

This document is provided under the UK Open Government Licence for public sector information: <http://www.nationalarchives.gov.uk/doc/open-government-licence/>

Simple is Practical: Approaches and Realities
for Project Selection for
Poverty - Focussed Rural Development

by
Robert Chambers
Institute of Development Studies
Sussex

Paper submitted to the Symposium on "the Implications of Income Distribution and Employment Objectives for Project Appraisal and Identification", jointly organized by the Kuwait Fund for Arab Economic Development, Ministry of Overseas Development (U.K.) and the Institute of Development Studies (Sussex).
Kuwait, 5 - 6 April 1977.

SIMPLE IS PRACTICAL: APPROACHES AND REALITIES FOR PROJECT
SELECTION FOR POVERTY-FOCUSSED RURAL DEVELOPMENT

Robert Chambers

Contents

Approach

Rural Realities: Problems and Opportunities

Obstacles to a Poverty-Orientation

the needs of donors

the big project trap

complexity, dependence and delay

the pre-emption of administrative capacity

Solutions: Simple is Practical

decentralisation

simple procedures

life styles, learning and judgement

Appendix A: The Carruthers/Clayton Economic Decision Matrix

Appendix B: A Poverty Ranking Method for Rural Projects

Appendix C: Village-Level Cost-Benefit Budget: An Example
of a Change from Bullocks to Tractors

References

Simple is Practical: Approaches and Realities for Project Selection
for Poverty-Focused Rural Development¹

I. APPROACH

This paper takes as its point of departure the rhetoric of donor agencies and of national plans which requires a high priority for rural development, and especially for rural development that will benefit the poorer rural people. It is concerned with project selection, both in theory and in practice. It takes "project selection" to include identification, design, appraisal and choice. It does not tackle issues of radical redistribution, for example through land reform, vital though that sometimes is as a precondition for major help to poorer rural people. The focus is more on the options open to donors than to recipient governments, although much of the argument applies to both.

A persistent problem in thinking constructively about project selection for poverty-focused rural development is the temptation to start with appraisal methodology. In particular, the corpus of literature on cost-benefit analysis is accessible and intimidating and carries authority by sheer weight and frequency of mutual citation. It is a struggle (partially lost below) to avoid criticising CBA when one should be proposing constructive alternatives. It is a struggle to see that the right starting point is not the library but the village, not the means but the end, not the methodology of appraisal but the poorer rural people. Starting from them instead of from the cost-benefit paradigm, and trying to see approaches designed primarily to help them rather than to consummate the conditioning of economists, leads away from complexity and towards the conclusion that simple is practical.

1. I am grateful to Richard Jolly for comments on an earlier version of this paper. Responsibility for the views expressed is, of course, mine alone.

II RURAL REALITIES: PROBLEMS AND OPPORTUNITIES

The poorer rural people are hard to reach and hard to help. They are typically unorganised, inarticulate, often sick, seasonally hungry, and dependent on local patrons. They are less educated, less in contact with communications, less likely to use government services, and less likely to visit outside their home area than their better-off rural neighbours. They are often especially concentrated in areas remote from urban centres. Further, they are relatively invisible. Urban-based officials and foreign experts alike can easily, as "rural development tourists", make rural visits without either seeing or speaking to the poorer people. Residentially, they are often separate. A week could be spent in South India visiting villages without ever entering one of the harijan colonies where many of the very poorest live. In parts of Africa, roadside elites are emerging as the richer people buy up the more desirable plots beside the roads and build good houses there, while the poorer people increasingly shift away out of sight. Visitors tend to see, to meet, and to interact with, only the more influential and better off rural people.

As though these were not obstacles enough, there is a notorious tendency - the "talents effect" (Pearse 1977) - for the rich to get richer and the poor to remain as they are or get poorer. Projects and programmes for rural development are again and again captured by rural elites for their own advantage. Credit goes to the credit-worthy who are those who least need it. Subsidised inputs supplied through a co-operative are monopolised by the leaders of the co-operative who are the better-off people to start with. There seems to be a general law that the more money has to be spent in a rural development programme and the shorter the period in which that money has to be spent, the more likely it is that the rural elite will benefit disproportionately.

The selection of poverty-focused projects has to take account of these realities. Approaches which generate livelihoods, which create rural labour demands, which provide services to which all have access, or which enable poor people to support one another and to organise themselves in groups, will usually be preferred. Some large projects which distribute or redistribute productive assets to poor people (including some irrigation and settlement projects)

may score well. But many of the most effective initiatives will look very different from traditional large high-capital projects. They may emphasise institutions. They may combine high-risk experimental approaches with replicability. They may involve, for example, forms of agricultural organisation for small farmers, or for landless labourers, or for women; or procedures for recruiting smaller farmers for farmer training courses; or the development of alternative sources of income for landless agricultural labourers in the off-season; or improvements in the management of irrigation bureaucracies; or the provision of mobile services for nomadic people. In these and other cases, local-level institutions and procedures are likely to have a central importance.

