

**LACRO Discussion Series: 5**

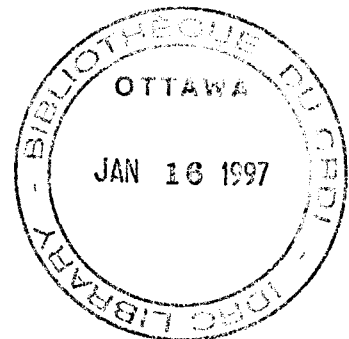
**Private Initiative,  
Public Purpose:**

*New Linkages  
Between Canada  
and Latin America*

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## *LACRO Discussion Series*

*The Latin American and Caribbean Regional Office Discussion Series is intended to promote exchange and consultation on development issues.*

*The reports are neither official policy nor documentation of the International Development Research Centre but are intended to reflect a diversity of opinion about development issues in the Latin American and Caribbean Region.*

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**APPENDIX A - Persons Contacted**

**APPENDIX B - Relevant Canadian Organizations**

## ABBREVIATIONS

CAIDC	Canadian Association of International Development Consultants
CEA	Canadian Exporters' Association
CED	Community Economic Development
CIDA	Canadian International Development Agency
DFAIT	Department of Foreign Affairs and International Trade (Government of Canada)
ECLAC	Economic Commission for Latin America and the Caribbean (United Nations)
EDC	Export Development Corporation (Government of Canada)
IBRD	International Bank for Reconstruction and Development (The World Bank)
IDB	Inter-American Development Bank
IDRC	International Development Research Centre
ILO	International Labour Office
INC	Industrial Cooperation Division (CIDA)
LAC	Latin America and the Caribbean
LACRO	Latin America and Caribbean Regional Office
NAFTA	North American Free Trade Agreement
NGO	Non-Governmental Organization
NGI	Non-Governmental Institution
OBS	Open Bidding System
UNDP	United Nations Development Program
UNRISD	United Nations Research Institute for Social Development

## **EXECUTIVE SUMMARY**

The purpose of this study was to examine the potential for institutions providing overseas development assistance (ODA) to support new linkages between Canada and Latin America in the area of private initiatives which serve public purposes. Review of the relevant literature, together with key-person interviews in Chile and Uruguay, suggest substantial need and potential for such new linkages in the southern-cone countries in particular.

Globalization, economic liberalization, and industrial restructuring has obliged citizens in all countries of the Americas to seek new ways of managing volatile, unprecedented economic change. Cutbacks in ODA budgets as a result of these factors have prompted civil-society organizations (such as micro-enterprises, cooperatives, trade unions, business associations, community-based organizations, non-governmental development agencies, and other "third-sector" groups) to find new ways of financing their work, especially funding strategies that tap private-sector sources of support. Rapid and unpredictable job displacement in all sectors in both the industrialized and the developing (or newly industrializing) economies have led to new efforts to find ways of adjusting production and labour markets "from below," through new forms of networking and capacity-building among business, labour and communities, through community-based job-creation initiatives and through establishing new pools of social capital. At the same time, research institutions and NGOs are seeking new ways of generating revenue, particularly through the sale of their consulting services to multilateral and national-government clients.

The present study identified many opportunities for ODA institutions to support linkages between Canada and southern-cone countries on these types of private initiatives serving public purposes. Among the areas recommended for support are:

- critical analysis of the building of a private philanthropic sector in Latin America;
- exchanges of experiences and techniques between Canada and the southern-cone countries in community-based economic development and solidarity economics in the informal economy;
- partnership projects in the formal economy on joint labour-management efforts to promote labour-market coordination, small-business investment, and democratization of the economy;
- capacity-building in the sub-region in skills related to development consulting;
- facilitation of joint ventures between Canadian and southern-cone consultants on projects in low-income third-countries in Latin America.

The present report includes a list of Canadian organizations which could serve as partners in these new linkages.

## 1. INTRODUCTION<sup>1</sup>

### 1.1 *Background*

In this era of volatile global change, two things are valued very highly: knowledge and employment. For two decades, the donor community has supported innovative knowledge-production networks of researchers and research institutions throughout Latin America. Cutbacks in overseas development assistance (ODA) have rendered these networks vulnerable and uncertain of their future. It is not clear how the individuals working in research institutions in the region will sustain their projects or their own jobs.

