The Myth of Development from Below

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Development from below, bottom-up development, grassroots development — these are some of the phrases planners coined, twenty-five years ago, to support an alternative development model for poor countries. Implicit in these phrases were assumptions about what was wrong with the then dominant development paradigm, popularly called the "top-down/trickle down" approach. The top-down model had failed, the critics claimed, because the institutions created to foster development from the top had themselves become the greatest hindrance to development. The primary target in this criticism was the state, but others were blamed too. For example, market institutions, such as large private firms, were criticized for taking advantage of various types of state protection which made them capital intensive and inefficient (Little 1982). Established political parties were criticized for seeking power by manipulation of the poor and collusion with the army and the elite (Gugler 1982). Trade unions were chastised for protecting the interests of only the "labor aristocracy", and for being incorporated by the state into "the system" (Sandbrook 1982).

To initiate broad-based development, the alternative paradigm suggested a different constellation of actors, issues, values, and modes of action (Korten & Klauss, 1984)). In contrast to the top-down model's central objective of industrialization and economic growth, the bottom-up model advocated rural development and distributional issues. Instead of the state-administered, large-scale infrastructure projects that were central to the employment-generation strategy of the top-down model, it advocated small-scale, bottom-up projects that directly involved the urban and rural poor in income-generating schemes. Typically, these projects involved small groups of poor families who had neither any asset nor a steady source of income. These families were provided subsidized credit for starting small enterprises. These enterprises ranged from basket making and similar non-agricultural activities in rural areas to low-cost wage goods production and various service provisions in urban areas. These activities were expected to generate profit, savings, and investment at the bottom, thereby eliminating the need for income to trickle down through the market hierarchy (Mann, Grindle & Shipton 1989).

The bottom-up approach was expected to have a political impact as well (Bhatt 1989). The income-generating projects were to lead to the poors' empowerment by making them self-reliant. Also, these projects organized the poor into small solidarity groups, which were to help them break away from the traditionally, exploitative relationships with local moneylenders, middlemen, and landlords. The solidarity groups was justified on the ground that the mainstream political process controlled and manipulated by the state, the official political parties, the elite, and in some cases the army, was not responsive to the poors' needs. Hence, the poor needed to organize themselves, not as another political party that could be co-opted by the system, but as small, autonomous groups. Some thought that these groups would eventually function as "democratic cells," culminating in a new system of self-governance (Ralston, Anderson & Colson 1983).

Although self-governance and economic self-sufficiency of the poor were the central objectives of "development from below," the proponents argued that to achieve these objectives the poor needed the non-governmental organizations' (NGOs) assistance, at least in the short run (Gorman, 1984). There were many arguments in support of NGOs, and I discuss them later in this paper. For now, I want to point out the crucial assumption underlying these arguments: that NGOs are particularly appropriate agents for fostering development from below because their organizational priorities and procedures are diametrically opposite those of the institutions at the top. Unlike state and market institutions which are driven by the need for social control and profit, NGOs are interested, primarily, in building communities. And in their community-building efforts, NGOs, unlike the state, neither rely upon coercive forces nor adopt profit-seeking mechanisms, as is customary for market institutions. Rather, NGOs rely solely on solidarity bondings in civil society; and this solidarity is nurtured through decentralized and participatory decision making supported by voluntary local efforts (Pardon 1988).

It has been nearly twenty-five years since NGO-administered, bottom-up projects were first implemented. During the past twenty-five years, numerous projects have been implemented in Asia, Africa, and Latin America. What is our collective understanding of their effectiveness? Do they, indeed, generate income and employment at the bottom? Do they empower the poor? How effective are NGOs in fostering development from below? These are the questions I address in this paper.

