Poverty Reduction as a Local Institutional Process

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Summary. — Poverty can be related to institutions in different ways, depending on how we define the two concepts. Here, we adopt a social-constructivist view that focuses on the political processes that determine, guarantee, and contest people’s entitlements. From this perspective, sustainable poverty reduction has to do with the way in which people are represented in these processes. Anti-poverty interventions are a political process in their own right, which must simultaneously build upon existing social arrangements and call them into question. Through case studies in regions which may be characterized as pockets of poverty, we show how local political arrangements are central to the reduction and reproduction of poverty.

Key words — institutions, poverty reduction, patron–client relations, poverty traps

1. INTRODUCTION

Poverty is not a characteristic of a certain group of people; it rather characterizes a particular situation in which people may find themselves at a given point in time. When discussing poverty, we should take care not to confuse individualized symptoms and institutional determinants of poverty. This claim is key. It suggests that the human beings who have to cope with poverty, either periodically or more permanently, remain full agents, just as any other human being, except that their agency is constrained by a lack of resources or strategic capacities and is possibly guided by different cultural or cognitive models (Foudriat, Donovan, & Rivera, 2000). The claim also directs attention away from “the poor” themselves, and toward the institutions that shape their environment as the prime object of poverty reduction. Combating poverty, then, requires the promotion of institutional change. This does not imply a rejection of the measurement of the impoverished situation people are living in by their effective functioning, in terms of literacy, mortality, malnutrition, or any other of the Millennium Development Goals (MDGs). When it comes to articulating opportunities for poverty reduction, however, the suggestion is that one needs to look at underlying institutional causes of these immediate signals of poverty.

In this paper, we first examine poverty from an institutional point of view. We also look at the process of institutional change and derive a number of hypotheses about the dilemmas encountered in antipoverty interventions. In the second and third sections, these theoretical ideas are illustrated and further explored on the basis of experiences gained in two antipoverty interventions, one in Nicaragua, the other in Cameroon. These two cases were selected because they offered an opportunity to study the interaction of external programs with local institutional contexts. They are illustrative cases of our argument relating to the complexity and paradoxes inherent in the local institutional embeddedness of development interventions. They also provide an opportunity to reflect upon the policy implications of our understanding of the possibilities and limitations of promoting propoor institutional change from the outside.

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2. AN INSTITUTIONAL VIEW ON POVERTY, INSTITUTIONS, AND INTERVENTIONS

(a) Institutions and poverty

This paper takes its cue from the rise of institutional analysis within mainstream development debates over recent years (North, 1990). Here, we interpret “institutions” rather pragmatically as the constellations of social networks and organizations as well as the associated rules of the game that govern interactions between and within structures, as they are actually enforced. However, in addition to adopting an institutional focus, we must also take into account the existence of an underlying cultural layer that provides a collection of cognitive models from which real people assemble their social identities and (re)create their perceptions about what is possible, normal, and valuable in (their) life. In particular, we evaluate what Sen refers to as “social arrangements” (i.e., institutions in our terminology) on the basis of their consequences in terms of what people are effectively able to do and what they can be. That is to say, their impact on people’s capability “to do the things they have reason to value” (Sen, 1999, p. 18). Taking appropriate account of specific personal and contextual characteristics, a particular individual’s capabilities will depend upon his or her entitlements, that is, the “set of alternative commodity bundles that a person can command in a society using the totality of rights and opportunities that he or she faces” (Sen, 1983, p. 754). These “rights and opportunities” are of course a direct function of the institutional arrangements in which a specific individual is situated.

Institutions thus bear a direct relationship to people’s capabilities as they determine both (1) the size of the cake and (2) how it is divided. With regard to the size of the cake, the institutional causes of poverty are related to collective inefficiencies that cause individuals, households, groups, communities, or nations to perform below the “possibility frontier” defined by available resources and opportunities. The institutional economics literature has demonstrated that the quality of institutions is a relevant and independent explanatory factor for economic and sociopolitical performance at the group, community, and national level (Bardhan, 2000; Dasgupta & Seraguldin, 2000; North, 1990). It is however one thing to demonstrate that there is “something institutional” which influences development performance, but quite another to explain the precise reasons why. Up to now, this literature has found it difficult to develop more universal models that link the nature of the institutional environment with functionings and achievements. Even further away are the prospects of developing a general theory of institutional change and the promotion of beneficial institutional change from the outside (Grootaert & van Bastelaer, 2002), the latter of course being the “Holy Grail” of the contemporary development industry.

The overall performance of communities or countries in terms of assets accumulated and opportunities created does however not tell the entire story. As Sen (1983) documented even for the extreme case of widespread famine[s], the development or regress of the overall resource base is, at best, only indirectly related to the effective famine victims: It is not the general deficiency of food supply, but their lack of specific entitlements that is the proximate cause of their death. The capability approach strongly advises us to map these “proximate causes” in much greater detail, so as to find out why it is that some groups can only marginally profit from the available stock of resources. Besides considering availability, it is also necessary to look at the aspects of distribution and differential access. Insights into these issues may be acquired by studying institutions as “the rules of the game” in the allocation of resources, and how they work for or against specific social groups.

