Appendix: Capacity-building and organisational learning project for development finance in India

This project, funded by the Ford Foundation with close to $400,000 over more than five years (end of 1996 to early 2002), involved collaboration between the New Economics Foundation in London (NEF) and four Indian micro-finance organisations: BASIX, Cooperative Development Foundation (CDF), PRADAN and SEWA Bank. The final output of the project is this book reflecting on development and organisational challenges in micro-finance. This appendix brings together some of the reflections by Thomas Fisher, the Project Director, drawing on internal reports.

Project inputs

The project provided a wide range of inputs to different organisations:

- Training workshops on impact and financial indicators; sub-sectoral and cluster analysis for enterprise promotion; the local economy and money-flows; basic economics; and social auditing.
- Organisational workshops to develop visions and future scenarios; strategic plans; strategies for implementing a capacity-building programme; organisational assessment and development for cooperatives; financial statements; understanding of information and research results; presentation materials.
- The training and organisational workshops were geared to enhance the training, facilitation and process skills of staff who in most cases co-designed and co-facilitated the workshops concerned.
- Review, observation and feedback on documentation and organisational processes, including on: field visits; review and loan committee meetings; financial systems; internal documentation; and assessment, evaluation and research material.
Beyond micro-credit

- Other process and capacity-building inputs including mentoring and co-mentoring sessions (for senior staff); team-building sessions (both among senior and junior staff); long-term assistance in building the role, research skills and other capacities of the Research Department at SEWA Bank; and formal and informal sessions and inputs for individual staff.
- Other inputs, including learning visits and presentations by Indian organisations in the UK; participation in relevant organisational development events; and regular mentoring sessions for the Project Director.
- Workshops to draw together leading experts, case-studies and other materials from across India on livelihood promotion; for the first time drawing together lessons and practices from over a decade of experience in India into a resource book for livelihood promotion; and trialling and revising this resource book at a training workshop (see Datta et al., 2001). This work also involved a capacity-building process, enabling both the senior and junior staff involved to significantly enhance their understanding of livelihood promotion.

These inputs were provided by a range of staff from NEF, although increasingly over the course of the project, also from relevant Indian consultants, including among the project partners. BASIX staff in particular worked with NEF on inputs for PRADAN, SEWA Bank and the resource book for livelihood promotion.

Key characteristics of the project

Flexibility

A key feature of the project was its flexibility in responding to the needs and wishes of the Indian organisations involved. This began with two initial visits by NEF to India (under an exploratory grant from the Ford Foundation) to explore what working together might involve. It continued throughout the course of the project, giving rise to diverse and changing activities, many of which did not feature in the original proposal. That this was likely to happen was in fact acknowledged in the original proposal itself.

Such flexibility was a critical feature for enabling effective organisational and capacity-building inputs, allowing the project to shift responsively to the greater understanding of needs developed during the project and to the organisational dynamics of the
partners at any particular time. It also allowed adequate trust to develop. For example, initially, work between CDF and NEF, who knew each other least at the beginning of the project, began on the basis of 'let's see how things go, how useful we find it; we can always decide to part ways'.

Such flexibility is not only essential for effective organisational collaboration, but also unusual for a development project (hence the difficulties many capacity-building projects have run into). The Ford Foundation made a very significant contribution in allowing such flexibility.

The drawback of such flexibility, involving work with four different Indian organisations, was that the diverse and changing activities did not always make up a coherent project as a whole. This was particularly the case given that the project, at the suggestion of the Indian organisations involved, deliberately excluded networking among them, in which NEF as a foreign organisation had less of a role to play. Even with work with individual organisations, the changes meant that the collaboration sometimes lacked continuity. This occasional lack of coherence and continuity also caused some dissonance for the staff of NEF involved in the project; who had to be very flexible and open to change.

Learning as you go along—responding to organisational dynamics

Flexibility allowed the project to respond to the greater understanding of needs that arose during the project. For example, in working with SEWA Bank on new indicators, including of impact, it became clear that it would be more appropriate to first develop effective use of financial indicators that could be drawn from the existing computerised accounts rather than develop new ones. Likewise, at the beginning of the project, NEF conducted a workshop on social auditing for PRADAN. In the light of what the PRADAN participants had learnt about social auditing, they decided that it was not a priority for their organisation.

Equally important, the project was able to respond to the organisational dynamics and changes of the partners involved. In the case of BASIX, working together generally involved work with the senior management team, and the particular content and method of such work was determined by the immediate needs and opportunities of the organisation and the senior managers at the time. In the case of SEWA Bank, the 25th anniversary provided a suitable
opportunity to launch a strategic planning process rather than returning at that stage to new indicators, as originally envisaged.