The paper is divided into three sections. The first section is historical. It provides an account of why and how the bottom-up approach emerged in the early 1970s, and exposes its underlying assumptions. The second section of the paper is empirical. Its purpose is to test the assumptions outlined in the previous section against results of my field work in Bangladesh and India.[1] I also draw on the experience of other researchers familiar with bottom-up projects and the NGO's role in their administration. In the third and concluding section, I propose, with the assistance of three examples, that just as development does not trickle down from the top, neither does it effervesce from the bottom. Development requires a synergy between efforts made at the top and the bottom, a collaborative effort among the government, market institutions, and NGOs which utilizes the comparative advantage of each type of institution, and minimizes their comparative disadvantages.

PART I

Historical Origins of Development from Below

The emergence of the alternative paradigm of "development from below" can be attributed to widespread disillusionment with the conventional developmental model, whose conceptual framework had been laid out by Sir Arthur Lewis in 1954 (Lewis 1955). Lewis had argued that development required industrialization, urbanization, and agricultural modernization which could be achieved only by accentuating the existing inequalities in three sets of relationships: namely, sectoral relationships between industry and agriculture; spatial relationships between urban and rural areas; and social relationships between the elite and the masses. Sectorally, Lewis argued, industry should receive investment priorities over agriculture because of the existing differential in the rate of return between the two sectors. Spatially, investment would be concentrated in large urban areas, which provided economies of scale and agglomeration benefits. Socially, the elite whom Schumpeter had earlier identified as the entrepreneurial class behind every expansionary economy, was to be encouraged to save and invest so that the rest of the nation's labor force could be employed. In advocating these strategies Lewis acknowledged that in the short run the existing inequalities between sectors, regions, and social classes might be exacerbated; but, in the long run, inequalities would lessen as the agricultural sector became mechanized, rural wages increased to the level of urban wages, and income trickled down the social hierarchy, as it had in the European countries during industrialization. Until then, the new governments were not to take any redistributive measures; instead, they were to concentrate solely on enlarging the size of the "national pie" of economic surpluses.

Rural-urban migration was to be the primary mechanism for facilitating the developmental process. It would transform the abundance of small, subsistence farmers into a good supply of low-wage, urban industrial workers. This transformation was essential on two counts. First, it would reduce the overpopulation of the rural areas, thereby increasing the per-capita income and consumption of the remaining households. Second, the migrants would help create a competitive urban labor market. This would provide a comparative advantage to the newly developing nations in the international market, increasing their export earnings. The foreign exchange earned could then be used to purchase capital goods from the developed countries to modernize the productive base of the economy.

The political goal of modernization was to create a political system that would ensure smooth and steady economic growth. Western-style democracy was considered essential for ensuring capitalist economic growth (Weiner & Huntington

1987). Western experience had proven that capitalism and democracy went hand in hand, that the expansion of one also required the expansion of the other (Lipsat 1959). Capitalism, through the expansion of the market and exchange relationships, generates new types of social groups, based not on primordial loyalties but on material interests; and democracy allows individuals and these groups to exercise their preferences, which is essential for markets to function. This had been the history of Western nations, in particular, the United States where the marriage between democracy and capitalist development had been a happy one, without disruption (Packenham 1973). Hence, this should be the course, the political scientists thought, for the newly industrializing countries as well.

Paradise Lost

By the late 1960s, however, development planners began to question the efficacy of the conventional developmental model because they were disillusioned with both economic and political outcomes of the development process (Faber & Seers 1972). Economically, although most countries had achieved moderately high growth rates, income distribution in these countries had become more unequal. Regional inequalities had also increased. Rural-urban migration, the primary mechanism for the "great transformation," had created enormous problems for the cities as well as the rural areas. In the rural areas, it had reduced agricultural production because of selective migration that left these areas with disproportionately higher percentages of children, women, and older persons. In the cities, large-scale migration had overburdened the labor market, creating unemployment and underemployment. Slums and shanty towns were mushrooming daily, and the city authorities were unable to control them. The starkly visible wealth gap between the elite and the rest of the population created the conditions for political upheaval.