However, if we limit ourselves merely to evaluating institutional arrangements in terms of the efficiency and the distributional effects they imply, perhaps the most important side of the institutional coin will remain undiscovered. Interestingly, in the later versions of his approach, Sen actually develops a more instrumental view on capabilities: Enhancing capabilities sustains “the agency role of the individual as a member of the public and as a participant in economic, social, and political actions (varying from taking part in the market to being involved, directly or indirectly, in individual or joint activities in political and other spheres)” (Sen, 1999, p. 19). Thus, he traces back institutional arrangements to capabilities. In such a dynamic perspective, the focus is shifted further upstream, from the mere analysis of the connection between institutional arrangements and access to resources to the detailed study of relations between social actors.
and institutions, which are themselves the result of political struggles fought between the social actors. We therefore have to view institutional arrangements not as independent, exogenous determinants of various capability deprivations, but rather as evolving social constructions.

Some recent work in development sociology is helpful in that it allows us to see institutional arrangements as the result of a complex set of different, historically situated, ongoing bargaining processes among social actors, occurring at different places and societal levels (Bierschenk & Olivier de Sardan, 1998; N. Long, 2001). We would like to highlight three important aspects of this school of thought.

To begin with, according to this literature, the bargaining processes over the organization and rules of access are by no means taking place solely in “political” bodies such as parliaments and village councils that were specifically designed for this task: Every “real” meeting place may be supposed to have a political ring to it. Accordingly, we are invited to analyze an institutional arrangement as a “political arena,” that is, “a place of concrete confrontation between social actors interacting on common issues” (Bierschenk & Olivier de Sardan, 1998, p. 240).

Further, the institutional landscape found in many countries can usefully be described as polyccephalous or pluriform, involving different public arenas, being the product of different historical periods and based on varying meaning systems, rules, and actors (Bierschenk, Chauveau, & Olivier de Sardan, 2000, p. 10). In many Third World countries, it is futile to search for a central institutional realm “where the ballgame is being played,” as, in these countries,

many ballgames may be played simultaneously. In weiblike societies, although social control is fragmented and heterogeneous, this does not mean that people are not being governed; they most certainly are. The allocation of values, however, is not centralized. Numerous systems of justice operate simultaneously. (Migdal, 1988, p. 39)

The processes of institutional creation and reproduction take place in these multiple, complementary, contrasting, and often contradicting social realms. As a consequence, such a view seems to offer a promising alternative in between an undersocialized analysis of institutional arrangements where the “institutional environment” is treated in a ceteris paribus way and an oversocialized account of an all-determining institutional environment that “locks in” future development with an irresistible iron logic (Granovetter, 1985).

In line with this view, we coin the term “institutional landscape” to describe an institutional environment. As is the case with other landscapes, its appearance may suddenly and totally change behind the next corner. The local specificity of a landscape also reminds one of the importance of particular circumstances and personalities. As other landscapes, it is the outcome of several historical periods, but the historical reasons behind a particular institution’s creation are not necessarily informative about its actual purpose and function. This is, after all, determined by the people who actually live in it, and by the role they play, or are prevented from playing, in the political arenas where these functions are negotiated.

Ultimately, this brings us to define “the poor” as essentially those human beings who, for one reason or another, almost systematically end up at the losing end of the multiple bargains that are struck around available resources and opportunities. Concomitantly, poverty reduction has to do with changing “the existing structures of power... to improve opportunities for participation and voice and engaging the hitherto disadvantaged or disenfranchised in the political process” (Bardhan, 2002, p. 202).

(b) Antipoverty interventions and local institutional change

As we have defined the poor as those who systematically end up at the losing end of different bargaining processes, one can almost automatically assume they will be unable to alter their circumstances of their own accord. It is when, for one reason or another, the nonpoor open a window of opportunity to grant greater political leeway to the excluded that their circumstances might change for the better. Although this reasoning would prima facie appear to give much credence to the claim that external interventions are necessary, matters are more complicated than that. The relation between outside poverty alleviators and inside actors is much more interactive, complex, and beyond the control of outside “development planners” (sic) than some self-acclaimed social engineers have suggested. Propoor institutional change is not a simple matter of finding and implementing a new design or applying a “best practice.”
To begin with, we find some value in the claim that development planning is almost inherently self-defeating: Poverty alleviation, like institutional design more generally, might belong to the category of states which cannot easily be produced at will (Elster, 1983; Offe, 1996). Long refers to this difficulty as the central dilemma of development planning: “no matter of how firm the commitment to good intentions, the notion of ‘powerful outsiders’ assisting ‘powerless insiders’ is constantly smuggled in” (2001, p. 89), which is in clear contradiction with the objective to empower the insiders. Thus, writes Clauss Offe, “it is as if the man-made and hence contingent nature of institutional change must be denied and artificially ‘forgotten’” (Offe, 1996, p. 214); as if the project manager wants to hide his or her own hand. Project “ownership”—so important for guaranteeing the sustainability of an intervention—is crucially determined, then, by the capacity of the project planner to present his or her actions as part of a local development agenda.

In the context of access to resources and opportunities, it is the ongoing bargaining over organizational forms and rules of the game in multiple political arenas by social actors working from within the existing institutional arrangements that will (or will not) generate changes to these very arrangements. An antipoverty intervention usually adds a further political arena (centered around new resources and opportunities) to the preexisting institutional landscape. Inevitably, its activities will be articulated to the existing institutional constellations. In this context, Long puts forward the concept of a social interface between both local actors, whose actions and perceptions are structured and constrained by the local institutional environment, and the outside agency with its proper objectives, resources, and constraints (De Herdt, 2003; N. Long, 2001). The way in which this encounter at the interface is structured is an important determinant of propoor institutional change.