Responding to organisational dynamics also led to times when work together was put on hold, and some expected outcomes were not achieved. For example, it took a while for active work with PRADAN to resume after the social auditing workshop, as both sides explored the best options for collaboration and PRADAN focused on its own internal changes and developments. Likewise, resumption of work on indicators with CDF was planned for their review process to draw up their next five-year strategic plan, which was then postponed as a result of internal changes within the organisation. With collaboration among dynamic organisations, such ebbing and flowing was inevitable, and it would have been foolish to expect otherwise.

**Long-term commitments**

Including the early work under the exploratory grant, the project was planned to run for at least three and a half years (and was then extended to allow completion of capacity-building inputs for some organisations and development of important publications arising out of the project). Even as first planned, this involved a significant span of time, allowing the kind of flexibility, enhanced understanding and responsiveness already described, without endangering the organisational relationships. For example, it enabled NEF and individual Indian organisations to work through tensions that arose, knowing that such a process was worthwhile. Indeed, without the long-term commitment, some of the organisations may not have been willing to engage in the project in the first place.

Such a long-term commitment also allowed activities and inputs to be adjusted to the organisational rhythms and changes of the partners. For example, some activities took longer than expected due to enhanced understanding of the processes involved or unforeseen complexities or bottlenecks. The long-term commitment enabled the project to respond to such dynamics, allowing pauses in the process and time extensions (although without any additional financial resources from the donor). It is almost certain that without such a long time-frame, the project would have failed to achieve some of its outcomes. For example, some of the workshops that led to organisational changes would have remained just workshops which everyone enjoyed but ultimately led to few changes. Long-term commitments also allowed understanding and trust to develop, which proved critical to the development of the project.
Regularity

The regularity of three-monthly visits from NEF proved useful in allowing work to progress effectively without overburdening the time commitments of the staff of the organisations involved. At least two of the Indian organisations involved explicitly stated that more frequent visits would have proved impossible.

However, it is questionable whether all the types of organisational inputs provided under this project could have the fullest impact when their timing was confined to one visit every three months, especially by staff of a foreign organisation. The ideal kind of flexibility would have allowed additional visits, responding to particular needs and opportunities as they arose. This does not apply to all the inputs provided, and to some extent the long timeframe of the project compensated for this. For example, changes in organisational practices at SEWA Bank, as for most organisations, arose as a result of the cumulative impact of the regular visits over time, so that some new practices became more instinctive.

Trust

The long-term commitment and regularity allowed significant trust to develop between NEF and each of the Indian organisations. Such trust was critical to the project, especially for the more sensitive organisational inputs, and was developed on the basis of the Project Director's extensive prior work with at least two of the Indian partners. It is such trust, as well as the diverse range of expertise that NEF brought to the project, that were the main justification for NEF, rather than an Indian organisation (which would have been the ideal) playing a role in the project.

For trust in organisational collaboration to develop, it was also crucial that the project was divorced from monitoring and evaluation, particularly in relation to the programme related investments and grants that the Ford Foundation was considering at the time the project was designed. To uphold this principle, some of the more confidential reports to the individual organisations were not shared with the Foundation.

Reflections on impact

The project generated a range of outputs, some concrete, others harder to specify, in part because they were based on process inputs. Concrete outputs included:
Beyond micro-credit

a strategic plan for PRADAN's savings and credit programme, which was then adapted to develop its strategy for capacity-building, funded again by the Ford Foundation, to enable PRADAN to significantly expand this programme;

various documentation, processes and presentation materials, a monthly financial statement, and a participatory strategic plan for SEWA Bank;

a resource book on livelihood promotion, drawing together relevant experience for the first time; and

this book.

The project also contributed to a range of organisational processes, for example:

building the capacity and understanding of the Research Department and staff across SEWA Bank (although two key members of the staff from the Research Department later left for personal reasons—husband transferred and marriage);

the extensive use of cross-departmental teams by SEWA Bank;

for a period, a fortnightly management meeting at BASIX;

enhanced training, facilitation and process skills among some staff;

greater professionalism (e.g., in financial and strategic analysis; recording and report writing; presentations, etc.) among some staff, both management and field-staff;

enhanced ambitions among some staff for their organisation; and

significant support to key individuals.

The project also provided

opportunities and space for significant reflection, discussion and processing of organisational processes, issues and dilemmas, not least around growth and strategic processes, personal issues and team interactions; and

enhanced understanding and technical skills in a range of areas, for example, livelihood promotion, strategic planning, processes to promote people's organisations, research, and economics.

It is difficult to measure to what extent new organisational processes, support to individuals, significant reflection and processing, and enhanced understanding contributed to the effectiveness of the organisations concerned and to their impact on those they seek to serve. While organisations reviewed and fed back regularly
on project inputs and processes in order to adapt the project as it progressed, including at one mid-term review with all the partners and the donor. There was no formal or external evaluation at the end of the project.

All the formal feedback from the numerous workshops touched on gaining important insights and learning as well as including more critical feedback. Some workshops had an impact on the participants' organisations, others turned out with hindsight to be workshops that enhanced understanding but clearly had little sustained organisational impact.

