein lies CLU's greatest challenge. As many as 20 percent of the producers who work with CLU one year do not consign their production to the federation the next. Although this turnover rate is down from 50 percent 10 years ago, many growers remain skeptical of CLU's average price system. They leave the organization hoping to make a better sale on their own and to experience the prestige that comes with receiving a higher price for their wool than their neighbors do. But as some growers drop out, others are drawn by the security CLU offers, so

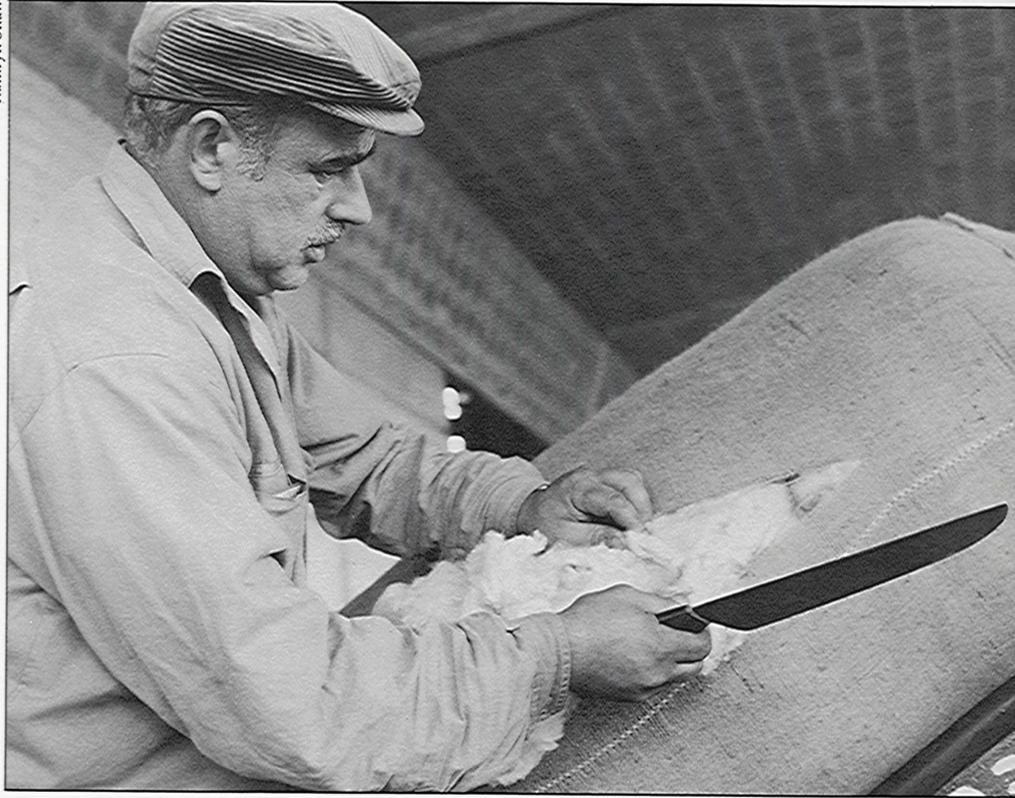
CLU runs its complex marketing system from this plant in Montevideo, built in 1979 with a grant from the IAF. During the 1986-87 harvest, the federation sorted and baled the highest volume of wool in its 20-year history — 8,700,000 kilos.



Kathryn Shaw

A worker inspects a sack of wool as it enters the Montevideo processing plant. CLU's full-time staff of 60 swells by an additional 150 seasonal employees during the annual harvest.

Kathryn Shaw



that the federation's annual sales volume remains relatively stable at between six to eight million kilos.

Over the past two decades, CLU has tried to improve that ratio by gearing its promotional and extension efforts toward explaining to producers the concept behind its average price system. Even among growers who have used CLU's services for years, the most common criticism of its marketing operation continues to be that its prices are too low. Indeed, CLU's prices are somewhat lower than the rates large woolgrowers often obtain on their own. This is explained by the fact that CLU has chosen to minimize market risks by spreading sales over the entire four-to-six-month harvest period. Since prices will vary according to supply and demand, the general market price at different times during the harvest will be higher than CLU's final average price.

Offsetting this negative criticism, however, a growing number of small producers realize that individually they lack the resources to negotiate successfully as independent agents. The demands of operating with limited cash reserves, of lining up buyers, of knowing when prices are at their highest point in the cycle is too great. Only by adding their wool to that of fellow producers and selling the harvest over time as markets can be found, will all producers consistently benefit.

In addition to providing farmers with greater financial security, evidence suggests that working with CLU may also increase productivity, and thus provide a new route to increasing income. CLU members generally have better access to information, both on the wool industry and on more technical matters. Specifically, the wool classification system provides the grower with the knowledge needed to improve livestock management. "A producer can now tell the exact quality of his wool," says Eduardo Pietra. "If it's bad, it can mean problems with disease or herd management. If the texture of the wool is poor, it can be improved through better breeding."

The classification system also helps producers gain a better understanding of the types and qualities of wool pre-

ferred by local textile producers and international clients. Members are better able to shift their production to satisfy those demands, further expanding CLU's ability to command better prices.

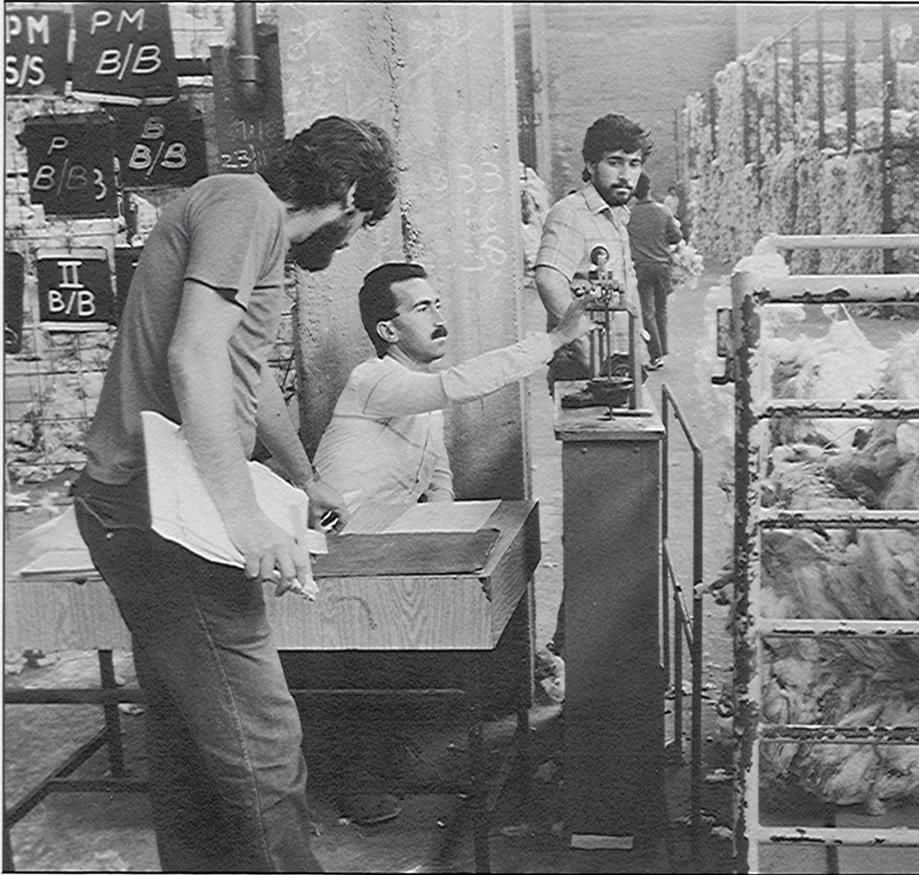
Central Lanera has also had a strong influence on its member cooperatives. Since its marketing system depends so heavily on these affiliates, the federation has worked hard during the past 20 years to improve local management. And the degree of support has steadily expanded. At first, Central Lanera concentrated on establishing its marketing system and creating an administrative support structure. Member cooperatives were encouraged to secure other services from more specialized agencies. For example, technical assistance could be obtained from the livestock experts at the Uruguayan Wool Secretariat (SUL). With the approval of the IAF project in 1979, however, Central Lanera saw the opportunity to help member cooperatives finance local development efforts.

CLU chose to treat the IAF grant to build a processing center as a loan, which, after a grace period of four years, it would repay to the Fundación Uruguaya de Cooperación y Desarrollo Solidarios (FUNDASOL) in 10 annual installments of \$100,000. FUNDASOL, which had been established by several cooperative federations to serve as their

development bank, would then use these funds to finance extension, technical assistance, and investment projects among CLU's local affiliates. To date, CLU has made five repayments as scheduled, with the sixth payment due in October 1987. FUNDASOL — with CLU's approval — has extended the support to include unaffiliated rural and urban cooperatives as well.

This drive for greater efficiency and services at the local level enhances the image of the cooperative in the eyes of its members and that translates into a higher volume of wool consignments. Moreover, as cooperatives have improved their own operations, they seem to take a more direct interest in CLU itself. The fact that Central Lanera is a producer-managed business enterprise is not lost on its members. "CLU is not just about selling," says board member Pietra, "it's also about participating."

CLU encourages active participation within the federation through its delegate system. In addition to meeting once each year to elect CLU's auditors and board of directors, each cooperative also elects one delegate and an alternate to attend monthly business meetings, called *plenarios*, at the federation's headquarters in Montevideo. At these meetings delegates are advised on all aspects of CLU's operations. They also bring



questions from, or pose issues of concern to, their local cooperatives. Not only do the plenarios represent the training ground for future CLU board members, they also contribute to the formation of new cooperative leaders.

Although CLU is highly democratic, the key to the federation's success, according to general manager Sergio Helbling, is the balance between member participation on the one hand and efficient management on the other. "Long-range decisions are made by the producers," he said in a recent interview, "but tasks such as sales, exports, and financial negotiations are left to the specialists." There is a clear delegation of authority from the producers, through their cooperative delegates, to the board of directors. CLU's board members — each one a woolgrower and former cooperative delegate — are therefore able to resolve issues decisively.

COOP ENTERPRISES CAN BE EFFICIENT BUSINESSES

When woolgrowers are asked to evaluate the federation's performance within the domestic wool industry, they commonly cite its role as *ente testigo*, or regulator, of the market. "CLU *must* exist," says woolgrower Juan Capurro, who raises sheep near the departmental capital of Durazno. "If not, we'd be at the mercy of a handful of exporters."

Of all market options available to the small farmer, CLU is the only assured buyer, and only CLU and the Bank of the Republic (BROU) guarantee payment to growers. Together, they account for 33 percent of Uruguay's annual wool harvest.

With the introduction of CLU's classification system, most producers now understand how prices are set and how such factors as quality, volume of production, prompt payment, and commissions affect the final sale price for their wool. Operating in a more informed marketplace, even those producers who choose not to work with CLU are asking wholesalers more questions and negotiating better prices.



Top: Specialists classify, weigh, and record the number of kilos of each grade of wool in a producer's lot. Left: A new baling machine imported from Italy packs wool more tightly, allowing CLU to use modern containers for shipping.

Consequently, CLU's competitors now offer more flexible financing as well. Both the BROU and several of the larger wool exporters offer concessionary financing in the form of advance payments to producers. BROU also provides low interest loans to growers who sell their harvests at auctions in which the bank is the local financing agent. In no case, however, do the terms match those offered by CLU.

Ultimately, intermediaries have been forced to make their pricing policies, classification schemes, and payment schedules more like those used by CLU. Many observers suspect that their profit margins are lower as well, which if true, may mean that producers are now receiving a greater return for their wool.

CLU and its members have thus shown that cooperative enterprises can operate as efficient businesses, rivaling even the most established commercial firms within the industry. And that example has not gone unnoticed. The Central Cooperativa de Carnes, a marketing federation of 34 livestock cooperatives and also a former IAF grantee, has adopted a similar marketing system, and new federations of dairy and grain producers have followed suit. Nor is CLU's sphere of influence confined to Uruguay. During the past few years, several of its board members have traveled to Chile and Argentina to advise

large woolgrowing cooperatives on the intricacies of marketing.

Ironically, the fact that CLU's program has worked so well is now working against it. Since its competitors currently offer many of the same services, including advance payments, Central Lanera will be challenged to work even harder to maintain its image of efficiency and fairness in order to retain the loyalty of producers.

CLU's promotional department must continue to develop educational programs that help growers to fully understand the advantages of CLU's average price system and how it relates to the structure of the domestic wool market. While producers recognize that CLU does not speculate, it must be made more obvious to them how CLU *does* arrive at the average price, and what comparisons they should make in order to accept the average price as the "best" price.

A greater understanding of CLU's pricing structure should lead to increased consignments and future growth — the second challenge now facing the federation. Recently, four additional cooperatives applied for membership. Further growth, however, depends not only on increased membership, but also on increased productivity by individual growers; favorable international wool prices; improved admin-

istrative and managerial efficiency of member coops; further industrial processing of wool; and — perhaps most importantly — making woolgrowers feel that Central Lanera is *their* enterprise.

Roberto MacKinnon sums it up when he says, "Producers have realized that marketing is fundamental. Central Lanera is in our hands, and if we make a mistake — we can correct it." ♦

CYNTHIA L. FERRIN has been the IAF Representative in Chile, Argentina, and, since 1981, in Uruguay. She holds a graduate degree from The American University and did post-graduate work at MIT. She recently co-authored the IAF working paper Urban Informal Sector and Small-Scale Enterprise, which is available upon request from the Foundation. Statistics cited in the article are taken from "La Lana en la Economía Nacional," by Rudolfo Irigoyen. This report was published by the Centro Interdisciplinario de Estudios sobre el Desarrollo Uruguayo (CIEDUR) in the series Uruguay Hoy.

Bales of wool are loaded on trucks at the processing center and delivered to the port of Montevideo for shipment abroad. As CLU's operations have become more efficient, its revenues have increased and, in turn, so have net earnings of coop members.



Kathryn Shaw

THE LONG JOURNEY HOME

Text and Photographs by
Philip Decker

In December 1985, *Grassroots Development* published a feature-length article by Ted Conover on *Cooperativa Sin Fronteras*, a cooperative formed by undocumented farm laborers in the United States to pool savings and channel development resources to their home communities in Mexico. The LAF is now pleased to announce the release of *El Primer Paso*, a half-hour documentary on the innovative efforts of this group. The following photo essay eloquently portrays how one family from the mountains of Querétaro is working through the cooperative to realize a long-cherished dream.