Taking into account our above definition of the poor as those who systematically end up at the losing end of the bargains, this implies that antipoverty intervention also fundamentally aims at a change in the existing order in favor of those hitherto excluded or dominated. But how can you do away with the local order and at the same time build on local support? In this regard, Offe (1996) coins the concept of “institutional gardening” to indicate that real-time local complexity might offer some way out of this tough dilemma. The development worker, aiming at beneficial change, could be conceived as wandering around in the complex and varied institutional landscapes to discover an already rich vegetation of inherited, but ever changing institutional patterns, some of which he may protect and cultivate, while others he must weed out. More specifically, development agents,

have to promote and to organize the selection of priorities among the several contradictory (or at least competitive, in terms of means and time) aspirations and claims, each of them being equally legitimate in themselves. They have to manage the contradiction between the ambition to incorporate all the actors (including and above all the marginalized social groups) and the unequal social logics of their interlocutors. (Lavigne Delville & Mathieu, 2000, p. 529)

Such a view might appear to be rather modest in comparison to the ambitious MDGs to be realized by 2015. However, we feel it is the only way forward if we accept Sen’s argument that capability deprivations should be traced back to the existing social structure is politically negotiated. Of course, if an antipoverty intervention is to be conceived as a political space where the existing social structure is developed, contested, negotiated, and rethought, “we should expect an inclusive public sphere to be fairly messy and conflict-ridden, a focus for discontent. That is one of its most important functions. Access to public debate and a valuing of plurality and dispute are core elements of a socially inclusive process” (Mackintosh, 2000, p. 91). The suggestion here is that whatever you do, the way in which you do it might be more important for triggering propoor institutional change. Pursuing the “gardening” metaphor, even the smallest of new arrangements has the potential to gradually invade the institutional landscape, much like an exotic plant species—if successful and adapted to present-day conditions—can rapidly overtake the indigenous species.

However, the above mentioned dilemma and the proposed way out of it make it very clear that poverty reduction is a fairly complex and difficult endeavor, fraught with risks of ineffectiveness and counterproductivity. This “dirty hands” alternative could be situated in between the more pessimistic scenarios and the more optimistic approaches.

A pessimistic hypothesis would have it that antipoverty policy’s fate is almost inevitably to be ineffective in changing anything substan-
tial for the poor. Indeed, one can rightfully argue that

The puzzlement about persistent poverty in the wake of decades (and billions of dollars) of “development projects” is no puzzle at all. The poor remain poor because the institutional arrangements rendered them poor before the development intervention, and there are durable pressures—and nontrivial individuals—to make sure that the mere advent of a “development project” does not somehow upset the institutional arrangements that created the current structure of economic advantage in the first instance. (Bromley, 1998, p. 87)

An evident and already well-documented problem is that of capture of development aid either by a landed, “traditional” elite (Conning & Kevane, 2002; Platteau & Abraham, 2002; Platteau & Gaspart, 2003) or by “downsized” state bureaucrats who have reappeared as NGO-administrators (Platteau & Gaspart, 2003). At their respective levels, they behave like “interface experts” (Hilhorst, 2003) or “development brokers” (Bierschenk et al., 2000), who are able to manipulate and exploit outside intervention as well as local expectations on their own behalf. They exploit the “structural hole” (Burt, 1992) between different lifeworlds to create leverage in order to influence the dynamics of local political arenas in their favor. 1

An optimistic scenario seems to underlie many attempts to engage in participatory development planning (Alkire, 2002; C. Long, 2001). However, mere participation in development initiatives cannot in itself guarantee that the poor will be able to voice their concerns, given the above mentioned polychephalous nature of the institutional landscape. Indeed, unmitigated participation holds the risk of confirmation of the preexisting power structure and often leads to capture by local elites (Cleaver, 2001; Mosse, 2001).

To conclude, there are clearly many reasons not to be too optimistic or too naïve about the possibilities of antipoverty intervention. Yet, we do not believe that excess pessimism is warranted either. Change is taking place every day, and the poor have often demonstrated their ability to grasp opportunities when they are presented to them. All the more reason, then, to look more closely at the real-world complexity of local poverty reduction in order to draw useful lessons on how to create real windows of opportunity for the poor. And this is precisely what we intend to do by analyzing two case studies of poverty reduction programs in Cameroon and Nicaragua. 2

3. CULTIVATING ONIONS IN THE MANDARA MOUNTAINS, CAMEROON

In Cameroon, we studied the local-level institutional embeddedness of a development project targeted at the producers of onions in the Far North province (Abega & De Herdt, 2002). The project was carried out by a Cameroonian NGO (referred to below as “the NGO”) with external funding. Eventually, we opted to study the situation in one of the first villages on which the project had focused its activities: the locality of Moskota in the Mandara Mountains. Located in the region with the greatest proportion of poor people in Cameroon (Government of Cameroon, 2002), the Mandara Mountains may be characterized as a remote rural area (Bird & Shepherd, 2003), not only because of their geographical isolation, but also because the region has—since pre-colonial times—kept a social, economic, and political distance from society at large (Abega & De Herdt, 2002; Van Andel, 1998). Although this region is not considered as a separate entity in statistical reports, one of the most salient data that illustrates its remoteness to date is the fact that the “rural countryside” of the Northern part of Cameroon still has a female literacy rate of just 17%, compared to a national average of 66%. 3

