

USAID Policy Paper

Local Organizations in Development

Bureau for Program and Policy Coordination
U.S. Agency for International Development
Washington, D.C. 20523

March 1984

TABLE OF CONTENTS

	Page
Executive Summary	ii
I. Introduction	1
II. Types of Local Organizations	1
A. Local Administration	2
B. Local Government	2
C. Voluntary Associations	3
D. Political Parties	3
E. Private Enterprise	3
F. Informal Indigenous Organizations	4
G. Linkages	4
III. The Role of Local Organizations in USAID's Program	6
A. Planning and Decision-making	6
B. Implementation	7
C. Monitoring and Evaluation	8
IV. Overcoming Limitations of Local Organizations	8
A. Resistance	9
B. Subordination	9
C. Factionalism	9
D. Ineffectiveness	10
V. Policy Implications	10
A. Program Analysis	10
B. Program Development	10

Executive Summary

Local organizations (e.g., primary cooperatives, local governments, informal associations) play important roles in the development process:

- by generating revenue to supplement investments made by donors and central governments;
- by implementing, channeling, or filtering the impact of centrally-planned interventions;
- by providing independent avenues for the expression of private development initiative; and
- by communicating to central authorities local needs, capacities, and requirements.

Hence, it is USAID policy to provide direct and indirect support to a wide range of public and private local organizations. This support is meant to ensure that individual citizens are effectively and directly involved in development through local organizations that link them to national-level resources and processes; to further the democratic participation of people in assistance activities directed towards them; and to encourage the development of indigenous organizations that meet people's requirements for sustained economic and social progress.

To accomplish these policy objectives, which are aimed at generating broadly-based, self-sustaining development, USAID will undertake a range of appropriate activities including but not limited to the following:

Policy dialogue with host country governments to define the relative roles and responsibilities of central authorities and local organizations. USAID holds that policy analysis should be directed at administrative and institutional, as well as economic, policies and that one element of policy reform should be to ensure that local organizations are free to perform their developmental roles.

Programmed assistance to host countries in order (a) to improve the administrative and/or economic environment within which local organizations function; (b) to strengthen intermediary organizations, such as national cooperative banks, PVOs, or women's associations, that in turn may support development-oriented local organizations; and (c) to provide direct support to local organizations through technical assistance, training, and financial and commodity assistance. In practice this, too, will ordinarily be done through intermediaries but it is important to distinguish between assistance that strengthens intermediaries and assistance that strengthens the bottom tier of organizations.

Finally, there is a general presumption in favor of supporting pre-existing local organizations instead of creating new organizations because (a) very often a careful appraisal of rural society will reveal organizations performing precisely those tasks planners deem important; (b) existing organizations persist because they meet real needs and serve their clientele well, whereas new organizations may take years to become effective and to gain local credibility; and (c) even where existing local organizations seem deficient to planners it is unlikely that new organizations will escape whatever administrative, technical, or political pathologies are weakening the existing organizations. *Hence, USAID will seek to build on or rehabilitate existing local organizations prior to considering the development of new ones.*

1. Introduction

The Foreign Assistance Act of 1961 as amended, directs USAID to involve the poor effectively, in development by working through "local-level" institutions (Section 102). Also; USAID's assistance in the areas of agriculture, rural development, and nutrition is to be carried out in part by "the creation and strengthening of local institutions" linked to regional and national organizations (Section 103). More generally,, USAID is required to

encourage the development of indigenous institutions" in conjunction with all forms of assistance authorized in Chapters One and Two of the FAA Section 281). This policy paper outlines how, USAID intends to carry out these legislative directives by addressing generic issues in local organization development; other policy statements on narrower topics such as indigenous cooperatives and local government will provide more specific guidance where necessary and appropriate.

USAID and its predecessor agencies have a long history of activity in support of local organizations, perhaps epitomized by the cooperative development experience in Latin America. More recently, a number of Asian missions have developed programs that build on local governments and community-level water management organizations. In Africa and the Near East, decentralization programs, community-based primary healthcare, and other activities have brought USAID into association with diverse local organizations. The literature examining the results of these experiences and other donor attempts to deliver assistance to local organizations is large and often contradictory; hence the goal of this paper is to identify some consistent lessons learned and consequently point to areas where the Agency can now build on the results of previous experience. This policy paper thus does not point the Agency in radically new directions, but rather suggests some policy guidelines based on assessments of activities in which USAID has been involved for a substantial period of time.

The paper is organized in five parts. Following the Introduction, Part II defines "local organizations" in development, and discusses linkages and complementarities among them and other organizations. Part III focuses on the role of local organizations in three areas critically important to successful development: planning and decision making, implementation, and monitoring and evaluation. Part IV discusses the limitations of local organizations, some of which are inherent, and some of which derive from the way in which these organizations interact with broader entities. Important topics include resistance, subordination, factionalism, and ineffectiveness. Guidance on addressing these limitations is presented as well. Part V, Policy and Program Implications, Presents conclusions on the implications of this Paper on Agency policy and program development. The primary point is that support for local organizations is not an end in itself, but rather a means to achieve USAID's broader developmental objectives in supporting development among the rural poor through institutional development, technology transfer, policy reform, and private enterprise development.