In future it seems that many of the most effectively poverty-oriented rural projects will in practice be

- (i) small. Even where a programme, for example for building rural health posts, may be quite large, its component projects may be small;
- (ii) administration-intensive rather than capital-intensive. The amount of administrative input per dollar expended will be high;
- (iii) difficult to monitor and inspect. Many of the most effective programmes will be highly dispersed, and will often involve actions like the formation of groups or the construction of small items of infrastructure which are not easy to inspect;
- (iv) slow to implement. Dispersed construction faces logistic problems; scattered staff are difficult to supervise; remote areas are difficult to reach; local participation (so widely advocated but so rarely analysed) implies going at the people's pace;
- (v) not suitable for complex techniques for project appraisal. Geographical dispersal, uncertainties about implementation, low project costs, and the large numbers of projects combine to make standard complex techniques for project appraisal both expensive and inappropriate.

If this is where many of the needs and opportunities lie, much of the aid and investment process appears still to point in other directions. A gap yawns between the rhetoric of poverty-orientation and the reality of project appraisal and implementation. To understand this, we must turn to some of the obstacles to an effective poverty-orientation on the part of governments and, more especially, of donors.

III OBSTACLES TO AN EFFECTIVE POVERTY-ORIENTATION

The obstacles discussed below are by no means a complete list; but they do comprise some of the more serious difficulties which relate directly to project selection.

1. The Needs of Donors

In contrast with the rural poor, the rich donors are well-organised, articulate, educated, concentrated in urban centres, and above all powerful. Their needs are many and various. They include a need to satisfy themselves that their funds are being "well-spent" as well as a need actually to spend them. The poverty-orientation of many donors in recent years has produced a crisis in which it has become rather difficult to spend some aid budgets on desirable projects. There is a common lament that poverty-oriented projects are scarce. Donors compete with one another to aid a few favourite poverty-oriented countries, and in other countries to support the few poverty-oriented projects which can be found. But as the need to spend persists and even becomes more acute, donors are still impelled to prefer projects which are

- (i) large
- (ii) capital-intensive rather than administration-intensive
- (iii) easy to monitor and inspect
- (iv) quick to implement (using foreign skills where necessary)
- (v) considered suitable for complex techniques of project appraisal.

These preferences are reinforced by some of the writing about development. Economists have tended to pay more attention to large than to small projects. Large projects are more familiar to

economists from industrial countries; funds, at least in the past, may have been more readily available to study them than to study small projects; data from them may have been more accessible; and they have lent themselves to conventional methods of ex ante appraisal and ex post evaluation. Thus 28 out of the 29 projects analysed in John A. King's Economic Development Projects and Their Appraisal (1967) were for major infrastructure; and although his analysis was far from conventional, Hirschman's eleven cases in Development Projects Observed (1967) were all large-scale. Roads, power, multi-purpose valley development, industries like cement, paper and steel, and large agricultural or irrigation projects, have tended to be the most visible, the most prestigious, the most visited and the most written about. More recent studies, such as Uma Lele's The Design of Rural Development: Lessons from Africa (1975), although still examining some large projects, have shifted attention towards smaller, more scattered and decentralised initiatives to reach and help the rural poor. The question is whether donors and recipient governments can and will similarly shift their sights and priorities so that deeds follow words.

2. The Big Project Trap

The shift is difficult because interlocking forces bias donors and recipient governments alike towards large projects. The reasons are a commonplace. For some donors, big is beautiful because big is bankable: pressures to spend aid funds are best overcome through large infrastructural projects. Such projects tend to have a high import content, which pleases industrial donors. They are usually highly visible and photogenic which pleases political leaders and civil servants alike. They are professionally challenging. They provide opportunities for corruption. They provide contacts for local professionals and civil servants which may make it easier for them to join the brain drain to the richer world. Consultant firms throughout the world find large projects a source of profitable employment. Implementation can be assured where necessary through the use of foreign skills. And such projects lend themselves to complex methods of project appraisal which can give an appearance, at least, of respectability to the decision to invest.

Because of the conjuncture of all these forces, big projects can be a trap. Moreover, the teeth of the trap may close much

earlier than is commonly realised. Irreversibility of commitment, whether by recipient or donor, whether by politician or civil servant, does not feature much if at all in the literature of project appraisal; but by the time a formal project appraisal is complete, the decision to invest may already effectively have been taken, rendering appraisal largely irrelevant.

To the extent that big projects are needed to support or complement poverty-oriented programmes, or to the extent that, as with some agricultural settlement and irrigation projects, they are directly poverty-oriented, there may be situations where the big project trap is not too serious. But there is always a danger that a big project will divert resources (including administrative resources) and attention away from other better projects or activities. A spectacular example is provided by the Tarbela dam in Pakistan, estimated to cost \$1.2 billion. It has been calculated that the water it will make available to irrigators will be less than one third of what might be saved for a fraction of the cost through improved management of existing irrigation in Pakistan. This appears to be a case where a highly visible and prestigious project has focused attention in the wrong place, away from less spectacular but much more rewarding alternatives. More generally, big projects may provide diversions which make it easier to avoid grasping the nettle of rural poverty. If the metaphors can be forgiven, in the 1960s, large projects were sometimes described as white elephants which became sacred cows. With the poverty-orientation of the 1970s, they may now often be red herrings.