Pedro Estrada first left home when he was 13. Although he went alone, others had gone before him. His father, Don Genaro, had picked cotton in Texas as a *bracero* during the 1940s; older brothers were waiting for Pedro to join them in Mexico City.

For the next decade, he moved from job to job, eventually learning to lay bricks at construction sites around the city. Then, in 1979, he married Angelina and decided it was time to come home. As Pedro recalls it, "Where we were was infected. The air stank; robbers, even murderers were loose in the streets. I thought our children would grow up safer, saner, in the country. And we would have corn there, be sure we could eat."

Yet he soon realized that the same hardships that forced him to leave as a boy would prevent him from remaining full-time in Puerto Colorado as a man. His fields provided enough food for only part of the year, and he still needed money to buy kerosene, medicine, fertilizer, and other staples.

For five years, he tried alternating two months in the city working as a mason with two months at home tending his crops. Finally, he decided if he was going to be gone half the year anyway, he might as well follow his brother Alejandro north as an "illegal alien" to pick fruits and vegetables in Arizona. To support his family while he was gone and to pay for the 1,400-mile journey, he sold one of his few fixed assets—a cow.

For the next six months, Pedro worked hard and put money aside for his family. He had "arrived," but he never felt safe. Asked to describe this time in the United States, he softly says, "It's all a game of chance. I'm no criminal. I'm here to work with my sweat, but Immigration can sweep you up anytime, anyplace—in the grove, at a flea market, in bed back at camp. If you are deported, you might be able to sneak back. But men die crossing the desert, and *coyotes* (guides) cost money. My last cow is far away."

When Pedro returns to Puerto Colorado in May, it is the Feast of San Ysidro, the start of the growing season. The priest will bless the bulls of the village, the corn seeds, and pray for the success of something new. While they were away, Pedro and his neighbors set aside some of their pay through the auspices of the Arizona Farmworkers Union and joined *La Cooperativa Sin Fronteras* to funnel development resources back home. The cooperative has furnished the materials, and the campesinos have donated their labor to build a water deposit near Puerto Colorado.

Women from the village will no longer have to tote water in buckets balanced precariously on their heads from a well a quarter mile away. A hose will bring water down the mountainside to Pedro's house, and he will be able to irrigate a newly planted peach orchard. When the trees mature in a few years, he hopes to sell enough of his crop to do what he set out to achieve so long ago—to be able to stay home at last.



PHILIP DECKER is a documentary photographer and writer who has been living alongside and interviewing farmworkers in the United States and Mexico since 1982. His photo essays, slide shows, and exhibitions are used in educational, lobbying, and fundraising efforts.



1

1. Pedro tethering one of his cows in a field outside Ahuacatlán, in the isolated mountains of Querétaro, Mexico. 2. Pedro, his wife Angelina, and their children Mino (age 5), Marianella (age 3), and the new baby, Eric.



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3. Pedro's mother, Doña Manuela, holding her grandson Eric in the bedroom of her house in Puerto Colorado. Doña Manuela's two youngest children still live at home. Three of her sons, including Pedro, live nearby for part of the year. Eight other sons and daughters have moved to Mexico City, San Luis Potosí, and Nuevo Laredo.

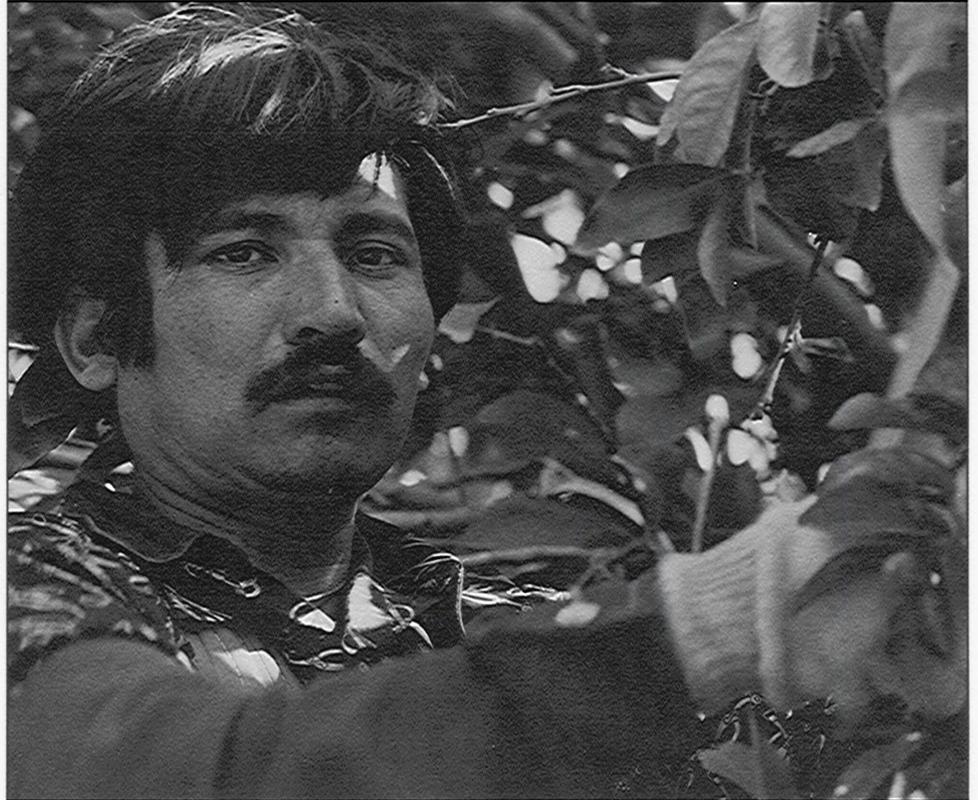
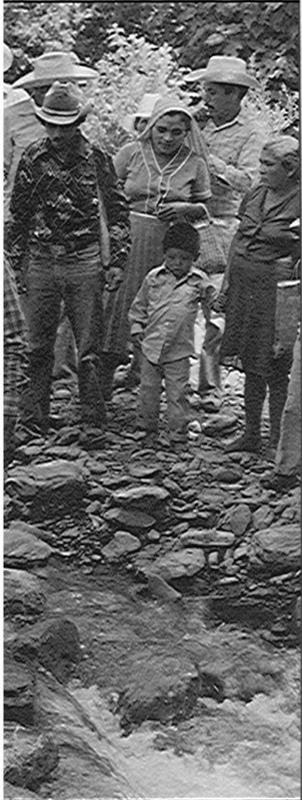
4. Funeral services for Pedro's father, Don Genaro, who died in 1985. This was the first time in years that the family was reunited in Puerto Colorado at the same time. 5. Pedro, two of his brothers, and several neighbors crossing the border to enter the U.S. after two nights and three days of tense waiting in an abandoned shed for a "coyote" to guide them across 18 miles of hazardous desert. 6. Pedro working in a lemon orchard outside Phoenix, Arizona. Asked why he made the journey, he responds, "Because of the great need."



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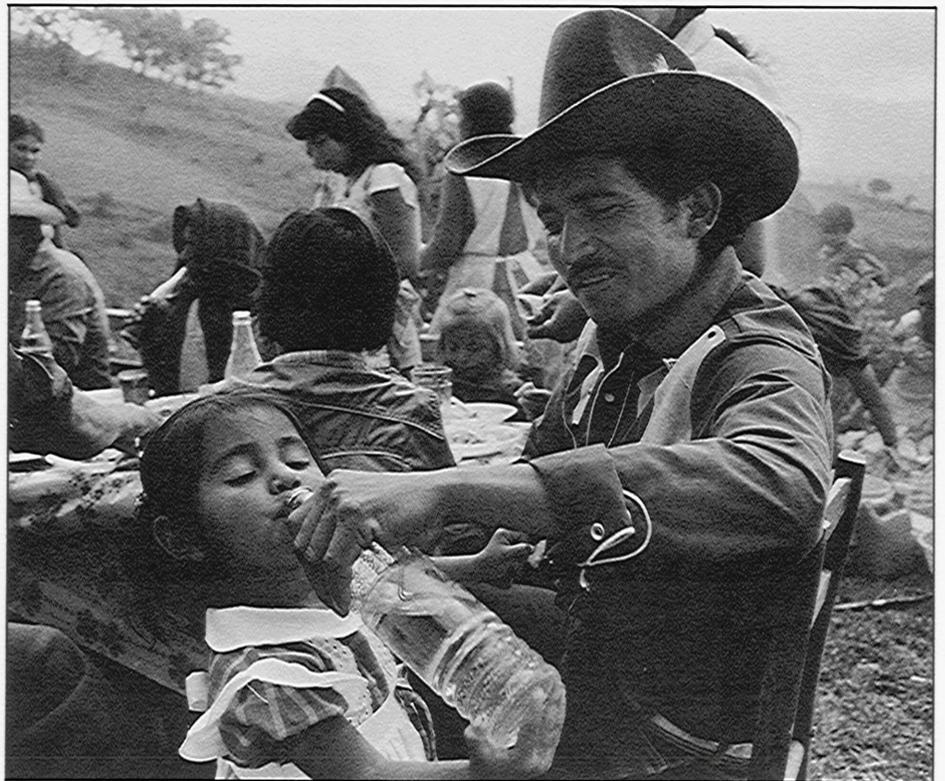


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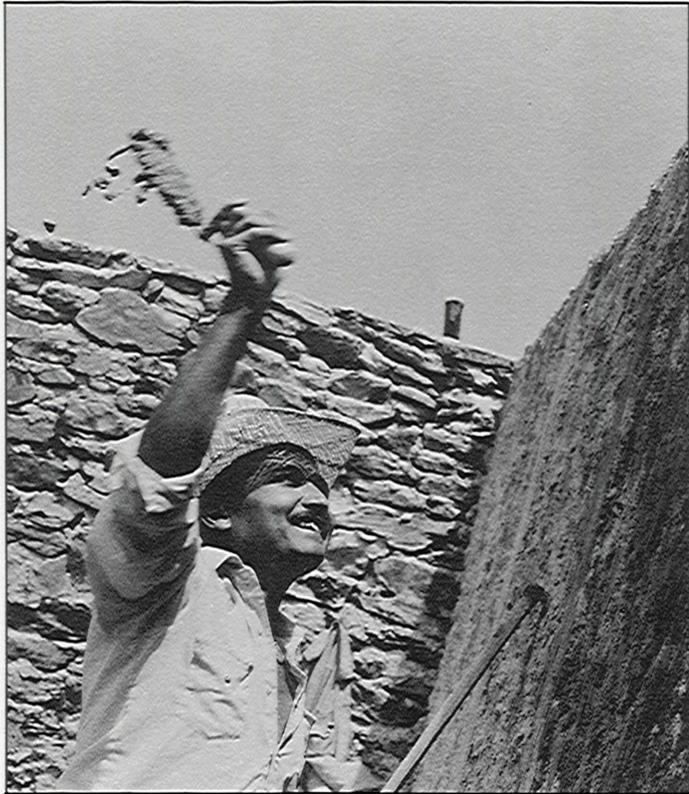


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7. On the Feast of San Ysidro, after Pedro's return, the men adorn their bulls with flowers, and the community parades up and down winding paths to a church overlooking the valley where a priest will "baptize" the bulls and pray for rain to water the crops. 8. Pedro and his daughter Marianella at a Mother's Day banquet.



8



9

9. Pedro working on the new water deposit outside Puerto Colorado.

10. Pedro's youngest sister, Paz, still must fetch drinking water the old-fashioned way from a distant well. But a new water deposit and hoses have freed up time for village women by supplying water directly to houses for washing clothes and dishes, and for bathing.



10

After more than 15 years of funding small projects, the Inter-American Foundation knows that grassroots development works on a small scale. But can grassroots development also work on a large scale? And if so, can an institution like the World Bank do it?

These are some of the questions being asked in a current study jointly supported by the Inter-American Foundation and the World Bank. Over the past year, IAF senior research officer Sheldon Annis has been searching for answers to these questions in rural Costa Rica, Mexico City, and northeast Brazil. Based on that research, he is now writing a book on grassroots development and public policy.

Recently, Annis was asked to testify before the U.S. House of Representatives Subcommittee on International Development Institutions and Finance during its hearings on the multilateral development banks, poverty, and microenterprise lending. He was asked to broadly address the present and future role of the World Bank as a "poverty lender" — and specifically, how the Bank could more effectively support local development initiatives such as microenterprise projects. The following article is adapted from that testimony.

THE NEXT WORLD BANK?

Financing Development from the Bottom Up

Sheldon Annis

The idea of the World Bank as a grassroots funder may strike many people as a contradiction in terms. And perhaps it is. In many ways, the current issues that the Bank debates — structural adjustment, policy-based lending, the mechanics of export-led growth, the financing of hydroelectricity — would appear to have almost nothing to do with the plethora of nongovernmental organizations that are struggling everywhere in Latin America. And the kinds of questions that are discussed nightly in just about any village cooperative — do we need a new manager, should we try to buy a tractor, will it rain hard in September? — appear to have even less to do with the World Bank.

Yet both the world and the World Bank are very different than they were only recently; and the apparently whimsical question, "Can the World Bank be a grassroots funder?" has a kind of possibility today that did not exist 30, 20, 10 or even 5 years ago.

WHAT HAS CHANGED

To understand why, it is necessary to understand how the context for "poverty lending"* has changed. For it is precisely this changed context that makes grassroots funding by the World Bank something new and highly possible.

Before describing what has changed, it is important to emphasize what has not—namely, the fact of poverty. For the most part, the poor today are as poor as ever, and there are more of them than ever before. Yet there is also much that is different.

First, the social characteristics of the poor are changing. In most countries, especially in Latin America and East Asia (less so in Africa), the poor are healthier, have better access to water and sanitation, and live longer. They live in a world that produces more food. They are better educated, with increased access to schools. With the penetration of roads and electronic media, they are generally less isolated, physically and intellectually.

Closely related to these other changes, the poor today are better organized. There has been a proliferation of nongovernmental, nonkinship grassroots organizations. These include church groups, labor unions, self-help committees, peasant leagues, burial societies, producer associations, political groups, cooperatives, neighborhood associations, and the like. These organizations—as varied in the Third World as they are in the United States—make up a thickening social web that has greatly expanded the capacity of the poor to make demands for political power and government services.