Employment is equally uncertain in civil society more broadly defined, which includes non-governmental organizations (NGOs), co-operatives, trade unions, business associations, micro-enterprise, and non-profit associations. In the first half of the 1990s, donor agencies also significantly reduced their support to NGOs active in Latin America, with the prospects of more cuts to come. As economic restructuring in the industrialized countries is accompanied by a falling standard of living, public spending is being curtailed on all fronts, sometimes radically. Consequently, Latin American NGOs are studying alternative modes of operation and revenue-generating approaches, especially those involving local sources of support. This challenge is giving rise, in turn, to often thoroughgoing reassessments of the purpose of these institutions.

In other parts of Latin American society, employment and labour force dynamics are also very volatile. Technological change, global market and consumption trends, and changing corporate strategy all result in employment opportunities that continuously shift within and across sectors. A high-wage manufacturing worker may be thrown out of a job because of a corporate merger taking place halfway around the world. Even high-growth economies such as Chile have not been able to keep pace with such changes in the labour market and to institute adjustment mechanisms to moderate their effects. And polarization of the rich and poor has not abated in Chile; the poor remain immiserated and alienated.

The state in Latin America is either too poor or has insufficient political will to address in any substantial way the problems currently faced in labour markets. National elites traditionally have used the army and police to maintain social peace, and a large segment of such elites appear to continue to favour this strategy as opposed to redistribution through progressive taxes and social programs. Yet there are also large and active segments of society that seek fairness through adjustment policies and initiatives promoted by both the state and civil society. Those advocating this view include leaders in NGOs, universities, research institutes and trade unions.

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<sup>1</sup> The author is grateful for the advice and assistance of the many individuals in the conduct of this assignment, especially A.D. Tillett and Mónica Voss of IDRC's Regional Office in Montevideo; Chris Smart at IDRC Headquarters in Ottawa; Francisco Vio Grossi of the Universidad Bolivariana in Santiago; and Huguette Labrosse, Janis Norris, and Nancy Peck of E.T. Jackson and Associates Ltd. However, the views expressed here, and any errors or omissions, are mine alone.



Under current conditions, creative responses are necessary. One promising area is that of private initiatives which also serve public purposes. Included in this group of initiatives is private philanthropy through charitable foundations and corporate giving. Another type of initiative involves community-based economic development, including pools of socially oriented capital which support small business with the potential for sustainability. Third, joint efforts at the national, sectoral and enterprise level by management and labour to solve labour market and productivity problems represent another type of private initiative. Finally, there is development consulting--selling advisory and research services to public- and private-sector clients--which is practised as a business but which can contribute to a more effective development process.

### 1.2 *Purpose of the Study*

The purpose of this study, which was commissioned by the Latin America and Caribbean Regional Office (LACRO) of the International Development Research Centre (IDRC), was to examine the possibilities for ODA institutions supporting new projects and linkages between Canada and Latin America in the area of private initiatives serving public purposes. The study was one in a series of studies commissioned by LACRO and whose reports have been published as discussion papers to encourage reflection and debate in the region.

### 1.3 *Geographic Focus*

Due to time and resource constraints, this study focused its efforts on one country in particular: Chile. More broadly, the study sought to understand the context of the southern cone countries, defined here as Chile, Argentina, Uruguay and Paraguay, in order to assess prospects for future support of private/public initiatives in the region. While implications were drawn primarily for southern-cone countries, consideration was also given to three-way activities that could involve Canada, southern-cone countries, and third-country nations in Latin America, particularly poor countries such as Haiti, Guyana, Nicaragua and others.

### 1.4 *Methods and Limitations*

This study employed the following methods: review of literature and reports on socio-economic conditions in Southern-Cone countries and on the activities of research institutions and NGOs in the region; key person, open-ended interviews in Chile with representatives of research agencies, donor agencies in Chile and IDRC's Regional office in Uruguay and participation in a university/ ECLAC conference in Chile. A list of persons contacted during the study is provided as Appendix A. The limits of this approach, dictated mainly by resource and time constraints, relate to the fact that this study only really focused on one country -- Chile -- in a very complex and dynamic region of many different nations. However, the perspectives of at least half of the persons contacted were much broader, encompassing the region as a whole. In any case, the study really is a first sketch of some of the major issues, and should be read as such.