Complexity, Dependence and Delay

A further obstacle to effectively poverty-oriented projects is the complexity and obscurity of some of the more elaborate, and supposedly sophisticated, methods of appraisal. Whatever has happened to the economies of the poorer countries, the literature of project appraisal has long since taken off into self-sustaining growth. Its density and mass exert a gravitational pull on scholars and practitioners alike. Some of them appear to be prisoners of the paradigm of social cost-benefit analysis. Those whose inclinations are more academic can spend a lifetime criticising and elaborating the method, a safe occupation since there can be no danger of its

imperfections ever being fully reformed; and those whose inclinations are more practical can spend a lifetime practising their art, secure in the knowledge that their academic colleagues are ensuring an increasing demand for their services. As more and more objectives and considerations are added (through employment and income distribution to nutrition and women; and what about irreversibility of commitment, or administrative capacity as a scarce resource?) the process of appraisal becomes more laborious. One may observe with awe the inadvertent prudence of international economists: for as employment declines in the industrial countries, they ensure a rising demand for their services in the third world by inventing and insisting on the use of techniques of project appraisal which are more and more complex and labour-intensive.

Any evaluation of a method of a project appraisal should, however, be based not on its appearance or on the theory of how it should be applied, but on what happens in practice. It is here that the analyses of those who approach from the standpoints of political science and public administration (such as Caiden and Wildavsky, 1974, and Self, 1975) have much to contribute. In practice, and especially with big projects, very powerful political and personal forces can be at work. Three examples reported to the writer can illustrate what may happen. In the first, a multilateral agency was anxious to fund a livestock project in a certain country. The appraisal team calculated an internal rate of return of 11 per cent. The headquarters of the organisation cabled instructing them to make it 15. In the second case, an appraisal team, after months of work on an electricity project, visited the Permanent Secretary and informed him that the rate of return would be 9 per cent. They were told "come back tomorrow when it is 14". In the third example, an economist himself used cost-benefit analysis as a political tool. When working for a consultancy firm he decided that a project was undesirable. The engineers in the consultancy firm had, however, told him that they wanted a high rate of return. His response was to devise and use a complex system of probability distributions which the engineers could not understand, and which under almost all assumptions came out very unfavourably. The engineers, however, had the last laugh since they took the highest of all the rates of return, and recorded blandly in their report that the project could achieve a rate of return "as high as" that figure. It is of course a matter of judgement how widespread such practices are. But it is

noteworthy that the OXFAM Handbook for its Field Directors warns that "The danger of using shadow prices is that they may be over- or under-estimated in order to justify projects to which the appraiser feels personally committed". (1976:5)

What happens in practice may then be ironic. Complex and supposedly sophisticated project appraisal techniques have been developed with the aim of making decision-making more rational. Paradoxically, their effect can be the opposite. As Carruthers has written in a critical review of Squire's and van der Tak's Economic Analysis of Projects (1975), "A practice has not much to recommend it if the working of the method and the decision criteria are not evident to the decision makers". Further, precisely because the techniques are obscure and rest on judgements which are matters of opinion, they are known by decision-makers to be manipulable. Far from defending appraisers from political pressures, they expose them all the more. The dangers of abuse would be less if appraisal methods were more open to inspection and more intelligible.

Further, complex procedures contribute to and sustain dependence and delay. The combination of pressure to find projects, of shortage of good projects, and of the demand of donors for complex appraisals, creates a crisis. The response of many international agencies is to intervene in project preparation. But as Rondinelli has argued in his examination of the World Bank, USAID and UNDP

"The direct intervention of international agencies in project preparation is in part a response to the severe deficiencies in planning and project analysis skills in developing nations, but the 'deficiencies' are, in a sense, artificially created by the complexity of international procedures. Project preparation guidelines are designed to ensure that proposals are compatible with lending institution policies, procedures and requirements; and as such have become instruments of control rather than of aid. And as those procedures become more numerous and complex, further demands are placed on the limited planning and administrative capacity of developing nations, making them more dependent on foreign expertise ... the imposition of international requirements ... may in fact, have aggravated the problem of preparing relevant and appropriate investment proposals." (1976a:3)

Those in the would-be recipient countries play the game. They go in for "window-dressing". In Ahmad's words

"It is the general feeling in most developing countries that the more technical and complex the presentation, the more the use of shadow prices, tradeoffs, engineering coefficients, convincing evaluation of investment criteria, the better the chances of finding a bilateral or multilateral donor" (1975:85)

The demands for such data affect poorer countries adversely, since those are the countries which find such data most difficult to generate. Donors too respond by concentrating their attention in ways which reduce benefits to the poorer countries and to the poorer people within countries. According to Rondinelli again:

"The limited staff time within aid agency headquarters leads to a preference for large projects in developing countries with better project preparation capabilities or with access to technical consultants, than for smaller projects in poorer countries with limited preparation capabilities." (1976a:20)

There is thus a malignant syndrome of quasi-sophistication. Donors bring to bear "an imperious rationality" (Rondinelli, 1976b) on recipients, even when the complex operations entailed have been rejected in donor countries themselves (for an example of rejection in Canada see Laframboise, 1971; for a supporting argument from Kenya, see Chege 1973). The complex procedures delay projects. Delays to projects increase pressures for donors to spend. Pressures to spend exert biases towards the less poor developing countries, towards larger projects, towards urban areas (Lipton, 1977), towards the more accessible rural areas, and within rural areas, towards those who are better off. In short, complex procedures divert development efforts away from the poorer rural people.