II. Types of Local Organizations

The term "local organizations" includes a broad range of enterprises, agencies, associations, and authorities that stand between the populace at large and the national level organizations that play dominating roles in the determination of development policies and the allocation of resources. Examples of local organizations include local governments (e.g., county councils), local offices of national administrative agencies (e.g., district commissioners and their staffs), primary cooperative societies, political party branches, and private businesses (including firms intermediary support organizations such as banks, and trade unions).

In fact, none of these categories of local organization is wholly distinct from the others. Political parties are often voluntary associations also, and all the other types of local organizations will also usually have a political side to them; many voluntary associations (e.g., cooperatives), may also be viewed as private enterprises; local government may often be indistinguishable from the local private sector where, as is often the case, business leaders predominate in the elected ranks; and the lower levels of administration (chiefs, sub-chiefs, village agricultural agents, etc.) will also usually be very active in local voluntary associations, political parties, local government, and private business. In addition, there are usually local bodies (e.g., district development committees) in which representatives from all types of local organizations meet to set local priorities and settle disputes.

Local organizations engage in significant development efforts of their own, but they also respond to or mediate decisions made in central government; stated differently, people experience central initiatives largely through the local organizations of which they are members, clients, or constituents. In fact, the impact of virtually all national development interventions, as well as international donor assistance, is conditioned by intermediary local organizations of various types. Local organizations also constitute vehicles through which people can make their views known, or by means of which they can lay claim to resources emanating from the center. *In giving support to policies and programs that strengthen local organizations, USAID is both increasing the likelihood that resources committed at the center will have some impact on the population in general, and helping to ensure that the voice of the people will be heard in decisions regarding policy and the allocation of national resources.*

However, local organizations are in no sense a panacea for all development ills, and working with them brings up some issues that are not ordinarily confronted in dealings with national-level institutions. This paper outlines both strengths and weaknesses of various types of local organizations, the linkages among local organizations, and the linkages between local organizations and broader regional or national entities. The range of various development-related organizations and linkages among them are discussed below.¹

A. Local Administration

Local administration includes local representatives of national administrative agencies, such as district officials responsible for agriculture and health development, representatives of executive office (e.g., district commissioners), the judiciary, and law enforcement agencies. De-concentration, that is, the transfer of specific administrative powers from central agencies to their representatives in local offices, is perhaps the most common approach to expanding the role of local administrations in development. USAID supports the transfer of appropriate central functions to regional or district staff to improve the planning, implementation, and impact of development activities.

B. Local Government

The character of local government organizations varies greatly across countries, and is consequently difficult to define. Specific examples include county councils and municipal authorities. Although there are exceptions, "local government" refers to public bodies:

- with specific legal authorities;
- providing a range of services;
- with some capacity to generate local revenue;

¹ This section is based on material presented in two volumes prepared by Cornell University with USAID support:
Easman, Milton J., and Norman T. Uphoff
1982 Local Organizations and Rural Development
The State of the Art. Rural Development Committee
Center for International Studies
Cornell University.

Uphoff, Norman T., and Milton J. Easman
1974 Local Organization for Rural Development
Analysis of Asian Experience. Rural Development
Committee, Cornell University.

with accountability to a geographically-based local constituency; and

which are substantially independent of central or local administrative agencies.

Local governments are vital and powerful in some parts of the world today, and very weak in other places. The administration of essential government services (e.g., maintenance of roads and domestic water supplies), which would otherwise be the business of over-worked central bureaucracies, tend to be better handled by local government agencies when they are allowed, to do so and have the necessary resources. Moreover, effective local governance can foster and expand the role of private enterprise in development through appropriate policies in the areas of land use, taxation, and the like. *USAID encourages the devolution of national authority to local government as one way to overcome the inertia and wastage associated with an exclusive dependence on national public organizations*, but recognizes that successful devolution depends on strong administration and political stability in the center. Further guidance will be presented in a forthcoming policy determination on local governments.

C. Voluntary Associations

Voluntary associations are extremely common and extremely important intermediary organizations, often present in many different forms, and often very active in local development. These organizations may recruit members on the basis of residence (e.g., village development committees), economic function (e.g., a coffee marketing cooperative), age (youth associations), sex (women's groups), ethnicity (tribal unions), common property interests (water users' associations), occupation (trade unions), belief (church community development groups), and various combinations of these. Local organizations of this type, which are fundamentally action-oriented and private in nature, became increasingly important in the Agency's program during the 1970's, but remain relatively poorly understood. Incorporating them into planned programs of development generates a fundamental conflict. Such organizations are formed to serve particularistic, even parochial, purposes, and serve clienteles that are often rather narrowly defined; if they relate to central authorities at all it is to gain access to outside resources. Central authorities, on the other hand (and this includes donor agencies), usually see local voluntary associations as a channel for controlling development processes in rural areas, ordinarily try to tie new resources to changes in the extent or focus of association activities, and are often reluctant to allow much in the way of independent action.² *USAID programs that involve local voluntary associations must accommodate this fundamental difference in perspective by ensuring that coopted voluntary associations are able to maintain a substantial degree of fiscal and administrative autonomy.*

D. Political Parties

Political parties are usually (not always) voluntary associations, but are distinguished separately here not only because they constitute a distinctly different channel through which local needs and priorities can be stated, but also because local representatives to national assemblies can have a major influence on the allocation of public resources to particular areas. Although there is relatively little that USAID can or should do directly in the arena of local politics, it is important for USAID to incorporate some understanding of this mode of local organization into the program development process.