The central idea behind the project was to organize the “poor” onion producers vis-à-vis the supposedly well-organized merchant interests in the onion subsector:

The merchants, with their financial power, are buying almost the whole produce often at a price below the production cost, and sell it sometimes at a price a tenfold higher. The persistence of such a system would result in the small peasants becoming poorer and the rich merchants becoming richer. So the representatives of the producers of the whole province have united themselves during three days, in order to plan actions which will be executed over five years, so as to correct this injustice. (Annual Report, cited in Abega & De Herdt, 2002, p. 44)

As we shall detail below, this citation reveals both how the “external” intervention is to become locally “owned” and how the NGO defines its general political position toward a group of local actors it considers to be very important. The NGO’s general project objective may be seen in the wider context of its striving toward a much broader “peasant movement” that is able to withstand other social pressures against its own interests, and to define a propeasant development policy for
the country as a whole. Here, we focus on subsequent events in one particular locality in order to examine to what extent this general objective was “realized.”

(a) Participatory planning and the rural–urban interface

The participatory planning process that the NGO engaged in with the local population has been used time and again by the organization to legitimize its actions and presence in the field. However, it is apparent that what emerged from this “participatory” process was effectively a blueprint, designed at the level of the province, and put into effect in six different localities. In terms of “local” influence, this was to emerge less through a participatory engagement with the structurally disadvantaged onion growers, than via the relationships that the NGO developed with certain “gatekeepers” to these intended beneficiaries.

The socioeconomic profile of the local persons the NGO was able to contact turned out to be critical. To begin with, the person who represented the locality of Moskotá during the planning process was a laid-off employee from one of the big cotton companies in the village. He was also active in the protestant church and active in politics (formerly voted member of the village council for the ruling party). This profile did not necessarily make him the most “representative” of the poor onion producers; it is rather the profile of one of the most “urbanized” villagers of Moskotá. Further, in Moskotá, the NGO works through the “Union of Onion Producers of Moskotá,” an organization that was created specifically as the local intermediary of the project intervention. Its president sits on the village council as a representative of the ruling party. He is married to one of the only literate women of her age group (30–40 years). Another dominant member of the “Union” is one of the descendants of the local customary chief, and one of the only owners of a formal land title (18 ha, compared to an average acreage of 2.5 ha per household in the same village). It is one of his onion fields that was visited by the members of the General Assembly of the NGO in the margins of their annual meeting at the provincial capital of Maroua. More intriguing still, he is one of the few people participating in the onion trade with Douala, more than 1,000 km South. So as it turns out, he is neither poor, nor a peasant and might even be argued to be one of the “exploitative” traders the project was supposed to counteract.

Overall, the NGO seems to have been in contact predominantly with the local elite, and particularly with those members of the elite who can truly be characterized as “brokers,” operating at the rural–urban interface. Of course, there are reasons to expect this. Nobody from the NGO itself speaks the local tongue, thus restricting the local contacts to French-speaking people, mostly men. All of these people had also had previous “urban” contacts and hence the cultural divide between them and the NGO workers was not too wide. All had spent time beyond the locality, enabling them to master other languages besides their mother tongue, and to familiarize themselves to some extent with the “modern world.” On returning, they felt at ease precisely at the interface between “tradition” and “modernity,” between “past” and “future,” and between “poverty” and “development.” Located at the front door of their village, this elite is able to capitalize on its “urban knowledge” and to “sell” the flow of benefits of this capital to their coresidents, a “brokerage” function that characterizes relations between “urban citizens” and “rural subjects” in Cameroon (Fisiy & Goheen, 1998), and elsewhere (Mamdani, 1996). One of the things to sell in this part of the world is development—or the goods to which one can gain access through development projects. And it is precisely this access that provides them with their position of power.

Unable to proceed without the collusion of those peasants who were at the same time operating as merchants, the NGO objective of uniting poor peasants against the powerful merchants swiftly unravelled. This reveals not only that inequitable forms of representation tend to pervade “participatory” processes, but also that the simplistic understanding of power within such approaches—which divides people into “uppers” and “lowers” (Chambers, 1997)—is incapable of capturing the complexity of local power relations that shape both voice and access to resources. This is particularly problematic if—as we argued above and as Green and Hulme (this volume) also suggest—long-term poverty is socially and politically “arranged”.

(b) The rural–urban interface and the reproduction of poverty

These tendencies were effectively compounded in the credit program undertaken by
Through the same participatory processes, it was determined that motorized water pumps would be distributed as credit, to be repaid over a period of three years, after each year’s produce of onions had been sold. In the case of Moskotà, 27 pumps had been distributed in this way over three agricultural cycles. The program was set up as a group credit, where additional credit to a group was conditional on the in-time recovery of repayments on earlier loans. On the face of it, this strategy was fairly successful. In the words of the representative of the government service that financed the loans, a recovery rate of 85% was deemed “satisfactory.” Though this percentage would be insufficient to recover the whole capital, the representative argued for some leniency, given that the project was also partly an opportunity for peasants to learn about credit, loans, and paying back in time, and given that other types of borrowers were doing much worse.