Politically, by the beginning of the 1970s, many developing countries had moved away from Western-style democracies to authoritarian regimes. In Africa armies had taken over the administration of 35 nations. In Latin America the situation was even more disappointing: all but two countries were being ruled by army generals. This led many to question the thesis that capitalism and democracy are causally linked (Huntington 1987).

Blame the State

Who was to be blamed for this unexpected outcome? And, what was to be done now? The answers varied across a wide ideological spectrum, ranging from the critique by neo-classical economists on the right to neo-Marxists on the left. There was one similarity, however, between the two widely different ideological positions: they both blamed the state for the disappointing outcome.

The neo-classical economists argued that state attempts to plan and regulate the economy to induce economic growth had the opposite effect: they distorted capital, labor, and commodities markets, discouraged private investment, gave rise to parallel markets, and created an inefficient and fiscally irresponsible bureaucracy.[2] To put it another way, state intervention originally intended to correct "market failures", had instead led to "state failures," retarding economic growth to a much higher degree than what could have been achieved even with market failures.

On the left, the neo-Marxists too blamed the state, but for different reasons (Amin 1977). They argued that the state was captive to the elite, both national and international; and its primary purpose was to sustain a capitalist economic system that generated surplus for this elite. Increased income inequality within and between nations was explained by the logic of surplus production. According to this logic, poor countries lacked broad-based economic development because they participated in a global capitalist system dominated by rich countries who accumulated a disproportionately large share of the surplus created in poor countries.[3] The collapse of democracy in poor countries was explained by the need for the local elite to continue by force the exploitative process of surplus extraction from their countrymen.

The neo-Marxists dismissed state efforts for developmental purposes by arguing that they were not intended to create broad-based development. The primary purpose of development policies was to help the capitalist system survive the periodic crises it created for itself (Harvey 1978). This required social control and co-optation of the poor, which were achieved by development projects. These projects also fostered a patron-client relationship between the politicians and the poor, undermining class solidarity among the poor.

Bottom-Up Approach: The Eclectic Middle Road

The criticisms by the neo-classical economists and neo-Marxists led to an altered version of the old developmental model with a distinct bias against all dominant institutions at the top — particularly, the state. "Development from below" became the label for the new, conceptually eclectic approach. It drew intellectual strength from both neo-classical economists and neo-Marxists. From the former it appropriated the arguments that small farmers and micro-businesses were more efficient than big farmers and large businesses, and that they had been discriminated against by wrong state policies.

The notion of unequal exchange, borrowed from the neo-Marxists, provided the other intellectual strand of the new approach. It provided the rationale for the design of projects and policies that encouraged autonomous development effort at the bottom, disconnected from institutions at the top. This was true for economic as well as political objectives.

Economically, disconnection from institutions at the top was considered essential because it stopped surplus extraction from the bottom to the top and, thereby, facilitated capital accumulation at the bottom. Politically, connections with the state, political parties, or trade unions – key institutions at the top – were considered harmful for the poor at the bottom; because through these connections the poor were politically exploited by the dominant classes (O'Donnell 1977).

Combining the two notions that large and established farmers and businesses were inefficient, and that they along with the state and other dominant institutions were essentially interested in exploiting the poor, the proponents of "development from below" argued that broad-based political and economic development could not be achieved by state-led, top-down initiatives. What was required, instead, were efforts at the bottom by the people themselves for generating income and employment and for political mobilization (Friedmann 1988). These efforts were to be autonomous, that is, independent of all dominant institutions at the top; and this was to be achieved by consciously avoiding linkages with them.

Mechanisms of Bottom-Up Development

The primary mechanism for initiating development from below was small-scale projects for income and employment generation by the poor themselves. Typically, these projects created small groups, each comprising ten or twelve people who knew each other well and were interested in starting small enterprises. These groups were called "solidarity groups," whose members were to help one another in managing businesses, particularly in repaying business loans provided to individuals but guaranteed by each group. The groups were also to develop collective consciousness among the poor about how they could get out of the poverty trap (Otero 1986).