The Pre-emption of Administrative Capacity

Again and again administrative capacity - the capacity to get things done - emerges as a preoccupation. It is, indeed, often the most critically scarce resource (Chambers 1969, 1974:152). Problems of implementation, above all in the rural sector, are an almost universal lament. Lele (1975:176) concludes from her study of rural projects in Africa that the most important factor in limited effectiveness was the "extreme scarcity of trained local manpower". The shortage of good rural projects is often a crippling impediment. The capacity to spend is often severely limited. In Botswana, in the three years from 1973/74 to 1975/76,

the Ministry of Agriculture was able to spend only 30 per cent of its development budget. The capacity to implement is often a far, far scarcer resource limiting achievement than any other factor; but the implications of this widely recognised fact have apparently not been incorporated in project appraisal.

Three aspects of the scarcity of administrative capacity deserve attention. First, managerial and technical skills attracted to a project may have a very high cost indeed in terms of benefits foregone elsewhere in the economy. The ODA Manual has a significant line: "The supreme importance of good management for the success of a project must always be kept in mind" (1972:23). The recurrent danger is that donors will insist on recruiting high-level nationals to manage projects, removing them from key posts of greater importance. This cost does not feature in Little and Mirrlees, who list land, labour, capital, foreign exchange and savings among their scarce resources, but not administrative capacity (1974, chapter 3). The nearest they come to considering it is in the shadow pricing of skilled labour (pp. 229-231). They write "If there is a shortage of skilled people (and for many categories of skills this is true and likely to remain true for some time in the case of many developing countries) then ... one cannot do better than ask what employers are willing to pay for the relevant skills". The accounting price would then be the price which would eliminate any excess demand for such skills (*ibid.* 231). And they conclude that "it does not seem to us that very much time should normally be spent on contemplating the problems raised in this section". But against this, in a small developing country in particular, the removal from his post of one key national may have a cost in terms of development foregone which will be very high indeed.

Second, administrative capacity is not very elastic. A government organisation used for one programme may not be capable of simultaneously carrying out another. Demands for information may have high costs in other staff activities foregone. The introduction of a programme for agricultural credit to be implemented by an extension service may appear desirable, but may be anti-developmental because of the other extension activities which it crushes or pre-empts. In Mwanza District in Tanzania, to take a concrete example, the arrival of tractors diverted agricultural extension staff from a promising

programme for improving cotton production among the generality of farmers to a narrow programme of mechanisation. Not only was the mechanisation a failure, but much more seriously, the potentially very high benefits of the extension programme were lost (Chambers 1969).

Third, the time of economists and planners is itself a scarce resource. Cost-benefit analysis has costs and benefits itself. But remarkably a survey of some of the texts on project appraisal (McKean 1958; King 1967; Harberger 1972; ODA 1972; OECD 1973; Little and Mirrlees 1974; Squire and van der Tak 1975; Irvin 1976; Bergmann and Boussard 1976; and Scott, MacArthur and Newbery 1976) reveals that they concentrate almost exclusively on procedures of analysis and their presumed benefits while ignoring or not considering in any detail the costs of carrying them out.¹ Some economists appear to have either a mental block or a becoming modesty when it comes to costing their scarce selves. But only when they are able to treat their own time as a scarce resource will they be able to make good decisions about optimal levels of complexity in project selection. An honourable and important exception is provided by Carruthers and Clayton (forthcoming). Not only do they evaluate project appraisal from the point of view of the demands it makes on skilled effort, but they also examine the potential benefits from alternative uses of that capability. They write

"... It is not completely cynical to say that elaborate and superficially impressive appraisal techniques present an aura of spurious accuracy which imbues decision-makers with a false sense of confidence when selecting projects. Moreover, the laborious process of shadow pricing, according to the manuals, absorbs an undue amount of skilled effort while ex-post evaluation reveals that the factors which determine project success or failure are not primarily related to these aspects of planning." (*ibid.* 9-10)

They recommend a system of appraisal using a decision matrix (Appendix A) and simplified calculations, and suggest that this would release capability which could give greater attention to neglected technical and economic issues, such as the forecasting which is so important in agricultural projects.

1. Squire and van der Tak do, however, briefly consider the costs and benefits of their proposals. They believe that the benefits justify the costs, but note nevertheless that "the initial cost of transition to the new methodology is substantial, since users must become familiar with the new techniques, and initial estimates of country parameters for shadow-pricing must be built up" (1975:10).