## 2. CHALLENGES FACING THE SOUTHERN CONE

In the latter half of the 1990s, the countries of the southern cone are presented with many opportunities to advance economic growth and democracy. Manufactured exports, food and beverage exports, mineral production, and infrastructure expansion are examples of promising growth areas in the years ahead. With respect to democratic development, civilian governments are working hard to maintain the rule of constitutional law and political pluralism, and are taking further steps toward decentralization of the public administration system. The challenges in the economic sphere relate mainly to global economic forces, technological changes, and evolving transnational corporate strategies. In politics, managing the "military factor" and addressing social inequality and environmental degradation are key challenges, among many others.

### 2.1 *Globalization*

The middle classes of the major cities of southern-cone countries seem to be revelling in the products and services of global capitalism. They also seem to be delighting in a daily life free of the terror of military rule and political violence. At the same time, however, globalization is now bringing its economic uncertainty to certain sectors and occupations in countries like Chile. There is a sense that the freight train of free trade could either take them for a delightful ride or hit them ruthlessly with full force. The state seems unprepared to act, its political class having bought into, and been muted by, free-market ideology and rhetoric.

### 2.2 *Inequity Amid Growth*

Recent data for Chile show, not surprisingly, a growing gap between the rich and poor, with very wealthy Chileans gaining in their national income-share and very poor Chileans losing over the past ten to fifteen years. Poblaciones and squatters camps rim the capital cities of the southern cone, and are policed at great cost; their birth rates will not decline, and their sense of alienation will not abate either. Equally important are working class groups in low-wage, sunset industries (in a global sense) and indigenous communities, some of whom remain "at war" with the mainstream state. There is a gender dimension to this inequity, as well, with women bearing the brunt of work in poor families, both reproductive and productive, a state of affairs that seems especially unnecessary amid the economic growth.

### 2.3 *Civil Society*

In the southern cone countries there also seems to be an ambivalence toward an elaborated civil society. National governments fund NGOs only in the most minimal and narrow ways; foreign donors are quickly abandoning (or have already bloodlessly done so) their "partners" of the 1970s and 1980s. Elites in the region put some effort into philanthropy for safe, quiet, pro-business charities. Social-change philanthropy is evident to some extent in Colombia and Chile,

but not in the region more generally. Overall, there presently is an unshakable sense in both government and business that the market will solve all problems and that NGOs are troublesome, marginal players that should wither away.

In fact, NGO leaders and activists, regularly attacked for their "club-ism" and outdated views, are actually displaying in some quarters great entrepreneurial spirit, creativity, and adaptability. Modern democracies need a healthy NGO sector. A healthy NGO sector needs a diverse funding base. How civil society is to be financed has become a critical issue in the southern cone and throughout Latin America.

#### 2.4 *Environment*

The network of excellent researchers supported by IDRC and others in the environment and natural resources area know perhaps better than anyone how fundamental environmental sustainability is to the future of the region. In Chile, abysmal pollution levels continuously cause illness in children and adults. Worker health and safety conditions amid toxic waste are equally intolerable from a human standpoint. Indigenous peoples' environmental knowledge practices are undermined by rapacious resource-extraction practices. No negative adjective is too extreme to describe this situation.<sup>2</sup>

#### 2.5 *Governance*

Good governance -- governance that is accountable, transparent and democratic -- is another great challenge for the region at this time. Legislatures negotiating with the military on truth and justice with respect to the past and on full legislative representation in the future, cabinets trying to curb corruption at all levels, ministries seeking more transparent and accountable modes of operating and reporting -- southern cone countries are dealing with all these and other challenges in the governance area. There are many serious risks, and many layers of complexity, encoded in these tasks.

There are also challenges of a more managerial nature. How to contract out public service delivery, how to design and monitor new public spending programs, and how to decentralize government decisions and programs effectively are other important issues being addressed in the region. Notwithstanding our own challenges in these areas at home, Canada can be of assistance in the region on these matters. Our parliamentarians, civil servants and private contractors all have valuable experience to share, and much to learn, in the process.

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<sup>2</sup> CIDA has moved to support technology-transfer in the environment sector, particularly through Canadian and southern-cone country environment ministries. These projects are valuable, as are IDRCs cooperation efforts involving researchers, institutions, universities and NGOs. Environmental impact assessment laws and practices should be seen as high priorities by donors at this time. National government efforts are still too feeble and uneven in this area to make a difference

## **2.6 *From Aid Recipient to Aid Donor***

Following a path pioneered by Brazil in the 1980s, Chile appears to be the first country in the southern cone that will soon move from being a debtor nation to becoming a shareholder and donor in its own right through the multilateral bank system. This will occur in the next few years, in spite of Chile's extreme internal poverty in certain areas. At the same, Chile has established an international cooperation agency which provides technical assistance to other Americas nations, particularly poor ones. Usually this agency can cover travel costs and per diems for its Chilean experts to work in third countries. But the fees it can pay are modest. Multilateral or bilateral donor funds are sought to supplement these arrangements. Another negative is that its selection of consultants appears to be very politicized.