The solidarity groups received various types of assistance to increase business productivity. This included subsidized credit, technical and managerial assistance, and provision of new materials (Stearns 1985). These policies assumed that the poor are disadvantaged in the market place due to lack of access to credit and other inputs. This adversely affected their relationship with dominant market agents and institutions that took advantage of them and reduced capital accumulation by them. The assistance policies were aimed at liberating the poor from these exploitative relationships; and this could be best achieved by delinking the poor from the dominant market agents and institutions (Everett & Savara 1987).

This economic delinking was expected to have a political impact as well. It was expected to make the poor self-reliant, raising their sense of self-worth and self-confidence. The solidarity groups were to serve as the setting for this empowering experience. They provided the opportunity for face-to-face interaction and sharing of experience, creating a new type of bonding among the poor which could never be produced by political parties.

There were other reasons solidarity groups were considered essential for the political empowerment of the poor. As I mentioned earlier in the paper, by the time the bottom-up approach emerged in the early 1970s, many developing countries had turned from political democracies to authoritarian regimes headed by military leaders. In most of these countries, military leaders had banned political opposition, eliminating the institutional channel through which the poor communicated their needs. Under such circumstances, the solidarity groups were expected to provide an alternative channel for voicing the poors' demands without provoking the political rulers (Landim 1987). Underlying this political strategy was a deep distrust of the mainstream political process. The major actors in the mainstream political process — namely, the state, political parties, the elite, and the army, were assumed to be interested in manipulating and repressing rather than representing the poor (Kothari 1984). Hence, the poor needed to organize themselves not as another political party that could be co-opted by "the system," but as small, decentralized groups, informally linked together in an autonomous political network that could negotiate on behalf of the poor with the principle actors of the formal political system (Sethi 1984).

NGO: The New Development Agent

Because of the strong anti-state orientation of the bottom-up approach, its proponents advocated that non-governmental organizations (NGOs) should initiate and implement the new approach. This preference for NGOs was justified on the following grounds:[4]

First, NGOs are the most appropriate agent for initiating development from below because their organizational priorities and procedures are diametrically opposite those of the institutions at the top. NGOs are primarily interested in community-building and empowering the poor; and to achieve these objectives, they rely on procedures that are democratic, decentralized, and based on cooperation rather than competition.

Second, because NGOs are small in size, not bureaucratic in their management style, and staffed by volunteers who care for the poor, they are more efficient and responsive than government agencies in meeting the poors' specialized and varying needs. Also, because NGOs are spatially located closer to the poor than are government agencies, they are more aware of the particularities of local resources and constraints. This makes them more innovative than the government in designing projects. Proximity to the poor also makes the NGOs transparent, accountable, and more effective than government agencies.

Third, because NGOs have gained legitimacy as a result of their effectiveness and accountability, they were not dependent on either the state or market institutions. This autonomy is essential for the success of bottom-up efforts. Because if NGOs were dependent on the state they would be controlled and co-opted, thereby becoming an arm of the state. Likewise, if NGOs were influenced by market institutions, they would be driven by profit-seeking motives, causing community solidarity bondings to degenerate into market-based, exchange relationships. In contrast, the NGO's autonomy from both the state and market institutions would make them self reliant and sustainable, thereby enhancing the chances of self-reproduction of this grassroots-based institutional form.

And finally, NGOs deliberately keep a long distance between themselves and political parties, and are not involved in the wheeling and dealings of the usually corrupt political process. This provides them autonomy from dominant political institutions controlled by the elite, and makes them effective in articulating the poors' interests.

PART II

Does Development Trickle Up?