However, while the state representative’s data suggest a relatively clear and simple story, reality was disconcertingly complex. In particular, the discourse on group credit was rather a pretext to distribute motorized pumps. Interestingly, the concept of groupe de caution solidaire (or group credit with joint liability) was not translated into the local language. In other words, none of the non-French-speaking beneficiaries could have understood how the system worked. Thus, some members of the local elite may have acted as intermediaries who were consciously colluding with members of the NGO to reproduce the solidarity-group discourse while allowing distributing pumps to their in-group. We found that one of the crucial actors in this respect was the representative of a local development association who lived in the region and who acted on the NGO’s behalf in organizing the credit scheme. This actor was a rather archetypical member of the rural elite, in that he combined his NGO contacts with a local political mandate, a religious position, merchant activities, and “ordinary” peasant activities. As the representatives of the NGO did not speak the local language and were not in the field on a regular basis, they were obliged to work through this person, who was prepared to bend the rules in his own favor. Not living in Moskotà, he nevertheless created a new credit group in his own village. All 10 of its members immediately received a motorized pump, although nothing of this was noted in any of the NGO’s reports.

The decision to resolve the problem of water scarcity by means of introducing motorized pumps is further illustrative of the ways in which development resources become not only entwined within but actually dictated by local patronage networks. The use of motorized irrigation did not resolve the problem of water scarcity or poverty. To the contrary, irrigation is documented to have had rather negative effects on the availability of water in the region (Vedeld, 2000). The problem of growing water scarcity would appear to require collective action: for example, collective works might be organized here in order to construct dams or to develop other means by which to delay the draining of rainwater to lower levels as long as possible. However, the introduction of motorized pumps represents a private solution to the water issue: These pumps offer access to water for the private owner (and his clients) only, and also sources of rent. Conversely, people without direct access to motorized pumps face a choice between two unattractive possibilities. Either they refuse to use a motorized pump, in which case they must rely on a manual pump, even though these are becoming increasingly hard to operate effectively given that the ground water level is dropping, or they become a dependent client of a rich motorized pump owner. Thus, the introduction of motorized pumps could be seen as enhancing the patronage networks structured around the local “urban” elite. This case reveals the ease with which local gatekeepers cannot only locate themselves as representatives of poor people within “participatory” antipoverty interventions, and use this position to direct the choice and distribution of resources in ways that support their local patronage networks. Collective action responses to development problems—which would require the development of the type of autonomous civic capacity abhorrent to local patrons—are written out of the equation. To the extent that those who represent the problems of poor people at the local level are also entwined in the socioeconomic relations that perpetuate uneven development, many antipoverty interventions are as likely to reproduce as reduce structural forms of poverty.

4. MICROFINANCE DELIVERY IN QUILALI, NICARAGUA

Our second study focuses on the Valley of Quilali, a poor, rural municipality located in...
the northern interior region of Nicaragua, that was one of the zones with the strongest peasant resistance against the Sandinista revolutionary project in the 1980s. The military conflict ended more than a decade ago, but severe political cleavages between Sandinistas and Liberals persist. Despite a profound program of agrarian reform under both Sandinista and post-Sandinista regimes, as well as intrinsically favorable conditions for intensive small-scale peasant production, the post-Sandinista liberalization of the land, capital, and product markets has produced a strong tendency toward re-concentration of land property by the richer extensive cattle or cattle-corn farmers (Aleman, 2003). This concentration, and thus declining access to owned land, is one of the important determinants of increasing inequality and poverty in the region, since the local land rental markets are shrinking rather than expanding.

(a) Local social interface and access to credit

Within this context, we studied the activities of the Fondo de Desarrollo Local (FDL), one of the larger and most rural-focused of the microfinance institutions in Nicaragua. The declared aim of the FDL is to contribute to a more equitable rural development. For this reason, it is one of the few microfinance institutions that choose to work in sociopolitically problematic as well as poor and relatively isolated rural regions such as Quilalí. Today, the program has a total portfolio of some US$17 million and reaches more than 25,000 clients (FDL, 2004). The FDL adheres to a “best practice” approach in microfinance, and has achieved remarkably positive financial results (ASOMIF, 2003). In part, this result is attained by portfolio diversification, crosssubsidization from the more profitable urban, often micro and female, lending operations and the inclusion of larger loans to richer clients in the rural portfolio. For another part, however, the results depend largely upon the nature of the financial technology and the careful crafting of a legitimate, effective governance structure at the interface of the FDL and the local society. As a consequence, the poverty effects of FDL interventions can also be seen to be closely shaped by local politics. We selected a small purposive sample of four villages trying to capture some of the diversity of the local institutional landscape, and help explain the local politics of distribution.

(b) Local politics and the poverty effects of the credit program

Given the observed dynamics of local land markets, the expected poverty effects should primarily be judged in relation to the opportunities for on-farm intensification as well as on- and off-farm diversification it offers to the poorer strata. Alternatively, one must also verify whether the FDL does not support further concentration of land by providing additional funds to extensive cattle producers. In this respect, it can be observed that overall, the credit system did not decisively counteract the evolution toward increasing land concentration in favor of the larger extensive corn-cattle estates. Contrary to what might be expected from a microfinance institution aimed at promoting equitable rural development, there is no clear-cut strategy to support the opportunities for intensification and diversification of the poorer segments of the rural economy.