Second, the characteristics of many governments and public sector institutions have changed. Many military regimes of the 1970s have been replaced by nominally democratic governments that are newly accountable to demands from poor majorities. Most Third World states now have at least a decade of experience in externally financed programs that are consciously geared toward poverty alleviation. Most countries have established social service bureaucracies and minimal "safety nets" in the past two decades. Though underfinanced, this framework for service delivery is now looking for ways to extend itself.

Third, most Third World governments are broke or nearly broke. There is less money available to actually fund programs—and no particular reason to think there will soon be significantly more. Most Third World governments are struggling to adjust their economies to the debt crisis. They are struggling with currency devaluations, tax increases, and severe pressures to curtail public spending. If only for the worst of reasons—that is, trying to find a new way to pass on costs to the poor—governments today are highly interested in the notion of "self-help."

Fourth, thinking on poverty alleviation has changed at the multilateral development banks. The World Bank alone has directly invested over \$50 billion in poverty alleviation since 1975. No research or development institution can match the Bank's practical experience or analytical capability in poverty lending. Both conceptually and in the nuts-and-bolts of application, the Bank *knows* far more than it did when it launched its poverty crusade at the beginning of the 1970s. Although critics can surely argue that the Bank can't, won't, or doesn't act upon enough of what it knows, one must admit, in fairness, that some changes in thinking are now simply matters of "received wisdom"—for example the idea that the long-term "sustainability" of projects is closely linked to active, informed participation by the poor.

The Bank today also has a wider and more interesting range of tools than in the past. The era of Bank President Robert McNamara conceptualized poverty lending largely in terms of "projects." But geographically-bounded projects are not necessarily the fairest or the most effective way to help the poor. In the past five

No research or development institution can match the Bank's practical experience or analytical capability in poverty lending.

*Readers who wish further background on the World Bank as a "poverty lender" may wish to consult *Banking on the Poor* by Robert Ayres (MIT Press, 1983); Sheldon Annis, "The Shifting Grounds of Poverty Lending at the World Bank," in *Between Two Worlds: The World Bank's Next Decade*, Richard Feinberg, ed. (Overseas Development Council and Transaction Books, 1986); Doug Hellinger, Steve Hellinger, and Fred O'Regan, *Aid for Just Development* (forthcoming), or the Bank's publication, *Focus on Poverty* (revised, 1983).

years, extraordinarily powerful new tools have come of age, especially policy-based lending. These tools evolved in response to the default anxiety of commercial lenders. But as the idea of program-versus-project lending filtered into the various sectors of Bank activity, a fascinating new possibility emerged: Could these same tools be wielded on behalf of poor majorities? What could be done with tax policies, land reform measures, land-titling, credit policies, commodity prices for the small farmer, tariffs, utility rates, social security programs, low-income housing policy, consumer food subsidies, labor legislation, and environmental policies?

THE OPPORTUNITY FOR GRASSROOTS-ORIENTED POLICY

Of all these dramatic changes in the context of poverty lending, perhaps none is more significant than the "thickening webs of grassroots organizations."

Why? Because people who are organized are more "investible" than those who are not. That is, a rich layering of independent grassroots organizations increases the capacity of an economy to absorb poverty-oriented investments and, therefore, to grow. Organized people have the means to influence what happens to a public investment. Poor people are as economically rational as anyone else. If genuine incentives are provided, they can mobilize local counterpart investments of cash and labor. They can contribute essential knowledge that foreign technicians and government bureaucrats simply don't have. They can make noise, demand services, and pressure governments for resources. When things go wrong, they can protest and blow whistles. When things go right, they can form credit groups, maintenance associations, user groups, and outreach services. Indeed, grassroots organizations can be the infrastructure through which an investment is made, or they can help provide the human "software" that makes other kinds of investments work.

Having just implied that an organization like the World Bank can invest in grassroots organizations, I am now going to throw on a wet blanket. Such investment is no magical solution to the problem of poverty. Over the past several years, the Inter-American Foundation has studied the performance of a fairly wide range of grassroots projects. For the most part, I am sorry to report, grassroots development appears to be no easier or less filled with contradiction than any other type of development.

Let me give several examples of what evaluators typically encounter in the field:

- When poor people are asked what they want, a very large number are likely to respond "credit." In part, this is because credit programs appear to be an equitable way to fairly share group-owned capital. Yet in practice, credit programs are particularly difficult to manage. The setting of appropriate interest rates is treacherous; discrimination against some potential borrowers usually occurs; and collection of timely repayments is almost always a problem for the local organization.* Only the most imaginative and carefully monitored credit programs are found to work when there are high rates of inflation. In fact, most credit projects tend to work only under restricted conditions and are able to service well only a limited range of income-generating activities.

- The poor usually lack technical skills. Providing "training," like credit, is a good solution to the problem of fairly sharing a collectively held grant. Yet it is easy to overestimate how training can improve operations, introduce new technologies, and raise skill levels. Such activities are generally more difficult to devise and implement than anticipated, and most important, they have little actual significance unless accompanied by job opportunities from within the economy.

- Collectively owned and operated enterprises such as agricultural production cooperatives or community-run stores generally suffer from precisely the same difficulties as any other small business, including undercapitalization, inadequate supplies of materials, irregular markets, outmoded technology, and sensitivity to the cost of imports. In addition, they have the added problem of tending to decapitalize when their hard-hearted economic and soft-hearted social goals come into conflict.

- The very poorest and neediest groups are usually the least organized. Before they can embark on income-generating activities, they usually need "preorganizational" assistance in health, education, and housing. Yet service-oriented projects

*For a detailed analysis of IAF credit programs see Judith Tendler's *Fitting the Foundation Style: The Case of Rural Credit* (1981), and *What to Think About Cooperatives: A Guide from Bolivia* (1983), published by the Inter-American Foundation.

Grassroots organizations can be the infrastructure through which an investment is made or they can help provide the human "software" that makes other kinds of investments possible.

generate one overwhelming problem for grassroots organizations: how to cover recurring costs and become sustainable without permanent external subsidy.

- Many income-generating projects, however attractive from the local point of view, lose their impact in the absence of physical infrastructure. The poor need *more* than organizations and credit for production. Small farmers, for instance, also need water to irrigate their crops, roads to get their crops to market, and markets in which to sell their produce. Yet projects designed to build or improve infrastructure — whether in housing, potable water, irrigation, or roads — can rarely be carried out independently of the greater financial resources and legal authority of the state.

- Finally, any project — of any sort — that seriously challenges economic privilege, class barriers, or the prerogatives of elites is likely to encounter resistance (if not intimidation and violence). When an economy begins to churn at the bottom, social and political conflict tend to follow. Usually the poor lose these conflicts, and their projects suffer. The efforts of the poor, like those of the rich, require the support of laws, just policies, and even-handed institutions.

Perhaps this list of examples is somewhat depressing. Nonetheless, it does not mean that grassroots projects do not work — only that they do not work independently of the character of the societies in which they occur. Unfortunately, grassroots projects are not a substitute for social justice, a healthy economy, or a competent state.

A MICRO-MACRO ROLE FOR THE WORLD BANK

This brings us back to the World Bank, the largest and most powerful development institution in the world.

I have often asked myself whether it would be a good idea to switch the budgets of the Bank and the Inter-American Foundation — to give IAF, say, \$14 billion a year to invest in grassroots projects; and let the World Bank get by on approximately \$26 million a year for infrastructure, structural adjustment, and the like.

This plan would doubtlessly improve the food in the IAF cafeteria. But otherwise, I am not sure much else would be accomplished. Grassroots development does not occur in a vacuum. There is no either/or choice between “bottom up” and “top down.” Rather, it is necessary to create healthy linkages between the micro and the macro; and that is precisely the right role for the World Bank to play in the future.

The shortage of adequate housing — one of the most serious problems in the Third World — provides one example of what might be accomplished. Squatter settlements are now growing at a pace that far exceeds the capacity of states to build low-cost dwellings. Thus, one of the most perplexing challenges in urban development has been to find new ways to create lower and lower per-unit-costs for construction.

In the early 1970s, the IAF pioneered experimentation in self-help housing — in other words, construction that maximizes local inputs of labor and materials, or upgrades rather than razes existing slums. Several early projects supported by the IAF — for example, FUNDASAL in El Salvador before the civil war — became well known and were frequently cited as successes.

Yet today, the IAF is leery of self-help housing projects. Why? Essentially, it learned that it had to consider not just a group’s willingness to build, but a much larger and more complicated set of questions. In the first place: Can residents get title to land? (If not, they risk being evicted and will eventually have difficulty selling their property, so they have little incentive to invest.) If people try to build their own houses, will they be impeded by building codes and zoning regulations? Can they obtain group credit or other financing from formal sector institutions? What about the state’s willingness to provide schools, public markets, and parks? Very likely, residents are illegally tapping into water mains or electrical lines; if so, what are the prospects for regularization and improvement of utility services? Can people expect to be linked to municipal transportation services — which is to say, transportation to and from jobs?

Basically the IAF learned that these kinds of superstructural considerations overshadow the seeming simplicity of the do-it-yourself approach. If the state is not working in tandem, squatter groups rarely move beyond illegal occupations and the hiring of young lawyers to try to obtain land titles. In short, the Foundation concluded that even if it were a thousand times larger — but still basically the IAF — it could not seriously address housing through a purely community-based approach.

It is not a matter of choosing between “bottom up” or “top down.” Rather, it is necessary to create healthy linkages between the micro and the macro — and that is precisely the right role for the World Bank in the future.

What can the World Bank do? In the case of housing, the Bank has invested well over \$2 billion in "sites and services" and "progressive slum upgrading."* In some cases, the Bank has also supported nongovernmental organizations such as FUNDASAL. Yet ironically, even the World Bank has concluded that it is "too small" to approach housing through individual site-focused projects. Even if all Bank projects were successful, they could not begin to keep pace with the growth of slums. So today, the cutting-edge questions have shifted: What incentives increase the supply of low-cost rental housing; lower the price and widen the availability of building materials; help create public financial intermediaries that can lend to the poor; encourage revised building codes to strike a balance between safe and affordable construction; and encourage optimally placed infrastructure to serve the needs of the poor?

Again, this does not mean self-help does not work. Even a small incentive (such as an IAF grant) can encourage a heroic effort at self-help, but that effort is likely to make little headway if larger and more powerful disincentives are working in the opposite direction.

This is where the World Bank can make a difference. It can work to help create environments — policy as well as financial environments — that enable grassroots initiatives to thrive. The Bank already knows a great deal about how to do this; and now is an opportune, unprecedented moment for creative action.

In order to move beyond what it calls "poverty lending" into the more subtle and complex business of grassroots development, the Bank needs to develop imaginative new ways to work directly with grassroots organizations — for example, through a small projects fund and increased collaboration with nongovernmental organizations in the field. However, the point to doing so is for the Bank to set up communications, to begin a direct dialogue to learn about the poor. The purpose must be to influence the mainstream of Bank lending, not set up a "grassroots unit" at the periphery of its operations.

Second, and more importantly, the Bank needs to put into practice what it has learned about traditional poverty lending — for example, that grassroots participation in projects needs to be dramatically expanded. The Bank must learn to analyze the human, organizational content of its projects as well as it now analyzes their economic content. For the Bank, this is still terra incognita.

Third, and most importantly, the Bank should use both project and sectoral lending to imaginatively explore how different policies nurture — or squelch — grassroots development. Let me briefly suggest 10 broad areas in which this can be done, starting with those in which the Bank is already making significant progress.

1) As previously suggested, the Bank can influence urban housing policy so that it reinforces community action and creates incentives for a wide range of housing investments by the poor;

2) Through policy reform, the Bank can help create community-based service delivery systems in health, nutrition, and family planning;

3) Realizing that poverty destroys the environment and a destroyed environment exacerbates poverty, the Bank can advise governments on how to merge policies that are good for the environment and good for the poor;

4) Through its interventions in commodity pricing and its policies toward collective enterprises such as cooperatives, the Bank wields enormous influence over the social as well as the economic character of agriculture, and can also offer crucial support for land reform and land titling;

5) The Bank can significantly affect the kinds of legal frameworks that govern the formation, recognition, and operation of grassroots organizations;

6) The Bank can affect the structure of opportunity within the banking system for the organized poor — for example by encouraging mechanisms whereby informal sector entrepreneurs can qualify for group credit;

7) The Bank can greatly influence the character of educational systems by encouraging greater allocation of resources to primary education and by promoting institutional mechanisms that encourage local participation in curriculum design and the use of culturally appropriate learning materials;

8) The Bank can urge the state to use labor-intensive construction and can affect how the state makes its decisions about where infrastructure is placed;

The Bank must learn to analyze the human content of its projects as well as it now analyzes their economic content.

*For a review of World Bank urban lending through the early 1980s, see Michael A. Cohen, *Learning by Doing: World Bank Lending for Urban Development, 1972-1982* (Washington D.C.: World Bank, 1983).

- 9) It can influence the character and coverage of social security programs, including the expansion of coverage for informal sector workers and rural laborers;
- 10) It can influence the ways in which labor organizations are regulated—not only union workers but also organized workers in the informal sector.

INVESTING IN THE POOR

When outsiders think about the World Bank and the poor, they often assume that poverty alleviation means charity, that it is a test of liberal generosity. This is wrong. In fact, if there is one fundamental lesson the Bank has learned—or should have learned in the past 15 years—it is that poverty lending is good banking.

For all its failures, the Bank's poverty portfolio has performed at least as well as, and often substantially better than, other loans with presumably more comparative advantage. Studies of credit projects have generally shown better recuperation rates among small farmers than medium and large farmers. Similarly, loans to urban microentrepreneurs have generally shown repayment rates matching or surpassing those of wealthier entrepreneurs. Where massive default has occurred—even in crisis-ridden economies—analysis generally points to weakness in lending institutions and program design rather than to the creditworthiness of the poor.

Poverty projects do *not* have a higher failure rate than nonpoverty projects. They do not produce fewer economic benefits nor are they more prone to cost overruns. Indeed, reviews of lending for agriculture and rural development have consistently shown better performance for poverty than nonpoverty projects. Although the poverty projects may initially require more staff investment in design and a slower pace in implementation, in the long run they are not necessarily harder to plan, appraise, or evaluate than nonpoverty projects.