Chile may be many years ahead of other southern-cone nations in making this overall shift from recipient to donor. Argentina is likely to follow next, then Uruguay, and much later Paraguay. It is noteworthy that Argentina and Uruguay have both contributed troops to United Nations peacekeeping efforts.

## **2.7 *Americas: The Development Task is Unfinished***

The development task is unfinished in the Americas. Rising incomes amid poverty characterizes the situation within and across countries (See Tables 1 and 2). Chile, Brazil, Venezuela and Mexico co-exist in the same hemisphere as much poorer countries such as Haiti, Guyana, Nicaragua, Cuba and Bolivia. The language and cultural skills of southern-cone professionals, together with their high level of technical and sectoral competence, make them ideal advisors in poor countries. But they lack two things: 1) money, and 2) expertise in managing the implementation of medium-sized larger projects according to international standards. Canadian consultants can bring these assets to joint ventures with southern-cone professionals in third countries.

### 3. OPPORTUNITIES FOR NEW LINKAGES

#### 3.1 *New Century, New Linkages*

Canada's relationship with the Americas is undergoing fundamental change. At the onset of the 21st century, the economic integration of the hemisphere has become a high priority in Canadian foreign policy. This is so because there are both threats and opportunities for Canada inherent in such integration, as there are for all states in the Americas. Accordingly, as the Canadian Foundation for the Americas has argued, Canadian foreign policy in the region must be strategic and multi-dimensional, involving the promotion of both trade and sustainable human development at the same time. Partnership and linkage projects are the way forward, suggests the Foundation, "in all aspects of hemispheric relations--trade and growth, security, human rights, democratic development, and the environment" (Canadian Foundation for the Americas, 1994:25-26).

Some private initiatives seek to achieve public purposes. Every nation in the Americas has created certain structures and mechanisms that use market mechanisms to meet social needs. Charitable foundations, credit unions, and businesses owned by universities and hospitals are good examples that span many countries and cultures. This is not to imply that governments are not needed; they are profoundly necessary. Nor is it to suggest that most private activities seek to promote social or public ends -- overwhelming, in vast numbers worldwide, they do not.

However, it would seem, at this point in time -- an era of global economic change, volatile and dramatic economic restructuring, and pervasive job insecurity -- that more rather than less of such social enterprise is needed in Canada as well as in Latin America and the Caribbean (LAC). At stake, ultimately, as the sustainability of democracy, social peace and prosperity in the hemisphere.

A wide range of private initiatives which serve public purposes provide fertile ground in which to nurture new relationships between Canada and the LAC region. While these private mechanisms and programs should not be viewed as substitutes for governments, they appear to offer certain efficiencies in addressing development and equity issues and strengthening civil society in the current context. They also offer new sites of cooperation where Canadian capacity can be useful to the region, and where Canada's own interests are at the same time served by such activities.

#### 3.2 *Canada and the Southern Cone*

Canada's relations with the countries of Latin America's southern cone (Uruguay, Paraguay, Argentina and Chile) are evolving in a very positive direction. These nations--especially Argentina and Chile--are becoming important trading partners for Canada. The linkages developed with support from IDRC and CIDA between Canadian constituencies in the fields of

Country	GDP Per Capita (USD)
Haiti	218
Nicaragua	512
Guyana	576
Dominican Republic	694
Honduras	763
Bolivia	886
Guatemala	928
Cuba	n/a
El Salvador	1,102
Ecuador	1,298
Peru	1,295
Jamaica	1,457
Paraguay	1,528

Source: Inter-American Development Bank, 1993

	Share of Urban Income	
	Poorest 40%	Wealthiest 10%
Argentina	15.2	31.6
Bolivia	13.0	40.0
Brazil	9.6	41.7
Chile	14.6	38.2
Colombia	12.9	34.5
Costa Rica	17.0	27.0
Guatemala	12.1	37.9
Honduras	13.2	35.4
Mexico	16.5	34.7
Panama	13.3	34.2
Paraguay	16.2	29.2
Uruguay	21.9	25.9
Venezuela	16.3	28.9

Source: Valdez and Gomariz, 1995

social science, the applied sciences, and public policy and their counterparts in these countries are also evolving as conditions in the region change. The focus in all sectors is to contribute to the sustainable, equitable transition of these nations from low-income to middle-income economies and from authoritarian governance to accountable and democratic governance.