² For a much expanded treatment of this point, see:
Ralston, Lenore, James Anderson, and Elizabeth Colson
1981 *Voluntary Efforts in Decentralized Management*.
Institute of International Studies, University
of California, Berkeley.

E. Private Enterprise

Local private enterprise includes a wide array of small scale enterprises, including manufacturing, wholesale and retail trade, and services; and a variety of business organizations ranging from self-employed artisans to sole proprietorships, family businesses, small workshops, and cottage industries. In any particular country setting, enterprises with few workers, few and inexpensive fixed assets, and high labor intensity constitute "small scale private enterprise" as defined here. Small scale private enterprises are particularly important because they may efficiently generate needed employment; they perform essential agribusiness functions (processing marketing, and input distribution) that stimulate agricultural growth; they contribute to the decentralization and spread of industrial development; and they are efficient users of capital.

F. Informal Indigenous Organizations

All of the local organizations discussed so far are relatively formal, insofar as their responsibilities and authorities tend to be defined in legislation, regulations, written charters, contracts, and so forth. There are other local organizations, more informal in nature, that are grounded in aspects of the social order and which play important developmental roles. These may be termed "informal indigenous organizations," and often serve as an interface between individuals and the more formal local organizations discussed above.³

Informal indigenous organizations include kin groups (clans, families), work groups based on festive or exchange labor, dance societies, age grades, neighborhood associations, and other similar social units.⁴ These types of groups, often unknown to outside observers, may either crosscut or provide the building blocks for more formal local organizations, and are important because they constitute the basic social context which may determine patterns of membership and activity in the broader units. For instance, many rural enterprises are family-owned and operated, a fact, which strongly influences the economic behavior of these firms. Local government is often dominated by traditional lineage, caste, or hamlet loyalties, which have a profound impact on patterns of resource allocation. The work of local administration, for instance in adjudicating disputes over land and water rights, will often entail interaction with indigenous land-holding or water-managing groups. Political parties, of course, are often based on regional or ethnic identities, and the election of party delegates or parliamentary representatives is usually an occasion for intense conflict between opposed local social groups of one sort or another. In short, membership and power in local organizations of all types runs along lines determined by pre-existing social ties, and some understanding of the nature of community level social organization is required to understand the dynamics of local organizations and how they may respond to or generate development initiatives. *Thus, USAID will ensure that projects involving local organizations give full consideration to the local socio-economic and political context that influences local organization performance.*

G. Linkages

Local organizations do not exist and function in isolation from one another or from central authorities. Because local leaders are ordinarily active in a variety of organizations, there may be close linkages (growing out of personal ties) between local government, local private enterprise, and various voluntary associations, including political parties. Other linkages are based not on personal but on functional relationships. For instance, local administrative offices will often regulate and provide technical and/or financial assistance to local organizations

³ Actually the difference between "formal" and "informal" organizations may often be one of degree; similarly, many apparently "indigenous" organizations may be of relatively recent origin, i.e., only one or two generations old. The typology offered here for descriptive purposes should not be allowed to disguise the more complex dynamic reality.

⁴ For more detailed information see:
Cernea, Michael
1981 Modernization and Development Potential of Traditional Grass Roots Peasant Organizations. In: Directions of Change: Modernization Theory, Research, and Realities, edited by Attir ed al. Westview Press. Boulder, Colorado.

such as cooperatives, private businesses, and water users' associations. Marketing cooperatives may lease vehicles from private traders. Local government regulates and may either support or stifle local enterprise, depending on the content of policies. The Esman and Uphoff study cited earlier has shown that supportive horizontal linkages of these types increase the chances that specific local organizations will be successful. *Providing support for new organizations outside the existing network of institutional linkages may thus be ineffective. Furthermore, offering outside assistance that enables or encourages existing local organizations to withdraw from this supporting network may over the long term be counterproductive.* Finally, because of the supportive horizontal linkages, outside support for the development of local organizations may often be more effective when undertaken indirectly rather than directly. For instance, most programs to stimulate small enterprise in LDCs focus on the enterprise itself, e.g., by providing additional funds and technical assistance. But under some circumstances it may be a more effective stimulus to small enterprise to focus on reform of local government tax or land use policies. Indirect assistance of this sort may not always be possible, but it should be considered as an option.