Mediation through the local landed elite, the bias in favor of the landed farmers in the perceptions of the promoter and the FDL, as well as the lack of material or social collateral of the poorer strata, helped to direct credit resources toward the already successful medium-sized and larger farmers. In line with other theoretical and empirical analysis of the unnatural tendency toward land concentration in the face of indications of an inverse relationship of scale and productivity (Carter, 2000; Deininger et al., 2003), we conclude that biases in the real-world credit markets (and in the access to other development resources as well) contribute to this undesired result. Despite being an alternative, peasant-oriented credit system, the FDL’s social incentives for the local promoters were not sufficient to counteract these biases. As we could expect from our theoretical analysis above, the poorer strata of potential clients indeed more often than not end up at the loosing end of the bargain in the local political arena around credit.

In this context, it should be noted that the FDL has possibly not fully exploited the opportunities to ally with existing and emerging local organizations of the weaker actors engaged in the current struggles for power in the four communities. However, the degree to which the FDL has or has not found ways to interact with the local leadership of the local poor as well as the opportunities to ally with them also varies strongly from one village to another (Table 1). The nature of local politics indeed also
Table 1. *Local politics and the expected poverty effects of the FDL in four villages, Quilali, Nicaragua*

<table>
<thead>
<tr>
<th></th>
<th>Likia Abajo</th>
<th>Santa Barbara</th>
<th>La Patriota</th>
<th>Tonalí</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of households</strong></td>
<td>150</td>
<td>700</td>
<td>50</td>
<td>250</td>
</tr>
<tr>
<td><strong>Land market history</strong></td>
<td>Limited non-Sandinista agrarian reform</td>
<td>Sandinista agrarian reform</td>
<td>No agrarian reform</td>
<td>Sandinista agrarian reform</td>
</tr>
<tr>
<td><strong>Nature of the social interface</strong></td>
<td>Exclusive contacts with landed elite</td>
<td>Few local contacts</td>
<td>Intermediation by patron-leader</td>
<td>Diversified, high quality contacts</td>
</tr>
<tr>
<td><strong>Outreach</strong></td>
<td>9 Clients—low density</td>
<td>12 Clients—low density</td>
<td>13 Clients—high density</td>
<td>23 Clients—medium density</td>
</tr>
<tr>
<td><strong>Client profile</strong></td>
<td>Biased toward the landed elite</td>
<td>Biased toward the landed elite</td>
<td>Mostly small (corn) farmers</td>
<td>Socially more diversified</td>
</tr>
<tr>
<td><strong>Expected poverty effects</strong></td>
<td>Tends to increase further land concentration and isolation of the poorer producers</td>
<td>Tends to increase further land concentration and isolation of the poorer producers</td>
<td>Supports patron–client dependency and fails to contribute to diversification of the poor producers</td>
<td>Less tendency to increase land concentration—more space for intensification and diversification of poorer producers</td>
</tr>
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*Note: The original names of the four villages have been changed.*
changes substantially from one corner in the institutional landscape to the other. For a brief comparative analysis, we focus upon two variables: (1) the nature of the political divide (Sandinistas-liberals), including the relative strength of the two forces and (2) the degree of hegemony of the local elites (from either political tendency) over their poorer “clients,” related to the continued or contested functionality of local patron–client ties in the context of reconcentration of land and a municipality characterized by significant social instability due to war as well as rapid in- and out-migration.

In Likia Abajo, candidates from among the poor recently got elected to the village committee and thereby replaced the former liberal elite leadership—to which the FDL is connected. Surprisingly, the astute members of the previous committee—almost all of them with an anti-Sandinista background—immediately guaranteed their future access to external resources by forming a “cooperative” which permitted them to ally with local and outside “Sandinista” initiatives. The newly elected committee—also of liberal tendency and therefore allied to the liberal mayor in the municipality—is clearly neither experienced, nor flexible enough to attract external resources. The new committee members had not even thought of the FDL as a potential ally in their endeavors, despite the local economy’s need for on-farm intensification and off-farm diversification of the activities of the poor. Here, pessimism of the elite and the FDL promoter about the lack of economic initiative of the poor converged with a lack of local demand due to self-exclusion of the poorer groups.

In Santa Barbara, the program consciously evaded the local Sandinista elite, which, through its presence in local Sandinista structures, exerts a strong control over most of the external resource flows to the village. This was motivated by concerns about repayment due to prior negative experiences with Sandinista mediating structures rather than being politically motivated. This removed the opportunity for the local elite to further consolidate their power by claiming to have brought these resources to their clients. In this way, the FDL improves the relative autonomy of those (few) peasants having access to credit. However, this still did not automatically change the balance in favor of the poor. Entire settlements of the village were “forgotten” by the FDL as they were considered to be nonviable settlements altogether. Group interviews with rural women uncovered a strong demand for small individual business loans. However, these women are excluded from this and other programs as they lack relations with the landed Sandinista “brokers” who could make them visible to outsiders, but who instead (mis)direct attention from poverty interventions toward the further development of (their) traditional agricultural activities.

In La Patriota, the fact that the program is supported by the dominant local patron leader tends to reproduce and even reinforce the traditional pattern of power relations in the village. Up to now, there has been very little presence of poverty interventions, so local resources have been relatively more important than external resources. With the arrival of the FDL program, however, the local patron has extended his influence to become the key “broker” for the village. There are many poor clients receiving credit in La Patriota, but this tends to be restricted to the working capital for traditional corn production and involves little investment and intensification/diversification activities, and will tend to further increase the dependency of tenants on the patron leader.