What is the record of NGO-led, bottom-up developmental efforts? Nearly twenty-five years and thousands of projects later, the economic impact of bottom-up efforts seems rather small and insignificant; (UNDP et al. 1988; Tendler 1989; Sanyal 1988). These projects did not create new employment and income-earning opportunities for a large number of people; nor did they significantly increase the income of those fortunate few project beneficiaries. The barriers to success have been many. The main barrier, however, has been the lack of demand for the goods and services produced by the small businesses run by the poor. One factor that contributed to this low demand was the low economic growth of most developing countries during the past two decades. This direct relationship between overall economic performance of a country and the bottom-up projects was not taken into account in the project design. Because, it was assumed that the economy at the top was connected more to external markets than to domestic markets for the poor at the bottom. More important, the bottom-up approach was deliberately designed to discourage economic linkages between the top and the bottom, because such linkages were seen as conduits for exploitative surplus extraction from the bottom to the top.

An important lesson of bottom-up projects is that if the economy at the top stagnates, the economy at the bottom is likely to stagnate too. Contrary to the logic of development from below, economic stagnation at the top cannot be overcome by fostering small enterprises at the bottom; because the top and the bottom are linked in more than one way.

Political Impact of Bottom-Up Projects

The political impact of bottom-up projects has been even less striking than their economic impact (Sanyal 1991; Hashemi 1990). The solidarity groups set up by NGOs served mainly as social pressure groups to ensure monthly repayment by the group members who had received business loans. In cases where the project participants were women, the solidarity groups sometimes served as a forum for exchange of views on domestic issues, such as, wife beating, dowry deaths, and alcoholism. But their political impact did not go beyond that. The solidarity groups did not function as alternative political units to the traditional party structure; nor did they join together to put pressure on either the local elite or the local government for progressive social reform.

The lack of political impact of bottom-up projects was, in part, due to the lack of institutional linkages between the NGOs and political parties. As I mentioned earlier, the NGOs consciously avoided such linkages on the grounds that they would reduce their autonomy and, hence, their effectiveness. As a result, the NGOs functioned without any political backing, and, ironically, this made them even more vulnerable to pressure from the local elite and strongmen.

The Limits of NGOs

One factor that contributed to the NGOs' political vulnerability was their inability to cooperate with each other (Sanyal 1991). This is particularly surprising since NGOs are thought to represent models of cooperation. In reality, though, the NGOs were extremely competitive and rarely formed institutional linkages among themselves. This was primarily due to the dependence on grants and donations which made every NGO claim that its particular organization was most effective in helping the poor. To support such claims, each NGO tried to demonstrate to the donor community how it alone had successfully designed and implemented innovative projects.

The lack of cooperation among NGOs, and their unwillingness to forge institutional linkages with the government, greatly limited the impact of their activities. At best, their efforts created small, isolated projects that lacked the institutional support necessary for large-scale replication (Annis 1987). The NGOs were particularly effective in managing small projects in peripheral locations; yet, they also recognized that unless their scale of operation was expanded they could not make a significant impact on poverty alleviation. Most NGOs tried to resolve this dilemma not through cooperation with other NGOs, but by expanding their own operations. In the process, they lost their comparative advantage of being small and focused on one activity or one geographic location. Typically, they fell apart, as either the scale and the array of problems became unmanageable, or the original leaders were challenged by others who broke away from the parent organization, taking with them some of the best workers. This, in turn, made cooperation among NGOs even more difficult, undermining their ability to create a unified, broad-based institutional form independent of the government (Sanyal 1991).

There were a few other surprises for the proponents of NGOs who had envisioned them as leading from below a new initiative for broad-based development. For one, the NGOs did not perform as efficiently as was expected. Evaluation studies indicated that the NGO-managed projects relied on intensive, time-consuming supervision (Tendler 1982). On the issue of equity, too, there was a surprise: NGOs were found to concentrate their efforts not on the poorest of the poor but on groups above the lowest income decile. That was the only way NGOs could respond to the donors' pressure to show results quickly. As for the claim that NGOs are more responsive and accountable than the government, the evidence indicted that, indeed, NGOs were more responsive in the sense that they were better at fine-tuning projects to suit particular local needs, but this required a good deal of flexibility in project operation which could be ensured only by relaxing the procedures for accountability (Brett 1993). In other words, NGOs were more responsive but, probably, less accountable than government agencies.