Finally, the Bank did not discover that investments in human capital yield less than investments in infrastructure, transportation, industry, and the like. To the contrary, empirical research has sustained the human capital thesis that satisfying basic human needs generates high rates of return.

A question we might well ask ourselves is whether multilateral development banks have the clout, wisdom, and technical capacity to move beyond “poverty lending” toward consciously trying to orchestrate grassroots development? Should an institution like the World Bank—which learned in the 1970s to be highly skeptical of its own ability to promote integrated rural development from the top—now realistically expect to be more successful in trying to promote integrated development from the bottom?

The answer to that question is far from certain. What *is* certain is that there is much that the Bank could try. The Bank needs to think beyond “poverty lending.” The real question is not just what can be done in a particular sector, but more broadly, how the Bank can creatively make linkages between the micro and macro. Poverty lending may be useful, but if the Bank does not also use its newly discovered tools well, then the poor over the long run will be served very poorly indeed. ◇

Reviews of lending for agriculture and rural development have consistently shown better performance for poverty than nonpoverty projects.

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CHIQUIÁN AND HUASTA

Cluster Funding in Highland Peru

Martin J. Scurrah, Hernán Garrido-Lecca, and David Valenzuela

The authors travel to a remote Andean valley to see how concentrated funding over the past half-dozen years has affected the lives of people in four neighboring — and reportedly rivalrous — communities.



Kathryn Shaw

A stiff August wind was kicking up dust and dislodging small stones from the steep hillside as our pickup wound its tortuous way up the Ayni River Valley toward a cluster of projects supported by the IAF. At a bend in the road, we were hailed by Arnoldo Valdez, ex-president of the peasant community of Huasta, our first stop. Spade in hand, he had just finished a day's work in the fields and was on his way back home. He climbed in and moments later we were bouncing over rough cobblestones into the village plaza.

There Teófanés Márquez, the former community president, awaited us outside the town hall. After briefly exchanging greetings in the late afternoon cold, we were invited to enter a dirt-floored council chamber whose chair-lined walls were papered with exhortatory posters of Peru's President Alan García. Someone found and lit a kerosene lamp, placing it next to the small Peruvian flag on the council table at the far end of the room. Our conversation was at first desultory. As more community officials wandered in, small

groups formed in the semi-darkness, and our questions were answered by modest professions of ignorance about this subject or that.

Little by little, however, *confianza* (trust) was established, and chairs were drawn into a comfortable circle. Over the constant hiss of the lamp, the men began to tell the story of their village and its relations with the neighboring town of Chiquián, of the traditional rivalry and a new-found cooperation, of the introduction of a new word — *project* — into their vocabulary. They spoke proudly

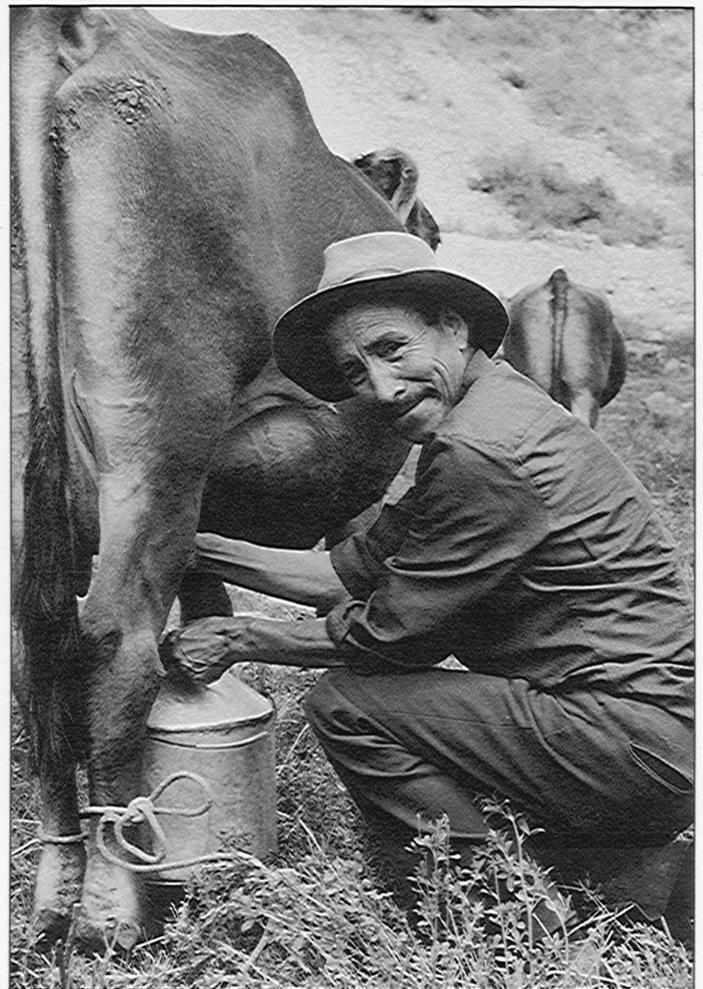
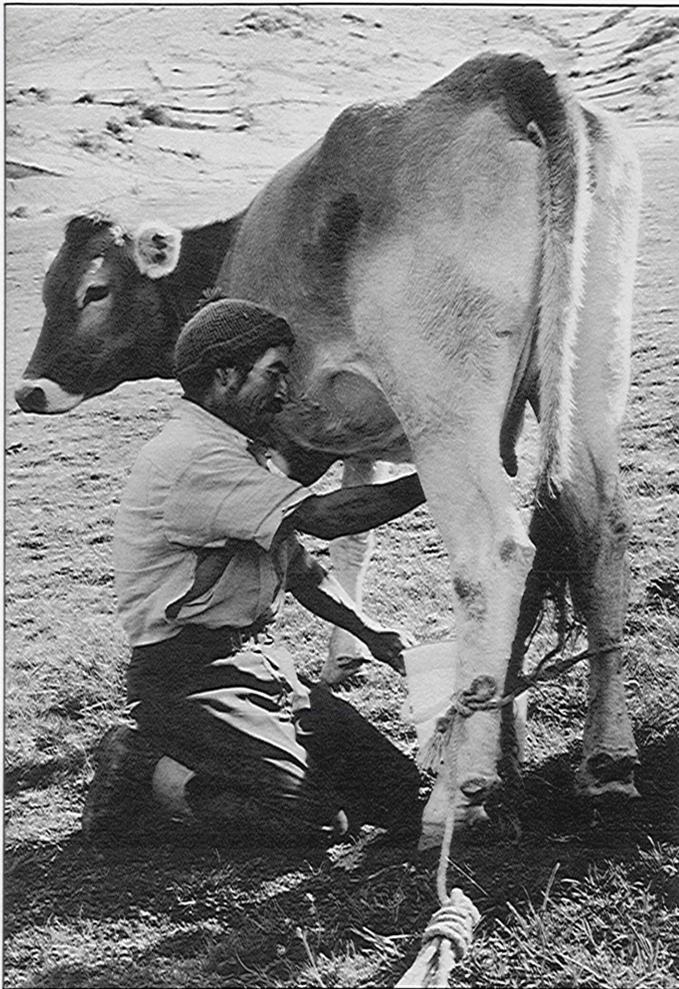
and eloquently of their six-year struggle to build a communal dairy business and how that effort had helped galvanize the whole valley.

Early the next morning we set off for Chiquián, pausing to appreciate the magnificent sweep of the snowcapped peaks of the Cordillera Blanca and the beauty of Huasta, with its terraced fields snuggled in the mountains' lap. The quiet gave eerie force to an anecdote we had heard from a retired school teacher the previous evening. Asked about the underlying resentment among communities in the valley, he had quoted a phrase commonly heard in Chiquián —

"Hospitality to all pilgrims, save those from Huasta" — and its counterpart — "Don't offer the *chiquiano* even your hand." Our destination lay hidden beyond a ridge, but a short drive later — past Chiquián's cheese plant, the stables, and the sleek cattle grazing on an irrigated hillside — we rounded a bend and suddenly saw the town before us. What kind of reception would we find?

The sun was still casting long shadows as we banged on the door of the small store-cum-coffee shop off the central plaza. Ushered inside and installed around a crude wooden table, we drank steaming barley coffee and ate fresh

rolls while Alichó Gamarra, manager of Chiquián's communal business, told us about his life. He was born on the Tacayenga hacienda, whose lands now belong to the nearby community of Aquia and which was once famous for its cheese and butter production. He grew up in the area, and then moved to Lima to work and study. After several failed business ventures, he returned to Chiquián, where he worked for many years for the town council before becoming right-hand man to the parish priest. Gamarra's restless curiosity eventually led him to break with the priest, organize the communal business, and — like



photos by Kathryn Shaw

Although their communities once were bitter rivals, this dairyman in Chiquián, Peru, left, and his counterpart in nearby Huasta, right, now share technical assistance and project experience that have brought the two together.



Kathryn Shaw

TWO COMMUNITIES, TWO PROJECTS

The dairy and cheesemaking enterprises supported by the Inter-American Foundation in Chiquián and Huasta stem back to the activities of the previously mentioned parish priest, a man widely admired for his energy and entrepreneurial skills. His main contribution, however, was not administering or designing projects, but in awakening knowledge that "projects" were possible.

As Huasta's former vice president Manuel Alva recalls, it was at a meeting with campesinos from other communities that he happened to observe a leader writing a letter of thanks to an international agency for funding his community had received. Inquiring, Alva learned there were institutions willing to support peasant communities and, believing that his village also had many unmet needs, he immediately asked the priest in Chiquián for advice. The priest informed him that needs had to be spelled out in a project proposal, and suggested that a dairy business on land returned to the community under agrarian reform might be a good idea.

The community's president liked the idea and, with the help of an agronomist from the departmental capital of Huaráz, they drafted a proposal. Because the village had no money, the agronomist waived his fees, and because they could not afford air mail postage, the document was sent to the United States by surface mail. When the proposal finally arrived, it was approved by the IAF in 1981. The grant provided US\$143,190 for pasture improvement, the purchase of livestock, and the construction of a cheese and butter factory. Local counterpart contributions were valued at US\$55,800.

Meanwhile in neighboring Chiquián, things were developing a bit differently. Through the ubiquitous priest's endeavors, the women of Chiquián had already received funds from the Foundation and other sources to start an organization to produce and sell hand-knitted garments. This soon grew into an alpaca-

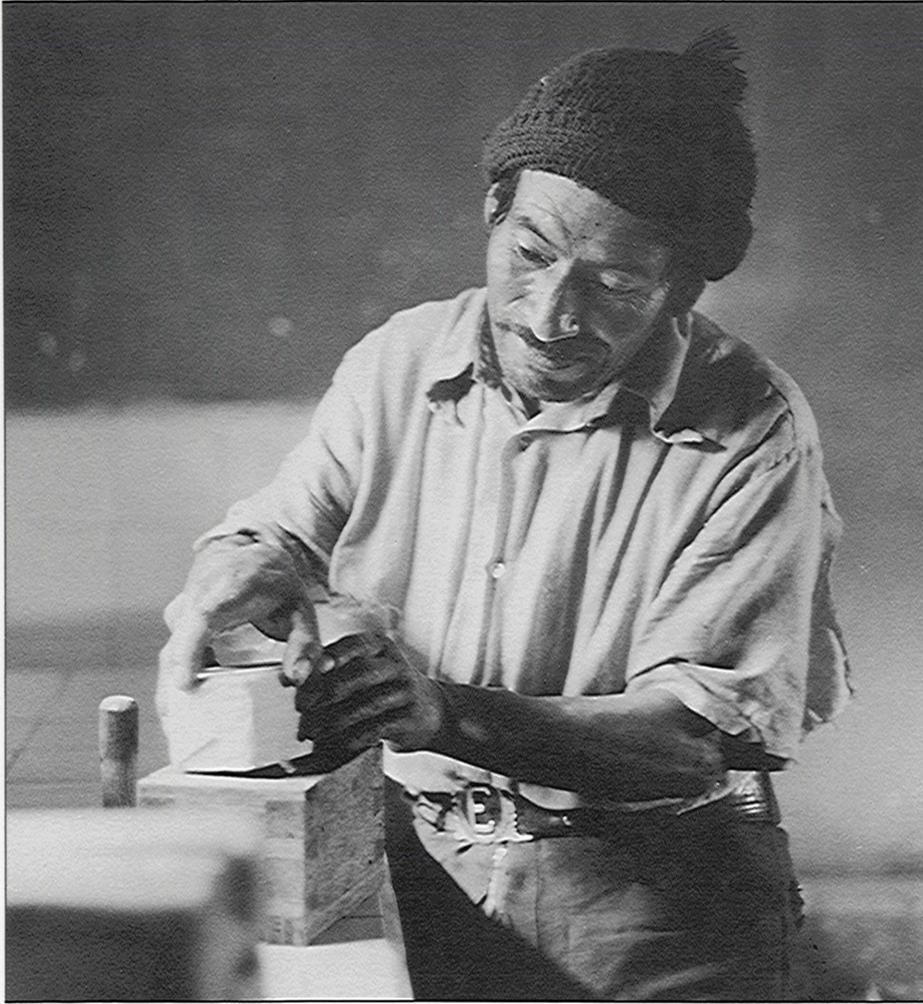
A close-knit village of some 1,500 residents, Huasta remains a traditional highland community.

a sort of Johnny Appleseed of the Andes — help new projects sprout in the neighboring communities of Aquia and Carcas.

Later in the day, over a long lunch that began with the inevitable *caldo*, or hot broth, we heard more about the former parish priest and how the idea for the dairy project in Huasta had been one of his many inspirations. We heard about the reservoir that the community hoped to finish by the end of the dry season and about the many ambitious schemes to develop Bolognesi Province through quinoa, *cochinilla* (a brilliant red dye made from dried insects that feed on certain kinds of cactus), *tuna* (prickly pear), and beekeeping. As we had in Huasta, we learned of tentative and fearful beginnings, of unforeseen technical problems and natural disasters, of the hard work to find solutions, and of people's dreams and fears about the future. There were signs of hope based

on real and potential improvements in living standards and on a growing sense of organization and cooperation among local communities. This new spirit of cooperation is perhaps their greatest achievement.