Complementarities also tend to exist between local organizations and broader entities. Primary cooperative societies, for instance, must usually participate in regional and national federations; local enterprise requires stable links to large wholesalers or markets; and local administration needs easy two-way communication with central offices. As obvious as this may appear, the development literature is rife with examples of development projects that failed to achieve stated objectives because important linkages to essential organizations or institutions were never made. *It is for this reason that USAID has determined to give explicit consideration to the strengths, weaknesses, and linkages among local organizations, as well as those between local and national organizations, before embarking on programs of development that explicitly or implicitly depend on local organizations for successful implementation.*

Five categories of developmentally significant organizational linkages may be distinguished:⁵

finance linkages: credit, savings facilities, grants, commodity support.

regulation and monitoring linkages: audits, administered prices, regulated financial procedures, registration and/or certification of organizations, imposition of uniform standards, inspections, evaluations.

technical assistance linkages: training, secondment of staff, managerial and technical advice.

service linkages: provision of inputs, performance of complementary tasks.

representative linkages: formal or informal local participation in planning implementing, and evaluating programs, whether through patron-client networks, political parties, community development groups, or other means.

National agencies may use one or several of these linkages to strengthen or influence the performance of local organizations. Regulatory and monitoring linkages tend to be used to control local organizations, while other forms of linkages may be used to assist them without imposing controls. However, most assistance linkages can become control linkages if the superordinate national agency is determined to dominate the local organization or if the assistance is provided too long and engenders dependency. USAID as a donor agency will often be in the position of supporting local organizations through intermediary superordinate organizations, and so the problem of selecting suitable national intermediaries and instituting appropriate national-local linkages is a crucial one. Missions should bear in mind the following strategic principles:

⁵ Much of the following discussion of linkages is based on Marshall (eds.) 1982 *Institutions of Rural Development for the Poor*. Berkeley.

material presented in: Leonard, David, and Dale Rogers Institute of International Studies, University of California,

Commitment vs. technical capacity: If the intermediary national organizations are to support local ones effectively, they must have both commitment to expanding the role of local organizations as well as the appropriate technical capacity. A program of community water development, for instance, might require both engineering skills and the willingness to work with local groups. The national ministry of water development might have the technical capacity but lack the commitment to work with communities, whereas the national ministry of local administration might have the commitment but lack the technical skills. Of the two, commitment is most difficult to instill. USAID should Select intermediary implementing agencies primarily on the basis of commitment, recognizing that technical capacity can be built up more easily than commitment.

Technical assistance linkages: Once a national level intermediary, agency has been chosen, missions should consider two alternative models according to which they may furnish advice and assistance to local organizations. One model assumes that the local organizations concerned (e.g., a cooperative, a local government) will eventually have the capacity to perform the technical or administrative function itself. Hence the technical assistance is aimed at budding local capacity. An alternative approach recognizes that some organizations will never develop their own trained staff, either because the scale of the organization is too small, the required function is too specialized, or because the local level career and lifestyle opportunities for the requisite professional staff are too limited. In these circumstances a national cadre of skilled advisers is required to furnish technical assistance on a continual basis, and the emphasis is on budding national capacity rather than local capacity. *USAID should try to locate reserves of national expertise in parallel, service-oriented private institutions rather than superordinate public agencies to guard against the tendency for national assistance agencies to assume excessive control over the assisted organizations.*

Multiple linkages: Most programs, whether explicitly "integrated" in nature or not, are dependent upon stable performance from a system of institutions, the failure of any one of which will generate failure of the program. The solution is not necessarily to strengthen particular organizations-which may fail anyway-but rather to provide for multiple organizational linkages. For instance, rather than strengthen a central fertilizer agency (or monopoly import company), it may be more effective to encourage a multiplicity of private wholesalers. This gives farmers both public and private sources and helps to ensure availability of needed supplies. Second, rural development problems are inherently difficult to analyze, and there may be disagreement about correct solutions. It then makes sense to initiate several alternative approaches, knowing in advance that some will fad-but this strategy increases the likelihood that a viable institutional approach will emerge. *USAID requires greater flexibility in forging institutional systems, and greater Willingness to tolerate or even initiate multiple organizational linkages is an important part of this.*

Administrative simplification: The Leonard study cited earlier offers some program maxims that appear obvious but are often neglected: single function organizations are more likely to perform well than multi-function organizations small agencies are less complex than large ones; complexity grows with the number of levels in a bureaucracy; the market is administratively, simpler than a bureaucracy; benefits targeted for a specific subgroup (e.g., women farmers) are more difficult to administer than benefits that are more general (e.g., smallholders); and finally, complex procedures, like complex organizational structures, generate program failure and reduce the access of intended beneficiaries to planned benefits. *There is a general presumption in favor of simpler implementing structures, but more complex programs will often be required to meet USAID's objective of equitable development and can be justified on this basis.*

III. The Role of Local Organizations in USAID's Program

Local organizations may contribute to a series of critically important development activities, including (a) informed planning and decision-making;
(b) flexible and adaptive implementation; and
(c) low-cost, efficient monitoring and evaluation.

All these tasks are key to achieving broadly based self-sustaining development.⁶

A. Planning and Decision-Making

Development planning and decision-making in host countries and donor agencies tend to be highly centralized processes, aimed at generating a rationalized allocation of budget resources among alternative activities. Unfortunately, variable and changing social, institutional, and economic circumstances in LDCs render many such plans (at the national, program, and project level) out of date quite literally before they can be published and disseminated. Moreover, the information upon which these centralized decisions are based is often incomplete or even wrong, resulting in projects that may be either ineffective or counterproductive. While some planning functions are inevitably and appropriately the responsibility of central agencies, there is much room for lower-order organizations, including local organizations, to take part in the planning and decision-making process. USAID may often accomplish much simply by getting local groups "a seat at the table" when decisions affecting them are being made.