Yet another surprise was the finding that the NGOs that were somewhat successful in replicating bottom-up projects were led, in most cases, not by the poor, but by individuals from higher up in the social echelon, with strong but informal linkages to the government, political parties, and other institutions at the top (Tendler 1989). Although these individuals belonged to the upper social echelon, they cared for the poor and utilized their knowledge of and contacts with market and state institutions to channel resources and institutional support from these dominant institutions toward the poor.

Did these leaders pursue a democratic, decentralized, and participatory approach in administering the bottom-up projects? Contrary to what is commonly believed, the management system of relatively successful NGOs was not decidedly democratic: it was usually imposed by leaders who skillfully blended centralized decision making about certain matters with decentralized decision making about other matters. Likewise, the project participants were never urged to cooperate on every aspect of their business ventures. For certain matters, like bulk purchasing of inputs, the participants were encouraged to cooperate to achieve price advantages; in other matters, like production, they were individually responsible and differentially rewarded for their productivity (Sanyal 1994).

PART III

State, Market, and Civil Society: The Need for a Synergistic Relationship

Although the bottom-up approach was distinctly anti-state in orientation, and was based on the premise that as agents of development from below NGOs should avoid working with the state and other dominant institutions at the top, in reality the experience of relatively successful NGOs indicates that they had worked fairly closely with the government and market institutions (Tendler 1989; Sanyal 1994). This finding suggests a reconsideration of development strategy from its preoccupation with either "trickle-down" or "bottom-up" development. It indicates that, just as development does not trickle down from the top, neither does it effervesce from the bottom. Development requires a synergy between institutions at the top and the bottom, a collaborative effort involving the state, market, and civil society. Action in any one domain alone, however well-intended, is not adequate for broad-based development.

The triple alliance between the state, market, and civil society is rare. Still, it is important to review these exceptional cases. It is for that purpose I describe below three brief and somewhat sketchy examples of the triple alliance among government, NGOs and market institutions:

1. The Grameen Bank, Bangladesh[5]

Although in the development planning literature the Grameen Bank's success is attributed only to Dr. Muhammad Yunus and his grassroots-based organization, the Grameen Bank is an excellent example of a tripartite alliance among the government, market institutions, and a grassroots-based NGO. The origin of Grameen Bank goes back to 1976, when Dr. Yunus and his colleague, Dr. H. I. Latifee, returned from the United States with doctoral degrees in Economics and started a small organization to provide loans to twenty-five poor, landless farmers in the Chittagong District of Bangladesh. At that time, both Dr. Yunus and Dr. Latifee were employed by the Economics Department at Chittagong University which is clearly an institution at the top. This association provided not only legitimacy but also steady monthly income to the two organizers who could afford to take the risk of starting a new organization. Furthermore, Dr. Yunus was able to convince a local bank to provide loans of very small amounts to the twenty-five landless farmers, not because he was leading a grassroots-based effort, but because his family had a long-standing relationship with the bank, where, at the time, his father kept a fairly large amount of money on deposit.[6]

This close relationship between Dr. Yunus and the bank did not, however, affect the interest rate the bank charged for the loans. The bank had insisted, and Dr. Yunus had agreed, that the borrowers would repay the loans at the market interest rate. This provided a sense of market discipline for the ways the funds were used by the farmers. Aided by

Dr. Yunus's close supervision of their activities, the farmers were able to increase their production and repay the loans on time. The scale of operation expanded significantly when the government of Bangladesh provided the local bank with both technical assistance and cash for loans to a larger number of poor, landless families. The interest rate was maintained at the market level, and Dr. Yunus continued his close supervision of the project beneficiaries by insisting that they begin to save from their earnings for future investment. As the scale of operation expanded, the government of Bangladesh created a new bank, named the Grameen Bank, to provide credit to a steadily increasing number of poor clientele.