Even if it is recognised that administrative capacity is often the most constraining resource - more constraining than finance - it would be both difficult and undesirable to try to incorporate it in conventional appraisal methods: it would be hard indeed to give it a shadow price. If, however, it is not considered, then decisions will be taken on unreal assumptions. A project may appear to give a good rate of return when appraised conventionally, but a negative rate of return if the costs of the administrative capacity it pre-empts are taken into account. If procedures are simple then it is easier to weigh factors such as this. One possibility is to add administrative capacity to the decision matrix proposed by Carruthers and Clayton (Appendix A), while recognising that it cannot easily be expressed in numbers and that its assessment must be a matter for judgement and commonsense rather than counting.

SOLUTIONS: SIMPLE IS PRACTICAL

This examination of the obstacles to a poverty-orientation in project selection for rural development suggests that complex is often crude; and that true sophistication is to be found in simplicity. For the many rather small projects which are an essential part of any poverty orientation, methods of selection are needed which are simple, open to inspection, intelligible, and sparing in the scarce skills and time which they demand.

Three thrusts are suggested. They have a common direction towards simplicity - in decentralised administration, in procedures, and in the experience of officials - as a means of improving project selection for poverty-focused rural development.

(1) Decentralisation

Poverty-focused rural development requires changes of direction and emphasis. It is true that major infrastructure in the form of roads and other communications, storage facilities, and the like are often a necessary precondition for or complement to smaller projects. But since large projects are relatively easy, much more attention has now to be given to smaller, lower-level initiatives. The sheer volume of identification and appraisal work that these entail could

easily drown central government and aid agency officials. There is already a sad history of district-level planning in many countries and regions (Kenya, Tanzania and Zambia for their Second Five Year Plans, and Tamil Nadu in 1973/4) in which many projects have been worked out in the districts and submitted in long heterogeneous shopping lists to the centre, only to be ignored because of (a) the poor quality of the submissions, and more importantly (b) the impossibility of handling so much detail. The results have been disillusion among field staff, political embarrassment at all levels, and high stacks of mouldering documents gathering dust on the shelves of offices. For the future, the only way forward on any scale appears to be through effective decentralisation.

For such decentralisation to work, financial discretion has to be given to staff at the local level. One pattern which deserves serious trials where it does not yet occur is a block grant system in which each financial year a sum of money is made available to local-level officials to spend at their discretion on projects which accord with centrally determined guidelines. These guidelines can stipulate that the main beneficiaries of projects should be poorer rural people. Experience with block grants has already been gained in East Africa (Collins 1974, Chambers 1974: 94-100). There are of course dangers of misallocations and of corruption. But prudent and cautious accountants and auditors always seem to distrust local-level officials. The distrust becomes self-validating when those officials are given little discretion and thus little opportunity to demonstrate their capabilities. In many countries, field staff constitute a major, very expensive, and seriously under-utilised resource. Only by giving them more discretion and resources can they realise their potential. Donors who do not have a local cost constraint are particularly well placed for this sort of assistance.

With decentralisation combined with central guidelines, the administration-intensive processes of identification and preparation can be undertaken by the often under-utilised local-level staff. Central government staff, including planners and economists, can have monitoring and training roles which are much less exacting than attempting identification and appraisal themselves. And many more small initiatives can be undertaken to the benefit of the rural poor.

(2) Simple procedures

An essential part of any poverty-focused rural development is the devising and use of simple procedures. There appears to be an almost universal tendency for procedural overkill. Procedures are almost always additive: new ones are introduced, but old ones are not abolished. Procedures drawn up by committees, or through consultation with various people or departments, tend to be longer and more complicated than those drawn up by one person - and any tendency for more participative management reinforces this. It is often safer to add a requirement for an additional item of information than to leave it out. Promotions go to bright people who can answer questions, and not to those who say "I did not consider the costs of collecting the information justified the benefits of being able to answer your question - Sir!"

A first step is then to have the courage not to know. Put differently, it is important to be vulnerable to criticism for being simplistic. Optimal simplicity will usually appear naive.

Simple procedures bring decisions into the open. As we have noted, one reason why social cost-benefit analysis is so exposed to abuse is that it is obscure. It is easy, and is known to be easy, to adjust discount rates and shadow prices to produce a wide range of results. Rationality may be best defended through selection procedures which can easily be understood by a non-economist layman.

Several simple procedures can be suggested:

(i) Poverty rankings

The key here is to identify the crucial questions which need to be asked, and then to present answers in a form which is clear enough to be argued out. One example is the poverty-ranking for rural projects which has been suggested for Botswana (see Appendix B). This procedure has been designed to force officials to ask and answer directly the crucial "who benefits?" question. In the example of a veterinary quarantine fence, it immediately shows that this particular rural project will most directly benefit relatively rich people who live in towns and large villages more than the rural poor. A crude and simple procedure like this which should by no means be time-consuming, should force officials in an originating ministry (or

with decentralisation it could be in a regional or district administration) to think about and state who they consider the main direct beneficiaries will be. The approving ministry can then argue out the rankings and the originating official or ministry must be prepared to defend them. The system should affect the thinking, behaviour and choices of those who identify, design and select projects, with benefits to the poorer rural people.