The potential planning contribution of local organizations can be seen most clearly at the stage of problem identification, when important decisions are made about priority problems and appropriate solutions. These early decisions guide the remainder of the project development process, and, if incorrect, can generate a wholly inappropriate development intervention. *Thus it is important for USAID to seek the fullest possible understanding of local circumstances at the earliest possible point in project development.*

Local organizations offer ready-made mechanisms through which understanding of local circumstances can be injected into project development. Local business people and shopkeepers, for instance, are in close touch with the financial circumstances of the communities in which they live; local bankers and entrepreneurs can identify investment priorities within the local community; local government and local administrative offices can shed light on the feasibility of alternative implementation and coordination plans; farmers' groups can propose or comment on technical packages and other support programs; and the reaction of local political representatives may indicate whether and to what extent local communities will ignore, hinder, or support a planned intervention. While local views, as mediated by local organizations, should not necessarily determine the content of interventions, *USAID should not commit major resources without some understanding of how particular development activities are going to be received or perceived by the local organizations and people who are to administer and utilize them.*

B. Implementation

Local organizations may play a role in program and project implementation in two principal ways: by performing administration and coordination functions, and by generating resource contributions.

1. Administration and Coordination

Active participation of local organizations in administration and coordination of project activities tends to render projects more responsive to the requirements of a varied and changing social, economic, and political environment. Unfortunately, local organizations are rarely allowed a substantive role in these matters. Local administrative offices, that is, district representatives of central line and executive agencies, often play a larger implementation role than other types of local organizations. However, even these offices are often put in the position of carrying out plans developed at higher levels, and may have relatively little independent authority to

⁶ This section draws heavily on the ideas presented in:
Uphoff, Norman T., John M. Cohen, and Arthur A. Goldsmith
1979 Feasibility and Application of Rural Development Participation: A State-of-the-Art Paper. Rural Development
Committee, Cornell University.

propose useful activities or to alter central efforts in ways that make them more viable in local settings. *Hence, USAID should ensure that a wide range of local organizations is engaged in decision making on the "where" and "how" of project activities.* "Where" decisions are crucial in projects that involve some type of construction: farmers' associations can advise on the location of farm-to-market roads or irrigation canals, local government can advise on siting of schools and health clinics and appropriate provisions for local maintenance, local business groups can suggest the best locations for market centers and help assess the viability of alternative fee rates, and so forth.

Local organizations may also provide important input to implementation decisions regarding project strategy, project financing, and project-related sanctions.

Project strategy: If the problem is water conservation in semi-arid locations, for instance, farmers' groups can assist in the delineation of sub-catchment areas and settle questions about the size, composition, and timing of local construction inputs. If the problem is road development, local government can help ensure that proposed routes serve important trade and production centers not known to central authorities, and organize local labor resources.

Project financing: local leaders of various organizations are obviously well-placed to gauge what portion of an activity might be financed with local resources, and whether the contribution should be in labor, cash, materials, or some combination of these. *USAID should seek their participation in decisions regarding the role to be played by local communities, so that programs we support do not result in demands that are unrealistically high, and do not fail to draw fully on potential sources of support.*

Project-related sanctions: Decisions about what regulations are required to ensure compliance with project structures, and what mechanisms should be utilized in resolving disputes, should also draw upon the advice of local entities. Grazing restrictions on steep hillsides, wood harvesting regulations in reforested areas, water access and maintenance rules in agricultural and domestic water systems, and similar restrictions are often key to project success. Unless local organizations are involved in formulating and implementing them the results are likely to be less than satisfactory because the community does not understand the regulations or because it cannot agree to them, or because no mechanism to resolve inevitable conflicts was ever put in place. *USAID projects should be developed with the full understanding and participation of local organizations representing an appropriate range of community interest, so that conflict resolution and enforcement of necessary sanctions will proceed smoothly.*

2. Local Resource Contributions

Local organizations may also participate in project implementation by generating local resource contributions. Local resources may take the form of labor cash, material goods, or information, all of which can make a significant contribution to the success of development initiatives. It has become increasingly clear that substantial and long-lasting development cannot be accomplished unless local resources are engaged not only to augment the efforts of government and donors, but also to engender interest in and commitment to a project. Unless the local people or local organizations whose resources are desired have been allowed to join in decisions about what is to be done with them, the resources are not likely to be forthcoming. While local groups may not often be able to influence the types of programs and policies directed at them, they can certainly influence the outcomes, simply by withholding their labor, their investment funds, their material resources, their willingness to participate, and their information about and understanding of local circumstances. Rarely can the resources to which local organizations have access be obtained through coercion. *Thus USAID planners who wish their programs to benefit through the commitment of local resources should include appropriate local groups in substantive project decision-making.*

C. Monitoring and Evaluation

Local organizations can play a role in project management, monitoring, and evaluation, without excessively encumbering a project with expensive, time-consuming data collection and analysis efforts. Representatives of local organizations can be expected to be aware of a broad range of community responses to and perceptions of projects activities; they are likely to be aware of implementation hitches soon after they have occurred; and they often are able to propose practical solutions to emerging problems. Hence, if an appropriately wide range of local leaders is included on project advisory boards or is in some other fashion systematically included in managerial discussions, a broad array of data and experience becomes available. Managers can then monitor implementation effectiveness and other aspects of project impact by listening to the opinions of people representing local organizations. Obviously, these opinions will never reflect the views of the population in general, insofar as leaders of local organizations tend to be of the political, economic, or social elite. Nevertheless, however biased the feedback provided may be, it will be a useful supplement to more formal evaluation activities.