There is a story that illustrates the intensity of the pride and rivalry among these valley communities, the story of how the government built a new road between Chiquián and Aquia — completely bypassing Huasta. Despite repeated appeals to local authorities, the village was not included. Nevertheless, its citizens were not to be outdone. On the day the road was to be inaugurated, they used ropes and poles to haul a car all the way up the mountainside to the plaza so they could boast that the *road* may have gone to Aquia first, but the first *vehicle* to use it went to Huasta. What had happened during the past six years to cause the people of the Ayni River Valley to try pulling together?



A worker in the dairy plant in Chiquián removes butter from a wooden mold.

vice president, Manuel Alva, also eventually resigned (although he remained in Huasta). The lack of consensus led to a delay in purchases and ineffective financial management. With national inflation soaring, project funds steadily devalued. Eventually construction got underway, and a part-time accountant was hired to monitor finances. However, he began to neglect his duties after his father was accused of watering down the milk he delivered to the new dairy, and cost control remained elusive.

The discord was particularly damaging because the village had always been so close-knit. As a traditional highland community, Huasta can trace its origins back to the *ayllus*, or local kinship groups, upon which the Inca and pre-Inca civilizations in Peru were based. The ayllus were preserved by the Spanish Crown when it created the *reducciones*, large missions with surrounding lands farmed by the Indians. Membership in such a highland community, even today, is acquired only by birth or marriage since communal lands cannot legally be bought or sold. The community is run by a general assembly comprised of all male heads of household, which in turn elects an administrative council to run day-to-day affairs and a supervisory council to serve as an auditor. While each *comunero* (community member) has his own land for crops or livestock, the community maintains communal grazing lands to benefit the entire group. Thus the widening split among villagers made it difficult for the administrative council to manage the project and dampened the enthusiasm of comuneros who donated labor to support project activities.

The project in Chiquián managed to avoid a similar crisis in leadership. Such unity seems surprising since Chiquián, which traces its recorded history back to the early 18th century, is a provincial capital three times larger than Huasta, and less than half of its 5,500 residents are comuneros. The differences between the two communities came to the fore when a European camera crew visited the area to film the life of Luis Pardo, the Robin Hood of the Andes, who spread

breeding project to supply the raw materials to expand export sales, which had become more attractive through tax rebates supplied by the Peruvian government. With time, however, people began to wonder just who were the real beneficiaries of the project, since all assets were owned by the parish and the priest kept a close watch on finances. These doubts finally led Alichó Gamarra to break with the priest with whom he had worked so closely.

Gamarra took what he had learned with him. He too began thinking that a "project" might be the best way to do something for the town. Stirred by what was happening in Huasta and realizing that the region had long been renowned for its dairy products, a cheesemaking enterprise seemed a logical choice. In 1982, with the help of professionals from the ministry of agriculture and the regional development agency in Huaráz, he drew up a proposal.

The project was based on a system of rotating alfalfa pastures with potatoes and grains to provide immediate income while the work progressed. Livestock and feed would be purchased from outside the area, and stables and a cheesemaking plant would be constructed. The plan was approved by the community's general assembly and presented to the Inter-American Foundation, which funded a three-year grant for US\$191,220. Local contributions included cattle, tools, materials, and labor.

Although Huasta began its dairy project over a year earlier than Chiquián, it has not always kept the lead. In fact, Huasta's communal enterprise got off to a rocky start. Many villagers opposed the grant, fearing that their newly returned land was actually being mortgaged to secure a loan. Suspicion of outsiders and fear that the land might be lost sparked such intense criticism that the president quit and fled to Lima. The



terror among large landowners and merchants a hundred years ago. Although Pardo was an honored son of Chiquián, the movie was filmed in Huasta because it seemed more turn-of-the-century and looked more like an "authentic" Andean village. Chiquián is now both a town in the conventional sense, with citizens such as government officials, teachers, policemen, shopkeepers, and others, as well as a peasant community of farmers and herders. This diversity has made community members a bit more sophisticated, and more willing to hire and entrust a strong leader, Alichó Gamarra, to manage their dairy project.

On the other hand, this heterogeneity has made it hard for the community to maintain local traditions and high levels of popular participation compared to Huasta. As a result, each project had offsetting advantages and disadvantages that kept either one from forging far ahead. The project in Chiquián had a clear sense of purpose but difficulty motivating people to follow. In contrast, the project in Huasta had initial difficulty forming a plan of action, but once that was settled implementation could proceed apace.

SECOND THOUGHTS AND NEW SKILLS

Not only did neither project establish a clear lead, but the progress in both was surprisingly slower than expected. Then, in 1984, a turning point occurred. A team of advisors arrived from the veterinary school of San Marcos University in Huancayo and uncovered a fundamental problem in the conceptualization of both projects. They found that the regional project models had been based on dairying conditions along the Peruvian coast and could never work in the

Community leader Alichó Gamarra, top, oversees Chiquián's dairy project. Recent program changes include using simple solar-powered electric fencing to pasture livestock. The dairy hand, left, checks a small solar collector.



radically different climate of the Andes. Fortunately, after many years of research and experimentation, a model for dairy projects specially adapted to the needs of highland peasant communities had been developed, and was available for implementation.

The hired dairy hand in Chiquián and the president of Huasta described to us in great detail the resulting changes. Cattle were grazed on pastures improved through irrigation instead of being raised on diets of expensive commercial animal feeds. Dual-purpose (milk and meat) livestock adapted to high altitudes were introduced to replace overly specialized dairy breeds. Livestock was rotated and solar-powered electric fencing was used to keep animals from trampling pasturage. Cows were milked in the fields rather than being brought back and forth each day to the stables. Rustic materials and simple technology were used to make butter and cheese. These adjustments not only reduced costs, they also made it easier for the communities to manage their projects. The changes "made sense" to the campesinos and were accepted enthusiastically.

Perhaps the longest-lasting change, however, at first seemed merely procedural. The advisors from San Marcos decided to hold joint training courses for participants from both communities. While those from Chiquián were at first reluctant to attend meetings in Huasta and vice versa, they were compelled to do so or risk missing valuable technical assistance. Barriers soon broke down as people realized they faced common problems and might be able to reap benefits by working together. Representatives from the neighboring communities of Aquia and Carcas were also invited to attend, although they had not yet established dairy projects of their own.

As this process unfolded, Chiquián assumed its traditional leadership role through the efforts of Alichó Gamarra. This time, however, the community's goals were not domination or exploitation but equal participation and joint development. With the encouragement

and support of the presidents of Chiquián and Huasta, Gamarra helped Carcas prepare a proposal for a dairy project and assisted Aquia to draft a plan to reintroduce alpacas to the area. Both were funded by the IAF in 1986. Although friendly—and healthy—competition remains, there is growing collaboration and a sense that the four communities form a region with common problems and a common destiny, so that the advancement of one is the advancement of all.

THE FUTURE OF CLUSTER FUNDING

It would be a mistake, of course, to suggest that these four grants have been panaceas, that no problems remain. Huasta, for instance, is still trying to find the proper balance between preserving local control and obtaining needed technical skills. In late 1985, the IAF received the following cryptic message:

I must inform you of ominous news that will surprise you greatly. On the second of this month, my community had the misfortune of losing the breeding bull PPC, the younger one, who died in a fight with its fellow breeding bull due to the carelessness of the hired hand. He is not performing his job satisfactorily despite repeated warnings, for which the general assembly has fired him...

The summary dismissal of the hired hand reflected an underlying tension between the community's maximum authority—the general assembly—and the villagers on the administrative council who were running the project. Hiring the dairy hand had been a new experience for the community, and suspicions were aroused when the council chose an outsider for the job. Caught between needing help but not really wanting it, the assembly was determined to maintain its own authority.

Chiquián continues to face challenges in implementing its project as well. Each member of the community's five *compañías* was expected to work one day a

week on the project without pay. The heavy rains of 1985, however, destroyed so many crops that many townspeople were forced to migrate in search of jobs, slowing construction of the cheese plant and the reservoir for irrigating communal pastures. The new irrigation system was further delayed by technical problems. First, an access road had to be built, and then the digging of the reservoir was complicated by the site and soil type. At the time of our visit, the community president and the administrator were discussing how to line the reservoir in order to limit water filtration. The conventional approach would involve purchasing some 400 bags of cement, an expense well beyond local means, so the two men were debating the merits of a more modern solution—plastic sheeting—versus a more traditional one—quicklime and stone.

The projects in Carcas and Aquia are just getting on their feet, and it would be surprising if neither met any pitfalls along the way.

Although the future of the four projects is far from guaranteed, the increased willingness of these communities to share experiences with each other demonstrates a growing self-confidence in the region. There have been a number of hopeful signs, concrete steps that are being taken to solve common project-related problems. Representatives from each community have participated in IAF-sponsored training programs in dairy management, financial administration, and cheesemaking. To overcome chronic difficulties in dealing with part-time specialists, resources have been pooled to share the services of a full-time accountant and a full-time veterinarian. Carcas is planning to buy a tractor so that all four communities can make a concerted effort to rid the area of *kikuyo* grass, a deep-rooted, invasive weed that threatens both pastures and cropland. Finally, a joint outlet to sell cheese is being opened on the main highway between Lima and the departmental capital of Huaráz.

These activities are becoming a springboard for even more ambitious cooperative endeavors. One of Peru's



Kathryn Shaw

Members of the community of Chiquián pose proudly with their project's prize bull.

leading magazines recently reported that a delegation from the valley had journeyed to Lima to protest continued contamination of the Pativilca River by two mines upstream. The communities are also pulling together to revive a long-dreamed-of hydroelectric project. Ten years ago, work teams from the valley towns hauled on foot to Aquia the machinery and pipes from an unused electric plant in the town of Huallaca — some 40 miles away. An effort is now underway with Oswaldo Morán, an employee of the state electricity authority who lives in Huasta, to get the plant reassembled and bring electric power to the region. And to lobby for improved future services from govern-

ment agencies, Huasta, Carcas, Aquia, and Chiquián have joined seven other settlements (two of them IAF grantees) to reestablish the Federation of Peasant Communities of Ancash Department.

These initiatives began with the communities themselves, and they demonstrate the potential spillover benefits from cluster funding to base groups in close proximity to each other. The fact that all four communities have received a grant has provided each with direct project experience, given each a tangible stake in cooperative ventures, and encouraged equal participation. Community leaders now meet regularly to share ideas and discuss common problems. Competition remains, but it is

being harnessed within the framework of growing cooperation.

This particular experience is only six years old, while the rifts that are being healed date back centuries. Much remains to be learned. Although preliminary data suggest that the first two projects have improved the genetic stock of cattle, increased milk production, and generated higher prices for cheese from Huasta and Chiquián, more needs to be known about the impact on living standards and how benefits have been distributed. The two new grants with Aquia and Carcas will extend IAF support and monitoring in the area for another three years, and will generate additional information to answer such

questions and refine the cluster funding concept.

Meanwhile, the history of the Ayni River Valley projects suggests several principles that can be used to guide other attempts at microregional development. First, donors should be aware of a project's social and economic composition and the participating group's relative position within the area in order to anticipate and minimize conflicts. Second, technical assistance should include other neighboring groups who are interested in eventually starting their own projects. Third, the process of integration should not be rushed, and groups should not be pushed into overextending themselves. Finally, some external advisor should be available to assist the groups, individually and collectively, without usurping their independent decision-making processes.

One further cautionary note needs to be added about the ongoing experience in the Ayni River Valley itself. When we arrived in Chiquián, the town was heavily garrisoned with police. In the neighboring province of Cajatambo, the Shining Path guerrillas are active, and terrorist incidents have been growing in number and closeness. In Bolognesi Province itself, all the authorities in one village recently resigned under threats from the guerrillas. It is impossible not to wonder whether or not local initiatives will be allowed to develop, whether or not they will be swept away in a rising wind of violence. Whatever happens, it is worth remembering that Andean peasants have resisted oppression and survived turmoil for centuries. They have survived by incorporating what they have learned into a rich local and regional wisdom. As the retired schoolteacher from Huasta, Guillermo Rodón, quietly but confidently put it, "The deeds remain though men pass away."



A small girl takes a break from farm chores to hug her puppy. Cooperation, rather than competition, may secure a brighter future for all the valley's children.

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degree in public administration from Harvard University, has worked in both the research and monitoring of rural development projects in Peru. DAVID VALENZUELA is the senior IAF representative for Peru and Ecuador.



Kathryn Shaw

Let's Make a Deal: The Third World Doesn't Want Charity

Thomas W. Dichter

Saturated by the sameness of direct-mail fund-raising and worried by the occasional hint of scandal, many U.S. citizens who have long supported private organizations for overseas relief and development have become hesitant to give. "Where," they ask, "does the money really go?"

So far donors have not been given many answers. This is unfortunate, particularly at a time when public funds are being cut and private voluntary organizations (PVOs) have begun to make real progress in development assistance. Organizations who solicit and use donated funds should be more forthcoming and share with the public the tough dilemmas of assistance.

There are literally hundreds of U.S. PVOs involved in Third World development assistance. Almost all now recognize that starting a project is not enough. What counts is sustaining the project after the PVO has left the scene. The first step in the task of promoting self-sufficiency is to eliminate, as much as possible, the concept of charity. Giving things away does not work.

A very few private voluntary organizations involved in grassroots development are trying something different. They are insisting that people help pay for the services they get, even if what they get is advice. The approach is working. And this good news may help relieve the chronic doubts that persist about foreign aid.

The principle behind paying for what you get is certainly one that most North Americans appreciate. Not surprisingly, the same psychology prevails in the Third World.

A recent visit to a development project makes the point, and may serve to answer the skeptical donor.

The scene is a farmers' cooperative in Central America. The 40 Mayan Indian peasant farmers who are the coop's members got started 10 years

ago when they were given some money to buy seeds and set themselves up as a legal entity. After the initial burst of activity, nothing happened. In fact, the quality of life in this poor village actually deteriorated while the coop's certificate of registration lay in a corner of the chairman's hut, collecting dust.

A few months ago, the farmers went to a private voluntary organization in the capital city to ask for help. They wanted to get started again. The organization's advisors visited the farmers for a day and concluded that the most important thing missing was not money or seeds but knowledge, particularly the know-how to run their coop as a viable business, a going concern.

The advisors worked out a three-month contract with the farmers that

the coop members sit down together to negotiate the next steps.

The leader of the project team bargains with the farmers: "I'll come back with my team to do more work with you, but we have to talk money again. What can you pay us this time?"