(ii) Checklists

Another approach is to use checklists. Two examples of checklists of questions and considerations in project identification and appraisal are given in:

- (a) the UK Overseas Development Ministry's A Guide to Project Appraisal in Developing Countries (ODA 1972)
- (b) the Government Affairs Institute's Managing Planned Agricultural Development (1976: XI-15 - XI-29).

There are always dangers that checklists will become too long and elaborate. But if they are drawn up with care and restraint, they can reduce the dangers of omitting important considerations without making appraisal unduly laborious. There is scope for more short checklists.

(iii) Listing costs and benefits

If some sort of cost-benefit appraisal is needed for a small project, a simple approach is possible, as recommended by Managing Planned Agricultural Development (ibid: XI-29):

"The technique recommended ... is to identify all relevant aspects of proposed projects, quantifying those costs and benefits for which data are available, and to which monetary values can be assigned without violating common sense".

The word "all" is dangerous, since with ingenuity one can add almost endlessly to costs and benefits. But the approach in practice is likely to be intelligible and to provide a reasonable basis for decision. A similar method is advocated in the OXFAM Field Directors'

Handbook (1976; section 5), together with an illustrative list of considerations for private and social costs and benefits for a change from bullocks to tractors. (Appendix C)

(iv) Unit costs or cost-effectiveness

Unit cost and cost-effectiveness criteria are widely applicable and useful. They are used by OXFAM, with rules of thumb for different types of project, and an "index of unit costs" which is the cost of a project divided by the number of people benefiting. They are especially useful with projects for health, education, water supply and the provision of other services.

Any of these procedures can be criticised. Even the simple listing of costs and benefits in Appendix C may be too complex for many projects. The key to optimising procedures is to realise that the cost-effectiveness of the procedures themselves depends largely on low costs in terms of staff time and of demands for information, and high benefits in terms of alerting those taking decisions to considerations to bear in mind. The danger is that "intelligent" criticism of simple procedures will lead to "improvements" which make the procedures more ponderous, less practical, and eventually useless.

(3) Life styles, learning and judgement

The danger remains that the current trend for demands for information by bilateral and multilateral donors will develop a galloping elephantiasis which will paralyse administrations, reduce aid to the poorest, and perpetuate and increase dependence on foreign expertise. The danger is that more and more highly trained and experienced people will be sucked or enticed into the prestigious, well-paid, urban-biased business of project identification, appraisal, monitoring and evaluation. Just at the time when rural development, and the much more difficult objective of rural development which benefits the poorer rural people, has become a priority, there may ironically be less and less contact between those responsible for rural projects and policies on the one hand and rural people on the other.

This trend can be moderated by the decentralisation and the simple procedures advocated above. But there is one more measure to be taken: a conscious and determined drive to counteract the effects of the urban and elite life styles, experiences and perceptions of those, especially donors, concerned with rural policies and programmes. The seriousness of the need varies by country and region. But the reform proposed is a requirement by every multilateral or bilateral donor that its staff should be systematically exposed to and encouraged to learn about rural life. This could mean that each donor official would be required to spend, say, two weeks of every year living in a village (not making the easier, more congenial visits of a rural development tourist) and learning how rural people, and especially the poor rural people, live.

The benefits would be many. Some officials would resign. Others would work harder and better. The asymmetry of the aid relationship would be mitigated, since "donors" would have to go cap-in-hand to "recipients" and ask them to allow their "donor" staff to be recipients of experience in villages.

A final benefit would be improved judgement. However carefully procedures are devised, training undertaken, and feasibility appraised, the intangible element of judgement always has a major part to play. What matters is that judgement should be good. With poverty-focused rural development it must be based upon a realistic understanding of rural realities. Direct exposure to village life, if sensitively managed, should enable officials better to assess rural needs, better to appreciate the capabilities of rural people and their potential for participation, and better to understand and counteract the tendency for projects to be captured by rural elites. Officials should become better judges of implementability. They might repeatedly learn and relearn the lesson that simple is practical. The outcome should, indeed, be that many more projects would be selected and implemented which would truly benefit the poorer rural people in ways which they would welcome.

RJ:SH

23.5.77

APPENDIX A: THE CARRUTHERS/CLAYTON ECONOMIC DECISION MATRIX: AN ILLUSTRATIVE LAYOUT

PROJECT ALTERNATIVES ¹	CRITERIA ²				PROPORTION OF PROJECT INCOME TO POOREST 20% OF POPULATION %	LOCATION IN PRIORITY DEVELOPMENT AREA (YES OR NO)
	ECONOMIC INTERNAL RATE OF RETURN ³	FINANCIAL INTERNAL RATE OF RETURN ³	JOBES CREATED/ \$1,000 INVESTMENT	PROPORTION OF PROJECT INCOME TO POOREST 20% OF POPULATION %		
1	*	*	*	*	*	*
2	*	*	*	*	*	*
3	*	*	*	*	*	*
4	*	*	*	*	*	*
.
.
.
n	*	*	*	*	*	*

1. These could be projects of different scale, timing, location or projects of a different nature. However, the validity of comparisons is lessened if very unlike projects are compared, e.g. an irrigation project and a hospital.
2. These criteria are examples only. Specific criteria would be set according to (i) objectives of policy, (ii) constraints existing in the economy and (iii) the time to full development.
3. Risk is more important in agriculture, therefore the plan should include a risk assessment, the forecast range and frequency distribution of rates of return.