Grameen Bank grew rapidly, and by 1987 it had opened 289 branches and mobilized nearly 250,000 households in the Tangail and Patuakhali districts of Bangladesh. At present, the Grameen Bank operates nearly 1000 branches and provides banking services to approximately 1 million households. Loans are issued by the bank without any collateral, and bears the interest rate of 16 per cent a year, in contrast to 10 percent per month the poor paid when they borrowed from informal sources. Eligibility for loans is restricted to households who own less than 0.5 acre of cultivable land, or assets not exceeding the value of 1.0 acre of land. Credit is used primarily for undertaking non-farm activities including milch cow raising, seasonal crop trading, paddy and rice trading, handloom weaving and grocery shop operating. The bank now has a paid-up capital of Tk400 million[7], with seventy-five percent of the shares owned by borrower shareholders and twenty-five percent by the government.

2. Proshika, Bangladesh[8]

Similar cooperation between the government of Bangladesh and an NGO, named Proshika, led to yet another successful effort in poverty alleviation. In this case, poor, landless farmers were brought together by Proshika and encouraged to purchase water pumps, which they used to provide irrigation services to large and medium-scale farmers. Since the landless laborers manually directed water from the canals to the fields, ownership of a more productive irrigation asset, i.e. water pumps, was seen as a way of enabling them to negotiate for a greater share of the higher output obtained through improved irrigation. Over three years Proshika assisted landless peasants to implement 104 irrigation projects with minor irrigation equipment such as shallow tube wells (STWs) and low lift pumps (LLPs). The project areas included 18 area development centers (ADCs) spread over 10 districts and total acreage brought under irrigation was 3035 acres. The irrigation scheme benefited nearly 2900 families and provided job opportunities for over 290 group members for six months on the average every year (Rahman 1983).

This project was successful for two reasons. First, the government of Bangladesh had passed a directive requiring private banks to provide credit-in-kind to poor, landless farmers. The government had also imposed a large tariff on the private purchase of water pumps to dissuade the medium and large farmers from purchasing their own pumps. In most cases, the plot sizes of these farmers were not large enough for them to purchase these water pumps for individual use anyway.

Second, Proshika not only had organized the landless farmers but also had done a careful market feasibility study of the use of these water pumps for irrigation. This study indicated that the introduction of high-yielding varieties of seed had created a high demand for irrigation, which the conventional water supply system could not meet. When Proshika organized the landless farmers into small groups and encouraged them to apply for bank loans, this study was effective in convincing the banks that the loans could be repaid by earnings from new irrigation services. This astute understanding of how market institutions operate, aided by the right kind of government policies and NGO effort, raised the landless families' income significantly.

3. Self-Employed Women's Association, India[9]

The Self-Employed Women's Association (SEWA) is one of the three most successful NGOs in India. Its success is commonly attributed to the exceptional leadership of Mrs. Ela Bhatt, a Gandhian, who is known to have created SEWA against the wishes of a powerful trade union with strong linkages to the government. But, at close scrutiny, the story of SEWA's birth, growth, and success turns out to be more complex and fascinating. For example, SEWA had worked closely with the government, more than once, and, as a result, had significantly influenced government policy for poor, self-employed women. There is considerable evidence of SEWA-government cooperation: SEWA had worked with nationalized banks[10] to distribute subsidized credit to poor women; and the government had procured handicrafts made by SEWA members and sold them in government-run stores. Government-run hospitals and prisons regularly purchase vegetables from SEWA vendors. At SEWA's suggestion, the government created a national maternity benefit scheme for poor women. Similarly, the government backed a life insurance scheme for self-employed women.