Canada's trade interests in the expansion of the "Conosur" economies are clear. Such expansion can generate important business and employment opportunities for Canadians. There also may be particular business opportunities elsewhere in Latin America and the Caribbean which can

be accessed through joint venturing and partnerships involving Canadian enterprises and those from the Conosur countries. This is as true for the services sector as it is for resource industries. The Export Development Corporation (EDC) of Canada has forecast that Canadian exports will grow at an annual rate of nine percent for the period 1995-2000. While presently Latin America accounts for only two percent of Canadian exports, EDC expects this share to increase by more than 12 percent annually in the last half of the 1990s. Capital goods and consumer goods are expected to enjoy strong export growth in particular during this period (CEA *Newsletter*, 1995). Efforts by the Canadian Exporters Association and the Department of Foreign Affairs and International Trade to boost Canadian exports to southern-cone countries include trade promotion events, trade missions, market and sector research, and contract "tracking" and partner matching services.

Canada can also profit from closer relations with this group of countries in order to exchange experiences and techniques on how they manage economic and social change. Canada itself has entered a period of unprecedented change in this regard and is, in government and in civil society, searching for new ways and means of managing change, and these approaches are worth sharing with our partners in the Southern cone. Similarly, many strategies emerging in the cone itself (such as those relating to the informal economy and solidarity economics, small business, philanthropy and private education) can stimulate Canadians to respond in new ways to our own economic, political and social challenges.

### 3.3 *Funding Civil Society*

In both Canada and southern-cone countries, NGOs are working hard to find new ways to fund civil society. Government funding for non-government programs in both Canada and the cone sub-region has been sharply reduced by the Canadian government, and national governments have not been either willing or able to replace the withdrawn Northern funds or meet additional equity obligations. In both parts of the world, there is heightened interest in new revenue-generating strategies that operate at arm's length from government.

Figure 1 illustrates the range of strategies for funding civil society being investigated in Canada and the southern cone. Such strategies include NGOs owning and operating their own business subsidiaries, setting up new private foundations and endowments, providing tax incentives to individual donors, receiving grants from small-business investment funds and ethical investment

funds, receiving grants from large national and multinational corporations, and receiving donations from socially-responsible business leaders. None of these strategies alone is sufficient, but, in combination, they have the potential to significantly supplement and diversify the finances of civil-society organizations.

With respect to private philanthropy, a wide range of organizations from the North and the South of the hemisphere is working hard to put in place, and in a few countries to expand, a private philanthropic sector in Latin America. Among these organizations are, from the United States, the Inter-American, Ford and Kellogg Foundations, the Synergos Institute, and Hispanics in Philanthropy. In Latin America, business and religious foundations as well as development banks based primarily in the Andean and southern cone countries -- especially Colombia, Bolivia, Argentina, and Chile -- have been active in these efforts. These organizations seek to "grow" philanthropy at the national level and to promote exchanges and networking among foundations throughout Latin America at large (Luna, 1995).

Civicus, an international network on civil society, with the support of Southern and Northern NGOs and Northern Foundations and corporations, is attempting to build links among the various components of civil society. In Latin America, this means "traditional forms of mutual self-help, social movements and civil associations, NGOs, and business philanthropy" (César Fernández, 1994:54). In particular, more dialogue between NGOs and the business sector is needed, argue members of Civicus, whose Board of Directors include representatives from Brazil, Chile, Mexico and Trinidad.

However, there is a perception that perhaps too much of the current efforts in promoting private philanthropy in the region are exactly that-- promotional--and suffer from lack of a critical analysis. Important points of principle and the demarcation of hardline positions on what business elites will and will not support through philanthropy seem to have been neglected or blurred in this discourse. Some participants in this process feel that elites should be confronted with the need to fund social-justice work and community organizing on such issues as urban poverty, AIDS, and human rights, rather than ignoring the unwillingness of the rich to use philanthropic tools to address such issues.