The chairman of the farmers' group switches into dialect, and the Indians talk animatedly for a few minutes. One of them turns to the advisor and says, "Maybe we can pay you 10 dollars more per month. We know that's very little. We are ashamed that this is all we can offer to such educated people as yourselves."

The advisor pauses before responding. He is not an easy touch. "I'll make a deal with you," he says, "Your cash flow comes from the community store. If the store's business picks up, you give us 10 percent of the profits.

The farmers accept. A new contract is drawn up that provides for the advisory organization and the farmers to work together for six more months,

A very few private voluntary organizations involved in grassroots development are trying something different. They are insisting that people help pay for the services they get, even if what they get is advice.

provided two services. First, the PVO would teach two people the rudiments of bookkeeping and accounting, using the coop's village store as a learning laboratory. Second, the PVO would work with the farmers to conduct a market study of three different local crops so that decisions could be made about how much of each crop to plant. To accomplish these tasks two skilled advisors would spend roughly two days per week in the village with the farmers.

The contract specified a payment, in cash, of the equivalent of US\$100 per month to the advisory organization. This was money the coop didn't have, but somehow the village came up with it, and each month they paid. Now after three months, the advisors and

with the 10 percent profit-sharing deal providing added payment to the advisors.

Of course, these payments do not cover the work of the advisors. Ninety percent of the money to run the advisory organization still comes from voluntary giving, or grants from USAID. But fee payments by beneficiaries are increasing, and they lie at the heart of a new approach to development. The very quality and effectiveness of the assistance given to these farmers is radically altered by their paying what to us may seem a small sum. First of all, for them it is serious money. It hurts. But because it hurts they are less likely to settle for whatever they are given. They feel they can ask for service, and are more inclined

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to tell the advisors what they want. This promotes real dialogue and participation, two keys to the success of the process these people have engaged in. People come to meetings, people participate, people listen because their money is at stake. They take the learning and advice much more seriously. And through the discipline that these payments impose, they are learning a fundamental skill.

The 10 percent profit-sharing deal is also pedagogically very clever. For now that the coop has agreed to pay the rate, it suddenly becomes very much in their interest to answer the question "10 percent of what?" They need now to know what the income of the store is each month, to the penny. On the advisors' side, the person who will train the bookkeeper in accounting procedures has a financial incentive to seeing that the bookkeeper really learns the job well.

Real skills are being transferred here, not just smiles and handouts. The parties are engaged in a contractual arrangement based on a real exchange. It makes sense to both. As a result, there is mutual respect. Not incidentally, this arrangement also conforms with the way the real world works, something people everywhere intuitively appreciate, however much they may dislike those realities.

The skeptical donor can find the proof he is looking for in seeing these poor farmers really learning to control their lives: As much as it may strain their threadbare pockets, the farmers come up with the fees to pay for part of that learning, right on time. ◆

THOMAS W. DICHTER, who holds a Ph.D. in anthropology from the University of Chicago, served as Peace Corps country director in North Yemen from 1980-82. He is currently director of special programs at Technoserve, a Connecticut-based PVO that specializes in agricultural enterprise development.

Opinions expressed in this column are not necessarily those of the Inter-American Foundation. The editors of *Grassroots Development* invite readers' contributions.



Members of a grupo solidario making furniture in the Dominican Republic.

SOME AWESOME STATISTICS

"Informal sector" is development jargon for the still-dawning realization that — despite the apparent and appalling poverty — people in the sprawling neighborhoods of the Third World's large cities are as busily engaged in manufacturing and servicing, borrowing and lending, and buying and selling as are their more established counterparts in the "formal sector" of a nation's economy.

In late March, representatives of a score of small Latin American and Caribbean organizations that channel credit to these microentrepreneurs met at a peasant training center near Lake Yojoa in Honduras to discuss the impact of their programs and ways of measuring it.

Many of the people their organizations try to support migrated some time ago to the cities from depressed rural areas, fleeing poverty and sometimes violence as well. Too often, industry was unable to provide them jobs, so they created their own — open-

ing a small neighborhood store in one room of their house, starting a bakery, repairing bicycles, selling merchandise in the marketplace or from a pushcart. It may sound small, but the cumulation of those tiny enterprises makes for awesome statistics. It is estimated that half the seven million people in Lima, Peru, live off the informal sector. In Latin America as a whole, perhaps as much as 45 percent of the economically active population is employed in the informal sector. Just like anyone else in business, these people tend to need credit, training, and technical assistance. In recent years, as the informal sector's dynamism has become more widely understood, various development programs have tried to meet those needs.

One of the fastest-growing of those programs is Boston-based ACCION International's work with *grupos solidarios*. Self-selected groups of five to eight barrio entrepreneurs receive a lump sum of short-term credit, mainly for working capital, and then divide it among their members. The group as a

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whole is responsible for repaying the loan on time. When they do, they are eligible for larger loans. In addition to credit, the group members also receive training in the nuts and bolts of their businesses — managing credit, record-keeping, marketing — and in leadership and organizational skills.

The people who join these solidarity groups are not exactly novices at business. Most of them have been making some kind of living from it for at least a year before joining. They average around mid-30s in age, a majority are women, and they are very poor. An ACCION survey in Colombia showed that nearly 100 percent of the group members had monthly incomes below the legal minimum wage.

The March meeting, organized by Asesores para el Desarrollo (ASEPADE), which works with solidarity groups in Honduras, pointed up just how much potential exists among the urban poor. When representatives of ASEPADE and 10 like organizations gathered for an earlier meeting in Bogotá, Colombia, in December 1985, their programs were reaching some 12,212 people with \$5.7 million in credit at commercial interest rates. They were operating in Peru, Colombia, Ecuador, Honduras, Mexico, and the Dominican Republic. During the following year, 18 of these organizations dispersed some \$7 million in credit to 15,076 group members. The loans averaged \$560, and earned \$350,000 in interest. Meanwhile, the programs have expanded into Costa Rica, Paraguay, Bolivia, Guatemala, and Brazil.

The funds come from both local cash donations and outside sources, including Private Agencies Collaborating Together (PACT), USAID missions, UNICEF, Catholic Relief Services, the Inter-American Development Bank, and the International Center for Research on Women.

Economist Maria Otero, who has an extensive background in small enterprise and women in development programs, reported on the first PACT-sponsored meeting in Bogotá and is



courtesy ACCION International

A microentrepreneur in Honduras displays his wares.

now writing a paper on the Honduras conference. A third meeting is planned for the Dominican Republic in late 1988.

— Patrick Breslin

FISHERMEN FORM NATIONAL COUNCIL

The issues being discussed had a familiar ring. When any group of IAF grantees gets together they are likely to be concerned with increasing production and finding better markets, improving services such as low-cost housing and social security coverage, overcoming the depletion of raw materials and the side effects of production on the environment, and strengthening representative organizations to provide a voice for low-income laborers who are largely ignored by society.

In this case, the airing of these and other issues had a decidedly nautical air as 118 artisanal fishermen, shellfish

producers, and seaweed gatherers, representing 89 local organizations, convened in Santiago at the 10th National Congress of Chilean Artisanal Fishermen. Held November 11-13, 1986, with partial financial support from the IAF, the Congress was the first of its kind since 1972.

Organized by the fishermen themselves in conjunction with Economistas e Ingenieros Asociados Ltda. (ECONIN), a nongovernmental group of fishing experts based in Santiago, the event was notable for the prominent role played by the local fishing villages or *caletas*, as they are called in Chile. Preliminary regional conferences were held in two of Chile's major artisanal fishing districts, to prepare an agenda for the national conference itself. When the Congress was held, 110 of Chile's 150 *caletas*, spanning 2,800 kilometers of coastline, participated. Each representative was selected by his or her own caleta, which also paid the travel costs to Santiago — in some cases almost a 1,000-mile trip.

To speak at the Congress it was necessary to hold up a *tarjeta azul* (blue card), which were distributed only to the fishermen. (Technical advisors, professionals, and other participants could take the floor only when officially recognized by the Congress chairman — which wasn't very often.)

Discussions focused on practical, grassroots problems and produced concrete results. A permanent National Council of Artisanal Fishermen was democratically elected by the rank-and-file membership. The new Council was charged with implementing a comprehensive agenda hammered out by diverse working groups who labored for the entire three days on issues in five policy areas: credit and marketing, training, infrastructure and housing, social security and job insurance, and natural resource protection.

In his closing remarks, newly elected Council president Humberto Chamorro of Caleta Portales near Valparaiso expressed the environmental concerns of all delegates when he said, "If we don't build an awareness of the



courtesy Augusta Crino

Delegates at the 10th National Congress of Chilean Artisanal Fishermen hold up blue cards to cast their votes.

severe problems of overfishing and pollution, we — and Chile — will lose the precious natural resource upon which our livelihoods depend." The Council plans to take this and the other concerns spelled out at the Congress to the national maritime authorities, along with suggestions for specific legislative and programmatic responses to the complex problems of this important sector of the Chilean economy.

— Carl Swartz

MOVING TO FILL THE VOID

Until fairly recently, Latin American policymakers who wanted information about the success or failure of educational programs in their region had to look long and hard. Now, the 10-year-old Red Latinoamericana de Documentación en Educación (REDUC) is moving to fill the void by linking educational researchers and policymakers through abstracts that provide infor-

mation about research on education conducted in more than a dozen member countries.

"Latin Americans want to have their own educational research instead of depending on Northern sources," said former Costa Rican minister of education María Eugenia Dengo during a recent conference held at the Organization of American States in Washington, D.C. "REDUC provides a way for Latin Americans to do research on Latin America, rather than having North Americans test out their theories on the continent," added Joseph Farrell, professor of comparative education at the University of Toronto.

As a private nonprofit system of 20 research centers in 15 countries, REDUC collects, classifies, and disseminates the results of educational research to participating countries — which include Argentina, Bolivia, Chile, Costa Rica, the Dominican Republic, Ecuador, Nicaragua, Panama, Paraguay, Peru, and Venezuela.

REDUC receives copies of the most

important educational research documents from the 20 participating centers and summarizes each in 400 words. These abstracts are compiled and published twice a year in volumes containing 200 or more summaries, which are then distributed to member centers. The abstracts are currently available on microfiche, and plans are underway to computerize the system.

REDUC is coordinated through the Centro de Investigación y Desarrollo (CIDE) in Santiago, Chile, which helps to integrate the entire system by producing an index by author, topic, and educational level that is disseminated throughout Latin America.

CIDE was actually the prototype for REDUC, and has been publishing abstract bulletins on important educational studies since 1972. CIDE's success, in fact, led to the creation of REDUC in 1977. Supported by Canada's International Development Research Center (IDRC) since its inception, REDUC began to receive assistance from USAID in 1981 as well.

More than merely providing academic information, REDUC's goal is to make data available to those who set educational policy throughout the region. "Educational development is the development of people," said María Eugenia Dengo, "and REDUC is trying to make a difference for the 45 million people on this continent who are illiterate, and the 14 million children who remain outside the school systems."

— Daphne White

FIRST NGO INTERNATIONAL

"There is currently too much money seeking out too few good projects," argued Charles Elliot of the Overseas Development Institute (ODI) at the London conference jointly sponsored by ODI and the journal *World Development* last March.

His remark typifies the air of frankness at the three-day meeting, which drew some 50 representatives of non-governmental organizations (NGOs)

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from Latin America, Africa, and Asia, as well as an equal number from European, Canadian, Japanese, and U.S. NGOs and donor agencies. Participants assessed the role of these organizations within alternative development strategies and examined the way "northern" and "southern" NGOs interact. Of the 15 Latin American and Caribbean delegates invited to the conference, all but one were associated with Inter-American Foundation grantees.

Declared the "First NGO International" by some who attended, there was a dynamic exchange of ideas between participants from Argentina to Zimbabwe, from Jamaica to India, and from the United States to Dominica. A collection of the papers read will appear in an upcoming issue of *World Development*, and the beginnings of a network of southern NGOs seems to have resulted also.

The major issues addressed included the increasing need for information exchange and the decreasing requirements for capital transfers. "False advertising" by northern NGOs who emphasize relief in fund-raising campaigns although they are specifically involved in long-range development programs was criticized by southern delegates, and the role of development education in both developed and developing countries was emphasized.

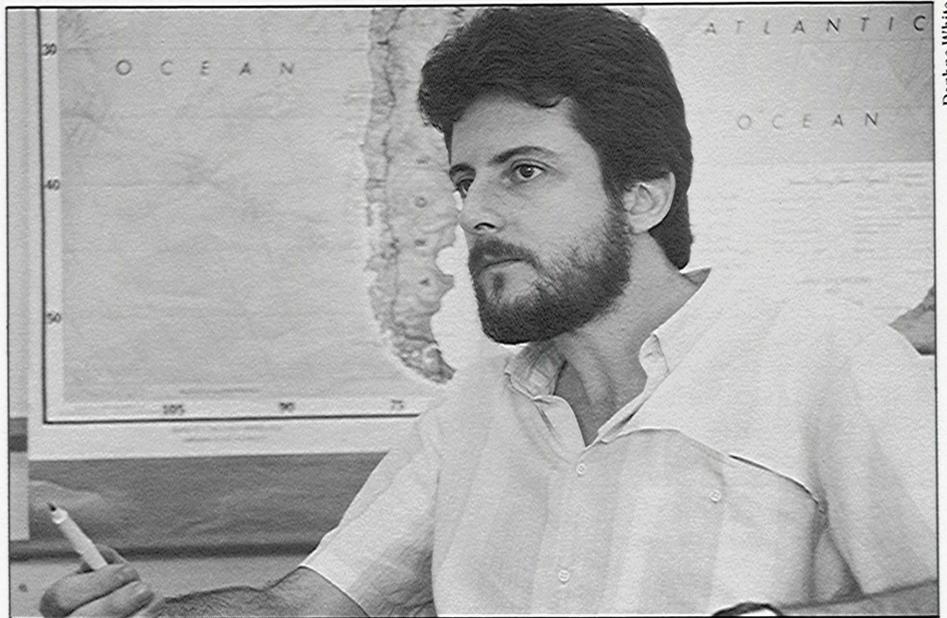
Surely one of the most thought-provoking topics was Charles Elliot's insistence on "reverse conditionality" — that southern NGOs should state the terms upon which they will accept northern assistance. Among other initiatives, this would involve a more imaginative blending of micro-macro linkages, more positive action on trade policies, and a commitment to bolder development education programs.