Source: Carruthers and Clayton, forthcoming: 12.

APPENDIX B A POVERTY RANKING METHOD FOR RURAL PROJECTS

The proposal which follows was thought out in relation to procedures in Botswana. The examples given are hypothetical or real cases from Botswana. A similar method is being considered in Papua New Guinea.

Most rural projects in Botswana are not subjected to any formal cost-benefit analysis but are written up first in a thumbnail sketch and later in a project memorandum. The procedure is outlined in the Botswana Government's Planning Officers Manual (Republic of Botswana, 1976: chapter 3). At present this procedure does not appear to require that those who are expected to benefit should be identified.

In Botswana there is a strong income gradient from extra-rural (low) through cattle posts, small villages and large villages to urban centres (high) and a persistent tendency for large village bias in benefits from projects in spite of Government policy directed towards reducing rural poverty. The proposal therefore includes a ranking of zones in which the expected beneficiaries reside.

The proposal is simple. Each thumbnail sketch and project memorandum would be ranked by the originating ministry to indicate which groups of people and in which zones were expected to benefit from the project. The ranking would be ordinal, in this case (high benefits) through 5 (low benefits). If the benefits were from income, the ranking would be based on the total additional permanent net direct income accruing to members of the group or residents of the zone. If the benefits were from services, the rankings would be based on the numbers of people in each group or zone expected to benefit from the services.

The omission of columns for these figures (incomes, numbers of beneficiaries) is deliberate. It will quite often be very clear from local knowledge what the correct ranking is, but more difficult to set figures on it. It would be a matter for judgement whether the costs of estimating incomes or numbers of beneficiaries would be justified by any benefits from doing so.

The relevant part of the thumbnail sketch and project memorandum would look something like this:

Which groups will benefit?

Where do the beneficiaries live?

Group	Ranking
Very Poor	
Poor	
Small Men	
Well Off	
Very Wealthy	

Zone	Ranking
Extra-rural	
Cattle Posts	
Small Villages	
Large Villages	
Urban Centres	

Notes:

A preliminary indication of the groups is:

- Very Poor:** People without stock and who do not cultivate regularly, including borehole squatters, hunters and gatherers, destitutes, cattle herders and traditional dependents.
- Poor:** People with small stock only and/or 4 or less h/c and/or who cultivate by borrowing animals for draught.
- Small Men:** People with small cattle herds (5-20 h/c) or income-equivalent small enterprises.
- Well Off:** People with 20-200 h/c or income-equivalent medium enterprises.
- Wealthy:** People with over 200 h/c or income-equivalent larger enterprises.

The ranking (1 (high), 2, 3, 4, 5 (low)) for group and for zone should be entered in the boxes as appropriate.

Examples

Project: Health Posts for Remote Areas

Which groups will benefit?		Where do the beneficiaries live?	
Group	Ranking	Zone	Ranking
Very Poor	1	Extra Rural	1
Poor	2	Cattle Posts	2
Small Men	-	Small Villages	-
Well Off	-	Large Villages	-
Wealthy	-	Urban Centres	-

Notes: The direct beneficiaries are the poor and very poor people living on remote cattle posts.

Project: Free Fencing Materials for Communal Grazing Areas

Which groups will benefit?		Where do the beneficiaries live?	
Group	Ranking	Zone	Ranking
Very Poor	-	Extra Rural	-
Poor	3	Cattle Posts	3
Small Men	1	Small Villages	1
Well Off	1	Large Villages	2
Wealthy	-	Urban Centres	-

Notes: The direct beneficiaries are those with herds which will depasture in the communal areas. The 45% of rural households with no cattle will not benefit directly.

Project: Veterinary Quarantine Fence

Which groups will benefit?		Where do the beneficiaries live?	
Group	Ranking	Zone	Ranking
Very Poor	4 =	Extra Rural	4 =
Poor	4 =	Cattle Posts	4 =
Small Men	3	Small Villages	3
Well Off	2	Large Villages	1 =
Wealthy	1	Urban Centres	1 =

Notes: The main direct beneficiaries are large cattle owners in large villages and urban centres. Permanent employment in maintenance gangs will be created for 2 foremen and 30 labourers, mainly from extra rural and cattle posts zones, but benefits to them will be small compared with those to the large cattle owners.