In popular explanations of SEWA's phenomenal success, the Indian government is not given much credit. On the contrary, one hears how the government assisted only because it was forced to succumb to persistent protest by SEWA. But the evidence does not support such a simplistic and polarized images of SEWA and the Indian government. For example, SEWA's fight for higher piece rates for members who sold scrap clothing to private merchants was successful, in part, because of strong support from the state government. Similarly, the national government responded positively to SEWA's requests to make the national five-year plans more responsive to the special needs of poor, self-employed women. And, it was the central government that created a national commission to investigate the problems of self-employed women, and asked Mrs. Bhatt, SEWA's leader, to chair the commission. Among the NGO community in India, the creation of this national commission is usually described as a triumph for Mrs. Bhatt. The government's role in creating the commission is quickly dismissed as a mere political ploy on the part of the then prime minister to capture poor women's votes.

The Lessons of Triple Alliance

The triple alliance of government, NGOs, and market institutions is rare, but, as the three examples indicate, it does happen occasionally. The lesson to draw from these examples is: to be successful, the alliance must draw on the distinctly different institutional strengths of each of the three institutions. The government alone can create the policy environment necessary for maximizing an NGO's effectiveness; and only government has the administrative machinery for large-scale implementation of projects and policies. Although NGOs lack this ability, their comparative advantage is in their ability to reach citizens who are beyond the reach of the government's bureaucratic administrative apparatus. NGOs are also good at ensuring citizens' participation in the development process by engaging them in learning environments, as opposed to the rules-driven, hierarchically structured, institutional setting common to government projects. Market institutions provide a third kind of strength to development efforts: unlike the government and NGOs, they heighten the sensitivity of development efforts to the preferences of consumers and producers, and inject a sense of "market discipline" in the organization of development efforts.

If, indeed, these three types of institutions have distinctly different strengths which are complementary and can create a synergistic effect, why do they not cooperate more often? That is an important question, and one I have probed elsewhere (Sanyal 1994). For now, let me conclude by pointing out that to understand why institutions cooperate we need to go beyond the notion of comparative institutional strengths, and analyze what motivates state, market, and NGOs to sometime cooperate and, at other times, oppose one another. To do this, we need to understand well the institutional interests of each of these three key actors. This requires more insights than the popular understanding that the state is interested in coercion, the market is driven by profit motives, and NGOs are motivated by community needs. Not that these are incorrect observations: they are one dimensional and, also, lack the understanding that institutional interests change based on the specific problems faced by each type of institution at specific historical conjunctions. The key task facing development planners who care to transcend the top-down/bottom-up dichotomy is to better understand how institutional interests of the state, market, and civil society change and under what condition these varying interests may coincide creating a synergy of developmental efforts.

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ENDNOTES

1 I spent July-August 1986 in Bangladesh evaluating more than 50 bottom-up projects funded by the Ford Foundation. See Sanyal 1988. As for research on India, I spent January to April 1988 collecting information on one particular grassroots organization, the Self-Employed Womens Association (SEWA), which was involved in numerous bottom-up projects.

2 For a review and critique of the neo-classical position, see Killick 1989.

3 For elaboration of this view, see Portes 1989.

4 For a review of the pro-NGO argument, see Berg 1987, Cernea 1988, Pardon 1988.

5 There is a growing body of literature on the Grameen Bank, much of which ignores the government's role in the Bank's success. For example, see Fugleson and Chandler 1993; Hossain 1988.

6 Personal interview with Dr. H. I. Latifee in Cambridge, Massachusetts, on June 2, 1987.

7 One Taka (the Bangladeshi currency) is equivalent to $0.02116 U.S. Dollar in 1998.

8 For more information on Proshika Manobik Unnyan Kendra, see Alanddin 1986; Marshall 1984; Briggs and Griffith 1985.

9 Much of the information on SEWA is based on my field work in India from January to April 1988. As part of my field work, I interviewed Mrs. Ela Bhatt, president of SEWA, Ms. Renana Jhawala, general secretary of SEWA, and other leaders on SEWA's relationship with the Indian government. For a detailed description of SEWA, see Rose 1992; Jamani 1991.

10 The nationalized banks are run and managed on market principles and subjected to many of the institutional principles that govern commercial banks.