— Charles Reilly



Grassroots and Ivory Towers: Thinking Global, Acting Local

Daphne White



Daphne White

Brazilian epidemiologist Ulysses Panisset is one of a dozen Latin Americans studying at U.S. universities this year with the help of IAF fellowships.

"Grassroots activities shouldn't be isolated efforts popping up all over the place like . . . popcorn," says Ulysses Panisset, a little unsure of his English.

Interviewed in a small cafe in Washington, D.C., this friendly, unimposing young man at first glance blends in with the other students and businesspeople on their lunch hour. Panisset's lilting accent, however, suggests that he is a foreigner, and his eyes blaze with a rare intensity that sets him apart.

"There is a risk in seeing things only locally," he adds, "it can cut you off from what other people are doing. Sometimes a macro approach is needed to help solve micro issues."

Panisset, a Brazilian epidemiologist, is one of a dozen Latin Americans studying in American universities this year with the help of IAF fellowships. All of them have diverse interests and

backgrounds — ranging from medicine and nutrition to macroeconomics and rural sociology — but they share common goals. They are here to gain a broader perspective and to learn new skills that can be applied when they return home.

"What we do in selecting the IAF fellows is a kind of social investment," said Adolfo Figueroa, a Peruvian economist and former member of the recommendation committee. "Some programs finance people to study abroad and learn a profession, which will primarily benefit the individual. We try to help people who are very able *and* who have a track record of social commitment."

About one in 10 applicants is accepted into the IAF fellowship program. All recipients have undergraduate degrees (usually from schools in their native country), and most

study here in Master's or Ph.D. level programs. Each fellow has solid grassroots development experience.

Ulysses Panisset, for example, is not only an epidemiologist. Beginning in the mid-1970s, he worked with communities to organize primary health care delivery systems in the state of Minas Gerais. After meeting deceased president-elect Tancredo Neves during his campaign for governor in 1982, Panisset was appointed to a national advisory post in the new government, and became interested in how Brazil's foreign debt was affecting domestic social programs. He is combining graduate courses at the Johns Hopkins School for Advanced International Studies and School of Public Health to measure how deferring public expenditures to improve health care for the poor can cost more in the long run.

Juan Londoño, a Colombian now studying at Harvard, was also an advisor to his nation's president, Virgilio Barco, when Barco was a candidate. Londoño advised him on the relationship between macroeconomics and poverty. "I am interested in how fiscal policies affect the poor, especially in the informal sector," Londoño said. "You can't end poverty with one project," he added, "but macroeconomic policies touch everyone and affect the climate for many projects."

Londoño believes that one of the most valuable aspects of studying in the United States is making contact with a large number of economists from other parts of the world. "The most important concepts I have learned here came while comparing Colombia to other countries," he said. "Actually, I discovered that the Colombian way of doing structural adjustment was not so bad. That was very surprising to me."

Teresita González-Cossío, a fellow at Cornell University, is also concerned about applying what she has learned to as many people as possible. "I want to provide a link between the ministries making food policies and groups of people who will be affected by those policies," she says.

González-Cossío, a Mexican, has

conducted research on the nutrition of women and infants in Guatemala. She is particularly interested in discovering inexpensive, locally available supplements to improve the diets of lactating women. "It could be porridge or biscuits or coconut oil — not necessarily high-protein, expensive supplements like milk and eggs that are used in the United States," she said.

Carlos Cervantes, an agronomist and former fellow, is also interested in improving the food supply. He is searching for methods of enriching the soil that Costa Rican small-scale farmers can afford.

"One of the things I learned is how to work with lower fertilizer levels," he said. "In Costa Rica we are trained with U.S. books and U.S. ideas, but the soil conditions are very different. Many

people try to apply the book solutions, but they just don't work."

While studying at the University of Missouri, Cervantes developed a test that measures the ability of volcanic soil (such as that found in Costa Rica) to liberate potassium over time. "If we can identify those soils that produce potassium, we don't need to spend money to add expensive fertilizer," he said. "The savings for a small farmer can be substantial."

What is often learned is how to find solutions. Rural sociologist Diego Piñero, who has completed his studies and returned to Uruguay, said that his education at the University of Wisconsin led him to revamp his research methodology. He is asking small-scale farmers new questions — and receiving more accurate answers.

HOW TO APPLY

The IAF fellowship program annually funds some 15 Latin American and Caribbean scholars for coursework at universities in the United States. Most fellows study for a period of one to two years in a Master's or Doctoral program, but grants are also awarded for shorter nondegree programs.

Applicants must be Latin American or Caribbean nationals who have experience in grassroots development. Their application should indicate how their studies will help them make direct contributions to alleviating poverty.

Applications for 1988 must be made by January 15, 1988, and awards will be announced in May 1988. Applicants should list the universities and departments to which they have applied; studies must begin within one year of grant approval.

The average grant award is \$20,000, with a ceiling of \$30,000. Grants may cover tuition, living expenses, insurance costs, and interna-

tional travel, but the amount is usually not large enough to cover total expenses for the entire grant period. Fellows are encouraged to acquire additional funding, either from the university they will be attending (through tuition reductions or teaching assistantships), their own savings, or other arrangements.

Fellows may attend any university in the United States, and may study in any field that will advance their grassroots development work. Specialists from the social sciences, the physical sciences, and the professions are encouraged to apply.

The IAF also funds field research on grassroots development in Latin America and the Caribbean at the Master's and Ph.D. levels. This program is open to all students from the United States, Latin America, or the Caribbean who are currently enrolled at U.S. universities.

Applications may be obtained by writing the Fellowship Office, Inter-American Foundation, 1515 Wilson Boulevard, Rosslyn, Virginia 22209.

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"You can't always understand the behavior of farmers by asking the standard questions," he said. Piñeiro, who had previously confined his survey to quantitative questions with multiple-choice answers, has shifted toward more open-ended qualitative analysis.

"When you do quantitative analysis and ask farmers why they don't grow certain kinds of crops that have a better market return, you get a standard answer such as 'I can't get the seeds,'" Piñeiro said. "But by probing with more open-ended questions and spending more time observing the farmers, you might find something unexpected: the farmer and his family don't like the flavor of the corn recommended by the agronomist. And that is important because it points to something larger. Right now it is especially important for agronomists to help farmers produce food for their own consumption since market prices in Latin America are low and will continue falling."

Alberto González-Zúñiga, studying agricultural economics at Oklahoma State University, wants to learn why some rural agricultural cooperatives work while other fail. He is convinced that the experiences of China, Mexico, Brazil, Tanzania, and Nigeria may hold valuable clues for Peru, but found information hard to obtain. Now he studies side by side with Asians and Africans.

"I was trained to believe that the national plan would solve all problems. I used to think the market played no role at all," González-Zúñiga said. "But what I've learned here convinces me that neither the market nor the plan are panaceas."

Half the graduate students in his program are foreign students, said González-Zúñiga, and he learns as much from them as from his professors. "I am discovering how to apply all the techniques we are learning here to specific problems in my country," he said. "One reason that Asian economies have been so successful is because they have learned to adapt technology to their own conditions."

Forging links and making connections seems to be a common goal and an inevitable by-product among the IAF fellows: links between North America and Latin America, links between public policy and social change, links between grassroots experience and wider replication.

"I have often felt that those of us working in development are isolated," Ulysses Panisset said. "Brazil is such a big country. This is the first opportunity I have had in 14 years to step back and take a look."

While stepping back, Panisset is stepping into the libraries of the World Bank, the Library of Congress, and other Washington, D.C. institutions to gather information about how the crisis in the world economy affects conditions at the grassroots level in Brazil.

While stepping back, Alberto González-Zúñiga is stepping into the fields and barns of Amish farmers, and midwestern farmers, and farmers in upstate New York.

While stepping back, Teresita González-Cossio is having coffee with government ministers who make food policy in Indonesia and Burkina Faso.

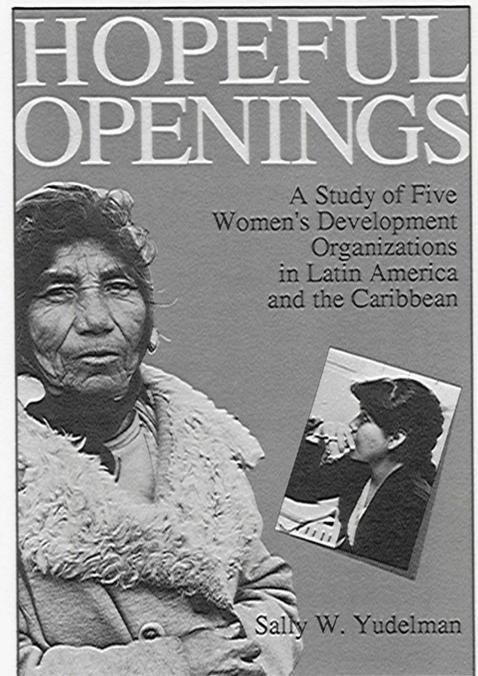
And while stepping forward, Carlos Cervantes is assembling a soil lab in Costa Rica, calibrating sophisticated equipment new to the laboratories at his university.

While stepping forward, Diego Piñeiro is preparing a lecture on rural sociology using material gathered from literature not yet available in Uruguay.

Stepping forward in Latin America are a new group of leaders, IAF fellows who have used their time in the Ivory Tower to find and bring back seeds of change for the region's poor. ♦

DAPHNE WHITE is a Washington, D.C.-based journalist who writes on development and conservation issues.

Reviews



HOPEFUL OPENINGS: A STUDY OF FIVE WOMEN'S DEVELOPMENT ORGANIZATIONS IN LATIN AMERICA AND THE CARIBBEAN, by Sally W. Yudelman. West Hartford, Connecticut: Kumarian Press, 1987.

Elizabeth Dore

Hopeful Openings is a unique and important study of the history of five leading women's development organizations in Latin America and the Caribbean. Sally W. Yudelman draws upon her extensive field experience in the Peace Corps, the Inter-American Foundation, and in U.S. nongovernmental agencies to place those histories in perspective and to examine the major issues facing women's organizations in the developing world.

Yudelman's involvement with women's development organizations in Latin America predates the UN Decade for Women, when their survival was continually threatened. Women were generally excluded from participation in the social and economic struggles of their communities, and donor agencies

provided them with little financial support.

Conditions began to change somewhat during the UN Decade. Concern for the status of women encouraged greater funding for women's projects, which generated a proliferation of women's organizations throughout Latin America and the Caribbean. Like other types of development agencies, however, these organizations frequently had little knowledge of or contact with one another, leading to duplicated efforts and repeated mistakes. What was unfortunate during the mini-boom in funding inspired by the UN Decade is tragic now that the Decade is over and women's organizations are being marginalized once again. Through its examination of the problems, achievements, and potential of five pioneering efforts, *Hopeful Openings* provides insights about how women can strengthen their organizations, promote participation, and maximize their local, national, and international influence during a period of shrinking resources.

The five organizations examined are the Centro de Orientación de la Mujer Obrera (COMO) in Mexico, the Federación Hondureña de Mujeres Campesinas (FEHMUC) in Honduras, the Federación de Organizaciones Voluntarias (FOV) in Costa Rica, Mujeres en Desarrollo Dominicana (MUDE) in the Dominican Republic, and the Women and Development Unit of the University of the West Indies (WAND) in Barbados. Each case study explores the context in which the organization evolved by examining structure, programmatic development, and experience with funders. The result is a clear, forceful, and timely report.

Specialists and activists are presently debating the advantages and disadvantages of alternative approaches to the design and implementation of women's projects. Yudelman does not sidestep these contentious issues; she clarifies the differences between the family-centered and the woman-centered approaches to development. In the former, motherhood is assumed to be a

woman's most important role, and project activities concentrate on enhancing domestic skills and generating additional household income. The woman-centered approach, on the other hand, emphasizes equality. It advocates greater social and economic participation so that women can be integrated into the political and economic structures of their societies. Yudelman clearly favors the latter choice and each of the organizations she analyzes has adopted this approach.

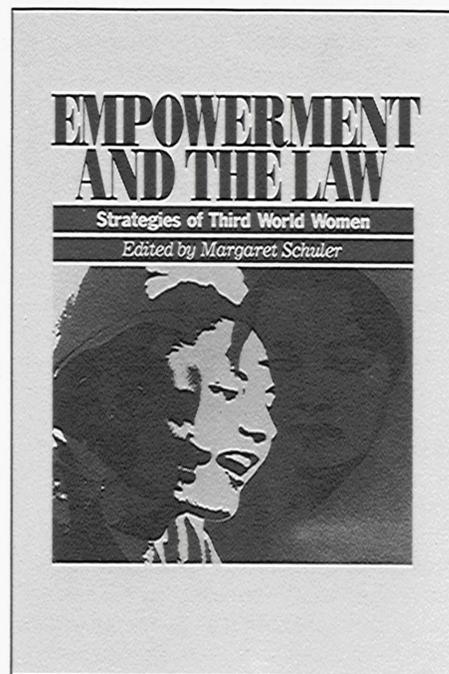
The case studies in *Hopeful Openings* provide examples of autonomous organizations that are committed to develop programs that respond to the changing needs of poor rural and urban women. Yudelman argues persuasively that women's interests often are neglected when they are integrated into larger and traditionally "men's" projects and organizations.

The book concludes with a postscript to donors. This section is remarkably frank, eminently practical, and refreshingly sympathetic to the needs and problems of grassroots development organizations in Latin America. The author acknowledges what many international donor agencies will not: "Organizations (in the developing world) that provide services to a poor constituency cannot attain a high degree of self-sufficiency, even in the best of times." And these are certainly not the best of times for the poor in Latin America. Indigenous development organizations throughout the hemisphere are struggling to provide social services to women, men, and children that should be provided by governments, and in some cases once were. The axiom of international donors that beneficiaries will gradually assume the costs of services perceived to be useful reflects a profound misunderstanding of prevailing conditions.

Yudelman ends with a plea not only for more consistent and sustained financial support for women's development organizations, but for recognition of the ability of those organizations to determine their own needs and priorities. *Hopeful Openings* is a pioneering

book, whose documentation, insights, and conclusions make it valuable to anyone concerned with autonomous development efforts. The field of women in development needs more studies like it.