APPENDIX C Village-Level Cost-Benefit Budget:
An Example of a Change from Bullocks to Tractors

Losses	Gains
<u>Revenue Lost</u>	<u>Extra Revenue</u>
Custom Work (Bullocks)	Yields <u>Increase</u>
	Crop Intensity <u>Rises</u>
	Crop Mixture <u>Changes</u>
	Acreage <u>Increases</u>
	Custom Work (Tractor)
	Alternative Use of Bullock Land
<u>Extra Costs</u>	<u>Costs Saved</u>
Fixed costs of new machine	Bullocks' Concentrated Feed
Operating costs of new machines	Hired Labour
Hired Labour	Maintenance of Bullock Equipment
<u>Loss of Cash Income</u>	<u>Gain in Cash Income</u>
<u>Social Loss</u>	<u>Social Gain</u>
Polarisation of Income Distribution	Increase in Leisure and Decrease in Drudgery
Increase in Unemployment	Increase in Prestige of Some Individuals
Polarisation of Village Structure	
Dependence on small number of power units means higher risk of losing crops if machines break down	

Source: OXFAM 1976: 5-8

References

- Ahmad, Yusuf J. 1975 "Project Identification, Analysis and Preparation in Developing Countries: a Discursive Commentary" Development and Change Vol. VI, No. 3, July pp. 83-90. (quoted in Rondinelli 1976b, p. 36)
- Bergmann, Hellmuth and Jean-Marc Boussard 1976 Guide to the Economic Evaluation of Irrigation Projects, OECD, Paris
- Caiden, Naomi and Aaron Wildavsky 1974 Planning and Budgeting in Poor Countries John Wiley and Sons, New York, London, Sydney and Toronto
- Carruthers, Ian 1977 Review of Squire and van der Tak 1976 (paperback edition) in Journal of Agricultural Economics (UK), Vol. 28, No. 1, January
- Carruthers, I.D. and E.S. Clayton forthcoming 1977 "Ex-Post Evaluation of Agricultural Projects - Its Implication for Planning", Journal of Agricultural Economics (UK)
- Chambers, Robert 1974 Managing Rural Development: Ideas and Experiences from East Africa, Scandinavian Institute of African Studies, Uppsala
- Chambers, Robert 1969 "Executive Capacity as a Scarce Resource", International Development Review, Vol. 11, No. 2, June
- Chege, Michael 1973 "Systems Management and the Plan Implementation Process in Kenya", Discussion Paper No. 179, Institute for Development Studies, University of Nairobi
- Collins, Paul 1974 "The Working of Tanzania's Rural Development Fund: a Problem in Decentralisation", in A.H. Rweyemamu and B.U. Mwansasu, eds., Planning in Tanzania: Background to Decentralisation, East African Literature Bureau, Nairobi, Kampala, Dar es Salaam, pp. 87-120
- Government Affairs Institute 1976 Managing Planned Agricultural Development, (a reference book prepared for the Agency for International Development), Agricultural Sector Implementation Project, 1776 Massachusetts Avenue N.W., Washington D.C., August
- Harberger, Arnold C. 1972 Project Evaluation: Collected Papers, Macmillan, London
- Hirschman, Albert O. 1967 Development Projects Observed, The Brookings Institution, Washington D.C.
- Irvin, George 1976 Modern Cost Benefit Methods: Financial, Economic and Social Appraisal, draft edition Institute of Social Studies, The Hague.
- King, John A. Jr. 1967 Economic Development Projects and Their Appraisal: Cases and Principles from the Experience of the World Bank, The Johns Hopkins Press, Baltimore

References

-- 2 --

- Laframboise, H.L. 1971 "Administrative reform in the federal public service: signs of a saturation psychosis", Canadian Public Administration, Vol. 14, No. 3, pp. 303-325
- Lele, Uma 1975 The Design of Rural Development: Lessons from Africa, The Johns Hopkins University Press, Baltimore and London
- Lipton, Michael 1977 Why Poor People Stay Poor: a Study of Urban Bias in World Development, Temple Smith London
- Little, I.M.D. and J.A. Mirrlees 1974 Project Appraisal and Planning for Developing Countries, Heinemann Educational Books, London
- McKean, Roland N. 1965 Efficiency in Government Through Systems Analysis, John Wiley and Sons, New York
- ODA 1972 A Guide to Project Appraisal in Developing Countries, (Overseas Development Administration), HMSO, London
- OECD 1973 Methods of Project Appraisal in Developing Countries, Paris
- OXFAM 1976 Field Directors' Handbook, OXFAM, 274 Banbury Road, Oxford
- Pearse, Andrew "Technology and Peasant Production: Reflections on a Global Study", to be published in Development and Change, June 1977
- Republic of Botswana 1976 Planning Officers Manual, Ministry of Finance and Development Planning, printed by the Government Printer, Gaborone, August
- Rondinelli, Dennis A. 1976a "International Requirements for Project Preparation: Aids or Obstacles to Development Planning?" Journal of the American Institute of Planners, Vol. 42, No. 3, July. (Version cited here is a pre-publication mimeograph, not dated).
- Rondinelli, Dennis A. 1976b "International Assistance Policy and Development Project Administration: the Impact of Imperious Rationality", (mimeo), Technology and Development Institute, The East-West Center, publication forthcoming in International Organisation
- Scott, M.F.G., MacArthur, J.D. and D.M.G. Newbery 1976 Project Appraisal in Practice: The Little-Mirrlees method applied in Kenya, Heinemann Educational Books, London

References

- 3 -

Self, Peter

1975 Econocrats and the Policy Process: the
Politics and Philosophy of Cost-Benefit Analysis
Macmillan, London

Squire, Lyn and
Herman G. van der Tak

1975 Economic Analysis of Projects, (a World
Bank Research Publication), The Johns Hopkins
University Press, Baltimore and London