The program obtained a more diversified outreach in Tonalí, a village with agrarian reform history that is still dominated by a Sandinista elite that controls most linkages to external development support. Contrary to Santa Barbara, a local liberal elite has however also gained in strength, and the ensuing political struggles have a strong dividing impact on the community. Access to external resources is perceived by local people to depend on political color. The capacity to attract outside project resources to clients in the village thus becomes a crucial asset in the local political struggle. Given the diversified and high-powered personal contacts of the promoter in this village, the FDL avoids a political bias in its operations and also avoids working through the local leadership (of either tendency). Even though the contestation of the elite leadership on both political sides can also be noted here, no clear pro-poor leadership has emerged yet, possibly also because local competition makes patron–client relationships function relatively better for the poor. Given the crosscutting presence of the FDL and its direct connection to individual clients, it might contribute to loosen control of the local patrons over their clients and make a positive contribution to the reduction of local segmentation and to political reconciliation.
This short comparative analysis shows the interconnectedness of different “political arenas” in the villages: In this case, the FDL as a potential source of capital is linked to the struggle over the control of local political institutions, in particular the “village committees” and the municipality. Control over the “political arena” around the FDL is indeed an asset in the local political struggles sensu strictu, while the nature of the local political field conditions the way the FDL functions. This interconnectedness also hints at the fundamental reasons why the poor always end up at the losing end of the multiple bargains relating to resources and opportunities. The finding can also be related to our theoretical proposition that the process of institutional change can be triggered from any entry point into the local struggles over resources and rules of access and participation. Credit institutions such as the FDL can indeed contribute to broader political change both by short-cutting patron–client intermediation in access to outside resources and—if possible—by allying with the local propoor leadership, while avoiding clientelistic intermediation that would transform them into new patrons (see also Bastiaensen, 2002).

5. THE CAMEROON AND NICARAGUA CASES BRIEFLY COMPARED

Both cases abundantly illustrate the complexity and diversity of both the local institutional landscape and the way in which an external intervention interacts with the “field”. Another political “arena” is seen to emerge around the development intervention, where the NGO itself is just one of the actors involved, but where the game seems to be played predominantly by the local inhabitants. One of the more subtle battles fought in this arena has to do with discourse. In Cameroon, for instance, the intervening NGO believed it had unequivocally defined its area of intervention: the village of Moskota. However, even this simple claim turned out to be contested. Indeed, the entity “Moskota” refers to a particular, administrative interpretation of local reality that is by no means shared by all people, since assuming Moskota as a unity would delegitimize the authority of some customary chiefs. Another facet of the contested geography is the fact that the official village limits do not seem to stop the spread of motorized pumps to a neighboring village. In the same vein, some crucial operational concepts such as “credit groups” appeared to be virtual and not refer to social realities on the ground. A situation without too disastrous a consequence in terms of repayment—at least after pressure from the outside NGO—but with a debatable impact in terms of the real beneficiaries of the credit and the motor pumps bought with it. In the Nicaraguan case, local diversity shows up in the substantial differences, in terms of agrarian and social structures, that we found in four villages belonging to one and the same municipality. These differences as well as the personal characteristics and histories of the “outside” credit promoter clearly determined the cards which he held in his hand.

A first pitfall concerns the problem of capture. In the case of Cameroon, where we considered a relatively traditional project intervention involving higher levels of subsidies, the main problem observed was manipulation by local “nontrivial” persons and thus capture. Interestingly, these persons were to be situated somewhere in between the two categories of aid-rent seekers identified by Platteau and Gaspart (2003): In between the “landed,” “traditional” elite and the urban “downsized” development brokers, a category of rural–urban intermediaries seemed to play precisely on the discontinuities between the local and the urban worldviews, and the NGO intervention was just one of the external resources they were able to capture.

By contrast, the more entrepreneurially oriented credit operations of the Nicaraguan FDL apparently leave a much narrower margin for manipulation by local “nontrivial individuals.” First of all, its service is relatively expensive and the credit upwardly limited, making it much less attractive for the local elite to capture it for its own direct benefit. Furthermore, the need to be sustainable in the credit operations itself imposes a stricter discipline in client selection and contract enforcement. Thus, capture is less of a problem here. The issue is rather how to construct a viable governance structure between the envisaged clients and the FDL, that is, to create mechanisms that allow an appropriate selection of clients and to generate incentives and credible threats of sanctions that guarantee adequate repayment, knowing that all this requires an articulation with local patron–client relationships. Showing the local specificity of this challenge and its solutions makes the Nicaraguan case quite instrumental in highlighting what we understand by
“institutional gardening,” that is, both building on a variety of local contacts and trying to bargain in order to open up a sustainable access to commercial credit for the excluded.

A second pitfall concerns the choice of a participatory approach. Together, the two cases nicely illustrate the paradox of participation. It is relevant in this respect to observe that the Moskota-intervention—where capture was more of an issue—relied much upon ex ante “participatory” (sic) identification of the project. In retrospect, this seems mostly to have served the need to legitimize the project vis-à-vis the donors and peer NGOs rather than vis-à-vis the grassroots level. One can conclude that, during the implementation phase of the project, too much field-level autonomy was granted to a limited number of mediating “nontrivial” members of the local communities. The fact that the personnel of the NGO lacked local language skills contributed to a weaker capacity to manage the subtleties of local social relations. Ideologically, the NGO in part adopted this strategy in the name of the ideal of local self-determination. The Nicaraguan FDL clearly manages its operations in a much less participatory way. In this respect, its own institutional history is quite interesting, since it started with very similar ideals of local village self-determination and initially consisted of a network of semiautonomous village banks. Local autonomy, however, resulted in low repayment rates, nepotism, and sometimes outright corruption on the part of the local leaders—directors as well as severe political and religious biases, that is, exclusion of local networks that did not belong to the social realm of the dominant leadership (Bastiaensen & D’Exelle, 2002; Rocha, 2002). Building enterprise loyalty and strict monitoring-cum-rewarding performance of local promoters, with an evident, although biased knowledge of the communities, give it a much stronger capacity to manage local representatives in line with its own objectives, e.g., through the inclusion of more and smaller clients.