There is also much anecdotal evidence on the collaboration contributing to changes in organisational culture and skills, for example, staff at SEWA Bank having a greater understanding of financial and other issues beyond their own department. The same staff now use participatory teams for many tasks, and are able to design and facilitate workshops for such teams independently of NEF.

Likewise, CDF used frameworks developed in the project to reflect deeply on its interaction with the cooperatives it promotes, interaction which is at the very core of its practice. The project, alongside inputs from many others, allowed significant processing of organisational and management issues and dilemmas within BASIX, ranging, for example, from insights on staff processes to co-mentoring within the management team. PRADAN received funding to implement part of its strategic plan developed under the project, and the project assisted PRADAN in launching this process, which has contributed to greater systematisation as well as growth in the outreach of PRADAN's programme.

The manual on livelihood promotion, in particular, which has already been taken up by NGOs, donors, support organisations and management institutes in India, including translation into at least two local languages, all without any marketing by the project, is also contributing to enhanced understanding, skills and, hopefully, practice in livelihood promotion. It marks a concrete step towards the idea of a school for livelihoods in India, an idea that predates the project, and was discussed as one of the potential processes that the project could facilitate. The resource book is now being used concretely by BASIX as part of the exploration for turning this idea into reality.

To some extent, the value to the micro-finance sector of the understanding that emerged through the project must be judged by the quality of this book, and its contribution to learning from Indian micro-finance practice, both inside and outside of India.

It is also important to put the project in the right context. In its flexibility and responsiveness, it sought to meet the organisations...
involved where they were at the time. Some of the organisations involved had extensive and sophisticated research and evaluations done of their effectiveness and impact, but these had little influence on them. This was in part because the organisations did not respond positively to the results of those assessments, and in part because they were not able to absorb the results. In other words, the interventions were not geared towards the conditions of those organisations, and some such work was thus wasted.

This was by and large not the case with the project under review, which sought throughout to respond to the needs and opportunities of the organisations involved, adapting the inputs as understanding and trust developed. At times this meant that progress appeared slow, although the pace of intervention must itself be adapted to the condition of the organisation concerned.

On the downside, as suggested above, it also meant that some activities initiated were not completed. For example, one organisation came close to developing a simple index for assessing development in a village, but this was not adopted because of changes within the organisation’s strategy. Likewise, work between NEF and two of the Indian organisations was put on hold for a while as the organisations concerned focused on other organisational challenges in which they did not want involvement from NEF.

Some of the following might best have been done differently:

- Managing collaboration between NEF and four individual organisations was difficult. It might have been easier to reduce the number of partners, or to work with several of the organisations together, for example, through their association, although this only emerged during the course of the project. On the other hand, ideas from one organisation often contributed to inputs provided to another, and the ebbs and flows in the collaboration with individual organisations always meant there was plenty to do, even when some work was on hold.
- Longer and more substantive activities could sometimes have been planned further in advance to ensure greater continuity. The downside of responding to immediate needs and opportunities was that the project sometimes lost coherence.
- It would have been much easier if NEF had been based in India, rather than in the UK. This would have allowed more continuous and frequent inputs, with their timing and length adapted to the requirements at the time.
- While the start of collaboration with each partner was carefully negotiated, there was less attention to closure. Work with some
of the organisations was formally closed, with others it was less well planned.

- Formal monitoring and evaluation processes, aside from the mid-term review, could have been built into the project. On the other hand, the partners did not want to involve the donor in this, as the Ford Foundation was supporting the same organisations through other projects and investments.
Aanganwadi
a government-initiated scheme for supplementing the nutritional needs of children

basti
slum

bidi
an indigenous Indian cigarette

bishi
kitty run by informal group

block
administrative areas into which districts are divided

crore
10 million

Dalit
disadvantaged groups (castes and tribes)
dholi
musical instrument
duri
carpet for meetings

gram panchayat
elected village council
gram sabha
traditional meeting of all villagers
gram sevak
government functionary in a village
grameen
(of the) village
haat
weekly market
Harjjan
Gandhi's term for untouchables (Scheduled Castes)
jatra
village fair

kirana shop
general and grocery store
lakh
100,000

mahajan mukti
'salvation from the moneylender', a loan to enable an MFO client or member to pay off her/his debt to moneylenders

mohalla
neighbourhood

nidhi
mutual-benefit society, incorporated under an act of 1913, that allowed neighbours to save money and secure loans at favourable rates of interest; now incorporated under the new Companies Act

Other Backward Castes
formal classification of disadvantaged castes other than Scheduled Castes

Panchayat
local council

Panchayati raj
three-tier system of panchayats from village to district level
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<td>castes which are officially recognised as backward</td>
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<tr>
<td><strong>shandy</strong></td>
<td>weekly market</td>
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<td><strong>talab</strong></td>
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