ELIZABETH DORE teaches Latin American history at Middlebury College. She has worked on the staff of and as a consultant to many governmental and nongovernmental development agencies.



EMPOWERMENT AND THE LAW: STRATEGIES OF THIRD WORLD WOMEN, edited by Margaret Schuler. Washington, D.C.: OEF International, 1986.

Chris Krueger

For a number of reasons, this book might be considered a "historic" document. It is the first to systematically explore the intersection of three themes—women, law, and development. It pulls together a broad collection of papers by, rather than about, Third World women. And it is grounded in the his-

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torical event at Nairobi in July 1985 that culminated the UN Decade for Women.

For more than a decade, "women in/and development" has been an established phrase in the lexicon of development organizations. The insertion of "law" into the equation is much more recent, and it may signal a threshold being crossed both "in the literature" and "on the ground." Until now, the literature has been largely descriptive, confined to one or more aspects of the roles and status of women. More theoretical works have striven to clarify how gender interacts with other variables such as class, ethnicity, and religion to shape individual and social conduct in productive and reproductive activities.

The call for change has been universal, yet little attention has been paid to discovering effective strategies for achieving it. This collection offers important possibilities that transcend the arena of formal law. Indeed, the range of issues and strategies covered expand the notion of "law" to include not only statutes but even policy and customs—the very rules of the game that govern social behavior. In that context, using or changing "law" has a thousand applications. The cases reported here—some 55 in all, from 32 Latin American, Asian and African countries—deal with such issues as property, rural and urban labor, access to institutions and services, family relations, and basic human rights.

Coming as they do from women involved in concrete initiatives around the world, there is no facile assumption that having or getting a law on the books is an end in itself. The need for organization, pressure, and perseverance is clearly stated. The single scale of effectiveness for any particular initiative is the degree to which women are empowered, especially poor women.

An interest in strategy, itself a recognition that current approaches are not effective enough, has appeared in the recent tendency to analyze cases from the field, most notably the Harvard case studies (*Gender Roles in Develop-*

ment Projects, Overholt, et al, Kumarian Press, 1984). The Agency for International Development has also initiated a broad study of its projects and their effects on women. While results have not yet been published, many of the conclusions echo those in this book.

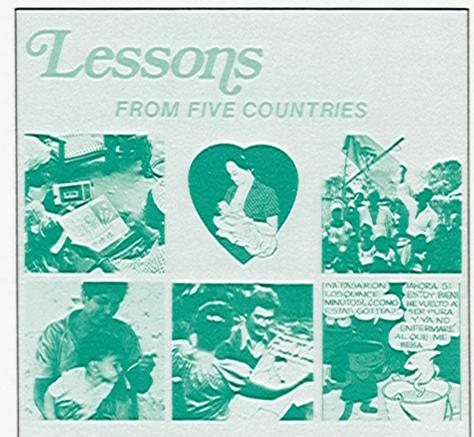
Focus on "law" is also closely tied to mainstreaming, another theme current in the field of women and development. Mainstreaming treats women within regular development activities, so that women's development is not separated from people's development and, conversely, development activities are routinely adapted in light of gender and all the other variables that characterize people in concrete situations. A strategy centered on using or changing laws, considered by some as elitist or even analytically incorrect, can, when combined with a commitment to empowerment, help to mainstream women's development while going beyond the limited results achieved through mainstreaming alone.

This volume is best used as a reference and a workbook that can be returned to again and again with specific questions in mind. Researchers will find a rich source of basic data from which to draw or refine hypotheses. Practitioners concerned with designing projects and strengthening organizations can find a wealth of experiences to measure against their own. The open-endedness of many of the essays will allow both those who are excited by and those who are skeptical of using law to further women's development to test their arguments. Since the names and addresses of authors are included in the final section of the book, interested readers can even join the "global dialogue" emerging through the network building undertaken by Schuler, and in which the Nairobi workshop and this book are two important milestones.

CHRIS KRUEGER is an anthropologist and independent consultant who participated in USAID's 10-year review of the impact of the agency's projects on women's development. ♦

Resources

The following recently produced materials, which include three health-related titles, a guide for rural electrification, and an updated IAF directory, should be helpful to many development specialists, whether working directly in the field or in research or planning activities.



The Academy for Educational Development (AED) has integrated the use of radio and television into a multimedia campaign to publicize how Oral Rehydration Therapy (ORT) can reduce infant mortality. Called "Healthcom," this AED program was launched in 1985 and now functions in seven countries—including Honduras, Ecuador, Guatemala, and Mexico in Latin America—and will soon expand into Paraguay, Haiti, and Peru.

Designed principally for rural mothers, Healthcom teaches women how to recognize the onset of dehydration and how to use a salt-sugar-water solution to dramatically reduce infant mortality resulting from common diarrhea. Healthcom gets its message across through a three-pronged message-blitz that uses radio/television, print, and face-to-face training.

A 10-minute video, *A Promise in the Keeping*, introduces the project by showing workers in the field and interviewing program planners. A glimpse is provided of the specially-developed printed materials, and excerpts of a promotional song in Spanish for ORT are included on the sound track.

Field Notes: Communication for Child Survival is a 129-page manual detailing how the Healthcom program works. It includes short essays on how to use multimedia training methods and evaluate their results. In addition, an AED pamphlet entitled *Lessons from Five Countries* demonstrates through case histories how Healthcom can be integrated into national health programs.

The results are impressive. Healthcom statistics show that after the program began in Honduras, 95 percent of the mothers who had heard the radio campaign could name the pre-packaged ORT solution (Listerol), and over 60 percent of the women in the project zone had used the treatment at least once.

Both the *Fieldnotes* and the *Lessons* are available free upon request. *A Promise in the Keeping* (available in English or Spanish) may be rented for \$10.00 for a 30-day period or purchased for \$50.00. Requests should be directed to Mark Rasmuson, Healthcom, Academy for Educational Development, 1255 23rd Street, N.W., Washington, D.C. 20037.



Illustration from *Treatment and Prevention of Acute Diarrhoea*.

The World Health Organization (WHO) has also published a health manual, entitled *Treatment and Prevention of Acute Diarrhoea: Guidelines for the Trainers of Health Workers*. The pam-

phlet uses simple language and a liberal sprinkling of charts to show how to distinguish acute from chronic diarrhea in children, and the oral and intravenous methods for treating acute diarrhea. The importance of good domestic hygiene and appropriate child-care practices in preventing diarrhea is stressed, and the role of the health worker in educating the community is given particular attention. The pamphlet's convenient size — 35 pages — enhances its usefulness. Also available in Spanish, it may be purchased for \$4.80 plus \$1.25 postage and handling from: WHO Publications Center, 49 Sheridan Avenue, Albany, New York 12210.

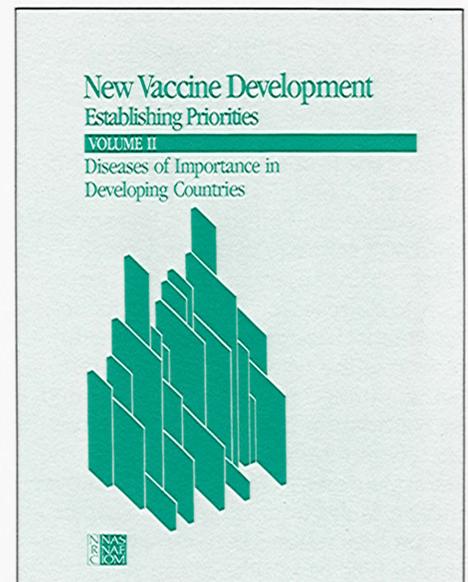
The United Nations Centre for Human Settlements (commonly known as "Habitat") has produced a comprehensive manual on rural electrification: *Guidelines for the Planning of Rural Settlements and Infrastructure: Electrification — A Methodology*. Neither the length of the title nor the number of pages — 276 — should put the reader off. The soft-cover book will be useful to any planner or development specialist interested in efficiently bringing electric power to marginalized rural populations.

The methodology for accomplishing this goal — from planning through implementation — emphasizes participation by people and a clear assessment of local resources. Indeed, the manual confidently predicts that, "By agreeing to use this methodology, the planning group will equip itself with a way to arrive at a replicable, testable, predictable, measurable outcome." In language that can be understood by the generalist (a glossary is included at the back of the manual), *Guidelines* carries out that promise.

Perhaps the most valuable aspect of this manual is its exhaustive presentation of alternative sources of electricity. Recognizing that oil-based electrical systems are not always appropriate in rural areas and are usually extremely expensive to operate, the manual also

analyzes the following technologies: geothermal, hydroelectric, solar photovoltaics, solar thermal, wind, wood, biomass, and coal. The technical availability, economic viability, and environmental side-effects are noted for each alternative.

The book is the first in a series of reports Habitat plans to publish about the infrastructure needed by towns and villages to implement regional development strategies. For information on how to obtain copies of *Guidelines* write: National Rural Electric Cooperative Association, 1800 Massachusetts Avenue, N.W., Washington, D.C. 20036.



In 1986, the National Academy of Sciences released a two-part reference work for health planners — *New Vaccine Development: Establishing Priorities*. Volume II, *Diseases of Importance in Developing Countries*, presupposes that most medical research, which is usually conducted in developed countries, often does not address conditions in developing countries. This book is designed to help decisionmakers to focus vaccine research on specific national needs.

Pneumonia, malaria, and typhoid are among the most common viral dis-

Resources

eases in developing countries. Leprosy, cholera, dengue, and rabies are also prominent targets for new or improved vaccines. By examining disease characteristics, the distribution of benefits from new vaccines, and the capacity for health organizations to accelerate their vaccine programs, *New Vaccine Development* provides a wealth of information so that health planners in Latin America and the Caribbean can rationally evaluate their needs and design more effective preventive health programs. Detailed medical profiles include information on the geographic distribution and pathogenic descriptions of the prospects for immunizing against 19 common viral diseases.

New Vaccine Development, Vol. II is available for \$43.50 from: National Academy Press, 2101 Constitution Avenue, N.W., Washington, D.C. 20418.

Since the first of its three fellowship programs was initiated in 1973, the Inter-American Foundation has sponsored 402 scholars from the United States, Latin America, and the Caribbean to do research on grassroots development throughout the region. To categorize the wealth of information their combined research has generated, the Foundation has published an updated *Directory of Fellows 1974-1986* (the first appeared in 1982). Filled with over a dozen tables and indexes, the directory profiles fellows by country and topic of field research, country of origin, university affiliation, and even occupational patterns following completion of graduate studies. It also provides a current address and biographical sketch for each fellow. Designed to serve public and private development organizations, international agencies, and applied research institutions, the directory should help match people with very specific development expertise and those who can put that knowledge to use.

The directory is available free of charge from: Inter-American Foundation, 1515 Wilson Blvd., Rosslyn, Virginia 22209. ◆

Postscript

Although one of the smaller countries in South America, Uruguay has always figured prominently in the IAF portfolio. Indeed, during several fiscal years, funding for Uruguay was among the highest of all countries in which the Foundation works.

"Despite its size, Uruguay has an impressive number of capable intermediary organizations that can absorb high levels of funding," explains Cynthia Ferrin, who has served as IAF representative for Uruguay since 1981. Among these groups are the *sociedades de fomento rural*, the well-established agricultural cooperatives that followed the railroad into the interior of the country at the turn of the century.

Weathering the ups and downs of the nation's economy, these cooperatives have traditionally managed programs designed to improve their members' production and marketing practices. But more recently, a new type of organization has emerged — federations of coops formed specifically to market the harvests of small-scale producers.

In her article, "When the Price Is Right: Cooperative Marketing in Uruguay," which begins on page 10, Ferrin examines the 20-year history of one such organization: Central Lanera Uruguaya (CLU). Established in 1967 to better the small-scale woolgrower's access to domestic and international markets, CLU's model has already been copied by three other Uruguayan federations that market beef, hides, and dairy products.

Success did not come overnight, however. "Producer-run enterprises *can* be viable businesses," says Ferrin, "but they require subsidized capital for extended periods. The Foundation's willingness to support such projects over a number of years has permitted CLU to become involved in value-added activities, which are the key to future sustainability."

Two other articles in this issue focus on much more recent Foundation activities. In the first, Patrick Breslin takes a look at a resettlement project in Honduras, following in the footsteps of

migrants who only four months ago had left the drought-stricken south coast for the fertile Bajo Aguán Valley in the North (see page 2). Unlike most journal articles that analyze projects with proven track records, Breslin's observations point up some of the problems that can arise when people are first trying to get a project off the ground.

David Valenzuela (senior foundation representative for Peru and Ecuador), Martin Scurrah, and Hernán Garrido-Lecca also write about a more recent topic: the effects of cluster funding on micro-regional development (see page 30). While the first highland dairy project they examine was funded in 1981, it has since spawned three others in the same mountain valley. The authors comment on some of the early — and tentative — results of the concentrated funding, which may ultimately come to bear on this new concept in Foundation support.

Other articles in this issue include former editor Sheldon Annis' thought-provoking essay on the future role of the World Bank in grassroots development, and two new columns: "Forum" and "Inside IAF." As *Grassroot Development* enters its second decade of continuous publication, these and other regular features, as well as an increased frequency (three issues are scheduled this year instead of two) represent the journal's renewed commitment to keeping its readers informed on the broadest possible range of development issues.

We repeat our invitation for comments from readers. Our mailing list tells us that the journal reaches an incredibly varied group of people — from grantees in Patagonia, to students and professors at the University of Idaho, to project managers in New Delhi. But it cannot tell us how you react to the ideas presented on these pages. We look forward to your letters.

Kathryn Shaw

Inter-American Foundation

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IAF Fellowships: The Foundation has created three fellowship programs to support Latin American, Caribbean, and U.S. scholars researching development activities among the poor. Two support field research in Latin America and the Caribbean at the master's and doctoral levels; the third brings Latin American and Caribbean scholars and practitioners for advanced training in the United States.

Fellowship topics of primary interest are 1) the nature of effective grassroots organizations among the poor; 2) the nature of effective intermediary or service organizations; 3) systematic appraisals of local development activities such as studies of development programs and projects designed to reach the poorest populations, including small businesses in the informal sector, female-headed households, isolated Indian populations, and artisanal fishermen.

Applications and inquiries should be directed to:

Fellowship Office
Inter-American Foundation
1515 Wilson Boulevard
Rosslyn, Virginia 22209
(703) 841-3864

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