Finally, to the extent that political parties, voluntary associations, and other local interest groups provide strong means through which local evaluations of projects and programs may be communicated to the center, *USAID Can do much to improve the responsiveness of central authorities and the relevance of programs we support simply by strengthening a broad range of local organizations.*

IV. Overcoming Limitations of Local Organizations

Limitations on the performance of local organizations derive from several sources, including: (a) the resistance local organizations may generate from other elements of society; (b) the possibility that local organizations will become subordinated to other more powerful agencies; (c) the presence of socioeconomic and political cleavages within local organizations; and (d) the likelihood that some local organizations will prove ineffective at accomplishing important development tasks.⁷ These limitations do not pertain to local organizations alone; no organizational format is entirely free from these ills. Nevertheless, these limitations are discussed here both because (a) these criticisms often are used to justify circumventing local organizations, and (b) because donors and host country governments must understand how such problems emerge if they are to fashion remedial actions.

A. Resistance

Local organizations come into being and persist because they serve the economic, political, or other needs of their membership or clientele. As "interest groups" they are inevitably in opposition to other economic and political interests; not surprisingly, then, a program to strengthen specific local organizations, or to introduce new ones for specific purposes, may meet with considerable resistance. The main sources of resistance are local and regional elites (who may either be supported or opposed by central authorities), local and regional government administrators, national political leaders, and perhaps even some or all of the general population in the area concerned.

For instance, established traders (sometimes reliant upon government-sanctioned trade restraints) may well oppose marketing cooperatives. Large landowners may not be enthusiastic about farmers' associations. Local administrative officials often regard local private enterprise with distrust and may express concern that proposed business associations will increase price collusion and consumer exploitation. National political leaders may fear local governments or private associations as independent political power bases. Finally, people in general may well resist the introduction of new local organizations if these are perceived as government entities, or if they appear likely to serve the needs of some groups to the exclusion of others. These types of concerns can be expected to emerge in any situation where local organizations are to be strengthened or supported.

⁷ This discussion is based on the references listed in Footnote 1 above.

If large segments of a population are reluctant to participate in new organizations that are proposed in conjunction with assistance programs, USAID should regard this as a major problem with program objectives or modes of implementation, and should seek to understand the reasons for resistance and modify or eliminate those elements of a program that seem problematic.

B. Subordination

Local organizations, particularly voluntary associations and local government, are often weak in finances and technical skills, have poor access to legal services, and are consequently easily dominated by more powerful outside groups. In these situations local organizations do not act independently, but rather reflect the desires of central government and local elites.

Government influence inevitably grows when local organizations begin competing for and accepting government resources (loans, services, grants, credit guarantees). Along with the resources come reporting responsibilities and the requirement to conform with various regulations; eventually government may reserve the right to appoint or veto the appointment of local organizational officers. Whether and to what extent expanded control will undermine the independence and vitality of local organizations depends on any number of specific local circumstances. There is little that can be done to resist central authorities that are determined to suborn a local entity; even governments and donors wishing to strengthen the role of local organizations, for instance by providing loan or grant funds, may paradoxically weaken or subvert them at the same time. *Minimally, USAID should ensure that legislation and regulatory codes spell out and protect an independent role specific categories of local organizations.*

Local organizations can be strengthened by providing for regular, well-publicized elections, as well as mandated rotations in and out of office, but probably the best course is to ensure that the membership in general possesses the education and training needed to understand the business and procedures of the organizations, as well as legal requirements. An informed, active, and committed membership is the best defense against subordination of organizations. *Hence, in strengthening the role of local organizations in LDCs, USAID will give priority to training and technical assistance in management, administration, and member education.*

C. Factionalism⁸

Local organizations are also subject to internal cleavages, reflecting differentiation that may be social in nature (castes, religion, ethnicity), economic (large farmers vs. small, traders vs. producers), or some mixture. All generate factionalism and political antagonisms, and all tend to weaken the capacity of local organizations to undertake concerted action with general community support. In other circumstances, underlying community cleavages may generate a multiplicity of local organizations, each with similar objectives but intending to serve the needs of different local groups. Fragmentation of community resources and proliferation of redundant, ineffective small scale activities are the inevitable result. As with resistance and subordination, there are, however, some concrete steps that can be taken to check factional divisions.