6. CONCLUSIONS

In this paper, we proposed to look at poverty in terms of the absence of opportunities for participation in the political processes shaping the institutional landscape. This view is not incompatible with more traditional definitions of poverty in terms of capital or capability deprivations, but it directs attention to the policy processes that produce and reproduce capital depletion and deprivations, and thereby focuses on propoor institutional change in poverty reduction efforts. We set out to discuss two case studies on specific antipoverty projects in two regions we may characterize as pockets of chronic poverty. In Cameroon, we analyzed the local institutional dynamics triggered by an NGO-led project to stimulate the production and commercialization of onions. In Nicaragua, we considered the activities of the local promoter of a microfinance program to provide credit to the poor.

In both cases, the evidence pointed to the crucial importance of what happens at the interface where the external intervention meets the local actors. Both the Nicaraguan and the Cameroonian cases are examples of interventions that converge with local elite networks with the effect that the project promoters did not even notice that the flow of funds destined to the poor ultimately reproduced the local structures of poverty. This was due both to the promoters’ own conception of development and to their local counterparts’ eagerness to deflect resources and to incorporate them into their own strategies. In relation to the former, the organization’s declared objectives, rules, and incentive structure seemed to be equally influential as less visible aspects such as the promoter’s social identity, his or her past experiences, and network of acquaintances in the region. This serves as an acute reminder that development as intervention inevitably becomes entwined with and frequently redirected by the underlying processes of politics and development (Cowen & Shenton, 1996) that ultimately shape long-term impoverishment.

Following this general warning not to be naïve about the complexity of the political arenas in local communities, some useful conclusions may also be drawn for the management of the development industry, which is today engaged in poverty reduction strategies worldwide. If indeed a crucial level of the political struggle against poverty is to be waged at the local level, “where things become complicated,” one of the implications is that, instead of proposing an additional checklist to include within the Project Cycle Management process, we would argue for politically astute project managers operating at the field level and capable of permanently engaging in the kind of fine-tuned engagement with local politics and institutions that we have described as institutional gardening. It cannot be expected that
outsiders will develop serious political leverage within a time-span of a few years. “Permanent engagement” is to be understood quite literally, we fear. It might also be one of the more credible alternatives to acknowledge oneself as an important local political actor.

NOTES

1. More subtle institutional obstacles may also be encountered. Certain inherited patterns of social organization, such as the dominance of patron-client relationships, might make it difficult or impossible for an outside intervention to relate appropriately with their intended poor beneficiaries (Bastiaensen & D’Exelle, 2002).

2. In designing the research procedure, we combined some methodological literature on case studies (Bierschenk & Olivier de Sardan, 1998) with “expert” but experiential research knowledge. Though the research procedure was thus “common” to both cases, the procedure itself was defined in a sufficiently “open” way, so as to allow for site-specific opportunities and difficulties. We subdivided the fieldwork into three phases. During the first phase, we tried to map the institutional elements of the locality in terms of their salience as determinants of capability deprivations. The second phase was an informal and unstructured seminar, which served mainly as a preparation of the third phase, during which more focused research hypotheses were analyzed with specific research methods. We invested nine person-weeks in the fieldwork.

3. Data are from Unicef’s latest MICS-surveys: http://www.childinfo.org/MICS2/newreports/cameroon/CAMEROOUNtables.pdf. This survey details information for the three Northern provinces (Adamaua, North Province, and Extreme-North Province) taken together.

4. The tendency toward land reconcentration in the cattle region of Quilalí is also observed in other regions of Nicaragua, even when the process is varied and the resistance to distress sales by poorer farmers generally strong (Deininger, Zegarra, & Lavadenz, 2003).

5. For a detailed account of the institutional history and analysis of the FDL, see Bastiaensen (2002).

6. Local credit promoters (and their personal history and characteristics) play a crucial role in crafting this social interface at village-hamlet level. Even when operating within the policy and rule framework of the FDL, the local promoter has in fact substantial discretionary power in deciding whose credit demands will be met, provided she/he maintains adequate standards in terms of repayment. It should be noted that it is also “at the interface” that the local legitimacy of the “legal” contract rules has to be created and guaranteed. In doing so, a kind of transversal connection between different sociocultural realms in the polycephalous institutional landscape is articulated around the credit institution. It is fundamentally through this process of reassembling social relations and “rules of the game” that the credit institution engenders a process of institutional innovation. As we indicate below, the diversity of the local institutional landscape will inevitably make this “institutional reassembling” diverse and locally specific, which of course also explains why rural credit provision is so difficult.

7. Until recently, the promoters’ father owned and lived on a large farm in a neighboring hamlet so that the promoter is well known and respected in the village. Furthermore, the promoter has been active in the local school committee and more importantly in the local peace commission after the war. The latter gave him the opportunity intensively to relate to people from all “sides” during the initial transition from war to normal lives in the community.

REFERENCES