Small, relatively homogeneous groups will be more resistant to factionalism than larger, diverse groups. When the primary units (e.g., primary cooperative societies) are too large and too heterogenous, collective action is discouraged and the organizations often fad. Thus, the tendency to encourage large groups so

⁸ A comprehensive analysis of factionalism is offered in:
Nicholson, Norman K., 1972 The Factional Model and the Study of
Politics. Comparative Political Studies, October, pp. 291-314.

that overt administrative costs are low frequently leads to weak performance that is ultimately more costly. Another way to guard against excessive factionalism may be to stress consensual, or at least open, decision making, so that members feel they have had a role in important decisions affecting their organization,

Sometimes organizations that are generating demonstrable benefits are less subject to internal dissent, since all members have a stake in maintaining the organization; but at other times success itself might generate discord as groups vie for control of new resources. Plainly, some discord will always be present, and of itself ought not discourage assistance to local organizations; in fact, internal dissent is one mark of a vital, on-going organization-only moribund entities provide no criticism. *Hence USAID should ensure that local organizations we support are appropriately sized, as homogeneous as circumstances will permit, and committed to open decision-making processes.*

Factionalism can also be of value, however, when formal organizations are inadequate. Factional politics allows local groups to make their views known nationally, and creates a link between politicians and the administrative officers responsible for policy implementation. *USAID recognizes that factionalism, while often disruptive of immediate project goals, may also contribute to broader developmental objectives by providing the mechanism through which formal organizations may adapt to new and changing demands.*

D. Ineffectiveness

Local organizations can often be relatively ineffective at accomplishing essential development tasks, as a result of either internal or external factors. Local governments, for instance, are often weak because their independent authority to generate revenue has been usurped by central authorities, or they may be weak because of inept administrative practices. Farmers' cooperatives may be crippled by national pricing policies that mandate marketing fees at a level below the real cost, or they may suffer from poor business management. Local administrative offices may perform poorly because the incumbents are transferred frequently from post to post, never learning enough about local circumstances to identify problems and solutions clearly, or the poor performance may stem from inadequate technical abilities. Very often, it should be noted, the diagnosis of ineffectiveness differs with the perspective of the observer. If local authorities are performing poorly, for instance, officials in the center might suspect corruption; a management specialist might focus on lack of accounting skills; and the local authorities themselves might complain of inadequate revenue. The real situation will likely be a complex amalgam of all these, and so *A./ D. must consider a wide range of problem areas and possible solutions when considering action to increase the implementation capacity of local organizations.*

Problems of ineffectiveness may be addressed in a number of ways. Sometimes (e.g., in primary cooperative societies) the need may be as simple as better bookkeeping skills; other times (e.g., weak local government) national administrative policy reform, which may have to be approached slowly and indirectly, is required. Very often local organizations may be ineffective because they have poor vertical linkages to central resources (e.g., technical advice and funds in the case of small enterprises). Surprisingly often, ineffectiveness may actually be an outcome of donor assistance, for instance when new organizations are expected to learn to accomplish a number of different tasks simultaneously. Experience has shown that single function organizations are more successful initially than multi-function organizations; at the same time, continued success and growth is unlikely if an organization fails to expand into new area of activity. *Hence in general USAID should plan for new organizations to perform single, simple tasks, but allow for growth over time as experience and capacity increase.*

Ineffectiveness in itself is not an argument against enlisting local-organizations in development initiatives; they may, in fact, be no more ineffective than alternative national organizations or ad hoc project units, although the reasons for the ineffectiveness may be different. In fact, the effectiveness of both national and local organizations may be improved by combining the complementary inputs of both levels in planned

programs of development.

V. Policy Implications

Despite the limitations reviewed in Part IV, local organizations will continue to play essential roles in the process of development. Failure to understand the place of local organizations in development can undermine the most soundly conceived initiatives. Where necessary they must be strengthened, and they can never be overlooked. *Hence, local organizations constitute an appropriate focus for USAID policy with regard to both program analysis and program development.*

A. Program Analysis

Missions should address local organizations in conjunction with broader analyses of institutional development issues. It is important to (a) identify key local organizations in most or all of the five categories discussed here; (b) analyze the purposes, tasks, and clients to be served by these key local organizations; (c) discuss the problems encountered by local organizations in performing their development functions; and, where necessary, (d) present a strategy to address the issues identified.

During preparation of projects, missions should give careful consideration to the local organizations that will, implicitly or explicitly, and directly or indirectly, be involved in the development intervention planned. It is important to discuss the current and planned roles for concerned local organizations, to analyze current capacity to undertake these roles, and to demonstrate that the planned program will not (a) undermine the performance of existing, well-functioning local organizations; (b) require performances that are well beyond existing capacities; or (c) result in greater unnecessary central public influence over existing local organizations.

B. Program Development

USAID's overriding concern is to assist host country governments in generating broadly-based, self-sustaining economic and social development, through continued progress in policy reform, technology transfer, private sector development, and institutional development. Because local organizations play crucial roles in all these essential areas of activity, there are four important sets of policy implications for program development.

1. Policy Reform

Discussions of administrative policy will be an element of policy dialogue with host country counterparts. Where poor administrative policy inhibits good performance from local organizations, or where weak local organizations hinder the implementation of sound policies, missions will incorporate special interventions in their programs aimed at assisting host countries in undertaking the necessary corrective measures. Because strong independent local organizations can help in ensuring that national policies remain responsive to local interest, missions will support local organizations wherever appropriate, and above all will ensure they do nothing to undermine the vitality of existing local organizations. *Finally, intervention that rely on local organizations for important implementation actions, but which take place in uncongenial policy environments, will be undertaken only when provision is made for necessary adjustments in the overall national economic and administrative policy framework.*

2. Technology Transfer

Without effective participation by user groups and representative local organizations in the technology generation/dissemination process, there is a danger that new or improved technologies will be inappropriate, or, if appropriate, may never be effectively disseminated. *Hence programs or projects aimed*

at the creation, transfer, adaptation, dissemination, and use (new and improved technologies among LDC populations will analyze, build upon, and, where necessary, support the roles of appropriate intermediary local organizations.

3. Private Sector Development

Local organizations encompass a broad range of private sector activities; thus support to local organizations will often contribute directly to an expansion of the role of private enterprise in development. Also, assessments of the performance of relevant local organizations (especially voluntary associations, local administration, local government, and local private enterprise) are key to sound investments in agriculture, agribusiness, and industrial development, because such initiatives are often, if not always, dependent upon actions by variety of complementary and supportive local organizations. *Thus, private sector initiatives in the realms of agricultural development, agribusiness development, and development of small- and medium scale industries will analyze, build upon, and, where necessary, support the roles of relevant local organizations.* The capacities of intended beneficiaries must be taken into account throughout, since the type of private organization selected will determine who benefits as a result of such programs. Banks, for instance, reach a very different clientele than voluntary associations.

4. Institutional Development

Providing support to local organizations to improve their ability to undertake development will often entail disbursement of funds to support "capacity building" activities in addition to delivery of specific goods and services. This approach, aimed at important institutional development objectives, requires careful attention to USAID's procedures regarding cash management, interest accrual, procurement, and project - monitoring-in fact, existing procedures may well restrain missions from adopting some particularly effective approaches to institutional development through the support of local organizations. Issues such as these will continue to be resolved on a case-by-case basis by, missions and USAID/Washington, to ensure that both program goals and legal obligations are fully satisfied. As more experience is gathered, it may be possible at some future point to issue comprehensive Agency-wide guidance on these crucial matters.

Institutional development is critical to sustained economic progress. This policy paper is meant to increase A. M.'s capacity to undertake institutional development, by focusing attention on the often overlooked category of local organizations. In the last analysis, only local organizations and the people who support them can sustain and build upon the efforts of donors and central government; indeed, without the participation of strong, independent local organizations it is unlikely that the broadly-based support which is also essential to meaningful development will ever emerge. *Understanding of, and, where necessary, support for local organizations will be an element of institutional development in all country programs.* USAID will not always need to work specifically with local organizations; on the other hand, USAID will never be independent of them and cannot afford to take their essential contribution for granted.

USAID Policy Papers and Policy Determinations

The following reports have been listed in a series. These documents with an identification code (e.g. PN-AAM-323) may be ordered in microfiche or paper copy. Please direct inquiries; regarding orders to:

USAID Document and Information
Handling Facility
7222 47th Street
Suite 100
Chevy Chase, MD 20815

<u>Title-Policy Paper</u>	<u>Date</u>	<u>Fiche #</u>
Bureau for Private Enterprise	May 1982	PN-AAM-325
Domestic Water and Sanitation	May 1982	PN-AAM-323
Food and Agricultural Development	May 1982	PN-AAM-322
Nutrition	May 1982	PN-AANI-321
Private Enterprise Development	May 1982	PN-AAM-324
Recurrent Costs	May 1982	PN-AAM-319
Population Assistance	September 1982	PN-AAM-320
Private and Voluntary Organizations	September 1982	PN-AAM-318
Women in Development	October 1982	PN-AAL-777
Pricing, Subsidies, and Related Policies in Food and Agriculture	November 1982	PN-AAN-373
Approaches to the Policy Dialogue	December 1982	PN-AAM-431
Basic Education and Technical Training	December 1982	PN-AAM-190
Health Assistance	December 1982	PN-AAL-817
Institutional Development	March 1983	PN-AAN-108
Co-Financing	May 1983	PN-AAN-457
Local Organizations in Development	March 1984	PN-AAQ-157
Urban Development Policy	June 1984	PN-AAQ-158

<u>Title-Policy Determination</u>	<u>Date</u>	<u>Fiche #</u>
PD #1-Narcotics	August 5, 1982	PN-AAM-443
PD #2-Mixed Credits	September 29, 1982	PN-AAM-444
PD #3-Voluntary Sterilization	September 1982	PN-AAM-445
PD #4-Title XII	October 5, 1982	PN-AAM-446
PD #5-Programming PL 480 Local Currency Generations	February 22, 1983	PN-AAM-591
PD #6-Environmental and Natural Resources	April 26, 1983	PN-AAN-375
Aspects of Development Assistance		
PD #7-Forestry Policy and Programs	May 16, 1983	PN-AAN-376
PD #8-Participant Training	July 13, 1983	PN-AAP-273
PD #9-Loan Terms Under PL 480 Title I	September 27, 1983	PN-AAN-753
PD #10-Development Communications	February 17, 1984	PN-AAP-616