### **3.4 *Managing Global Economic Change***

Globalization has created many new possibilities for national economies, but it has also, as UNRISD (1995) has shown, created "states of disarray". Global economic forces precipitate radical and volatile sectoral changes which result in unemployment and insecurity among national workforces. Poverty alleviation eludes governments because the tools they have used traditionally, through social spending and intervention, have been constrained by deficits and free-market policies. For its part, the market has delivered some new jobs in some jurisdictions, but the hard reality is that nearly one billion global citizens are out of work or underemployed. Innovation is necessary to facilitate adjustment and restructuring in the labour markets of both the formal and informal sectors, as well as maximize opportunities for enterprise and



employment growth created by globalization (Rodgers, 1995). Moreover, it is much more likely that such innovation will be generated and disseminated by business, labour and communities--operating at arm's length from government--than by the state itself.

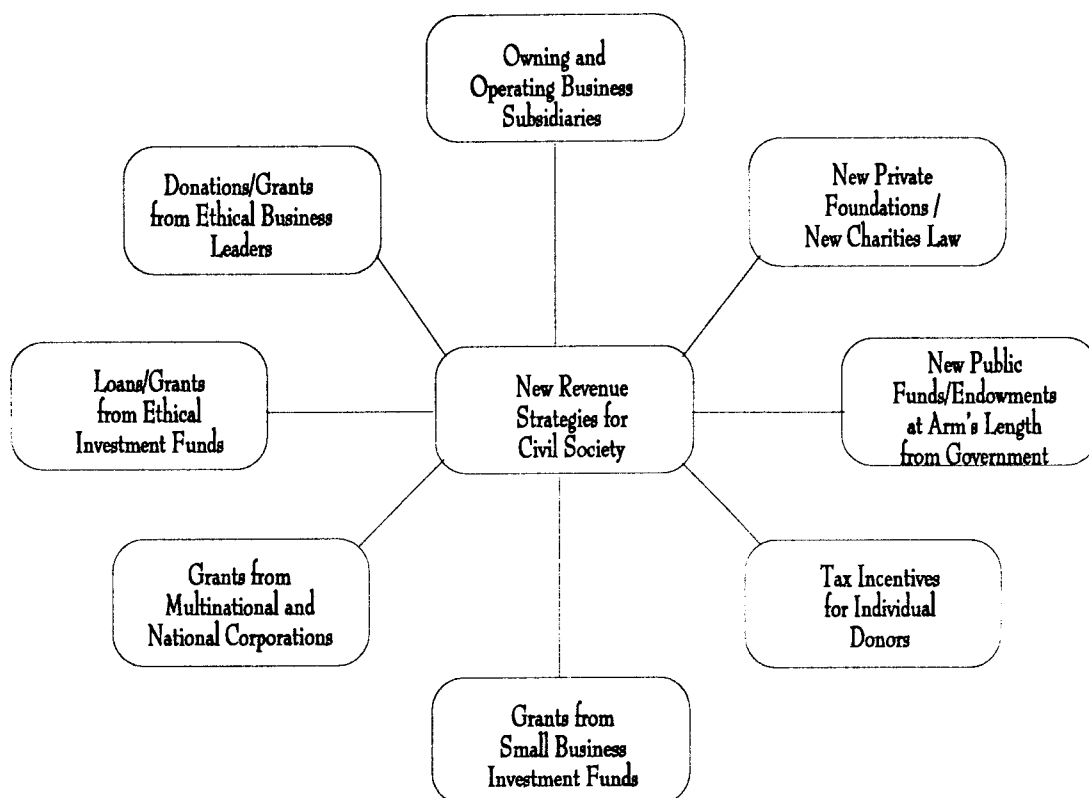
The southern cone countries require, as does Canada, new tools for managing economic change. These new tools have been referred to elsewhere as participatory strategies for production restructuring: ways and means of adjusting to maintain employment and community sustainability "from the ground up" (see Jackson, 1995). Such strategies involve building new networks of small businesses, of socially responsible investors, of community economic development professionals and local organizations, of unions and alternative trading organizations promoting fair trade, of groups linking trade and human rights, and of communities negotiating "good neighbour" contracts with corporations operating in their locality (see Dias and Morehouse, 1995). These tools also involve efforts to build new capacity among small firms to export, among workplaces to institute worker-friendly innovations, of local stakeholders to coordinate labour markets, of NGOs to support microenterprise, and of unions and communities to monitor and pre-empt the closure of viable plants.

Other strategies can be used. Democratizing the ownership of business through employee ownership programs, the promotion of self-employment, and business ownership by "identity groups" such as women and ethnic minorities, are all possible approaches. Perhaps most important of all is the formation of new pools of social capital that are worker- and citizen-friendly. Such capital pools include community loan funds, microcredit programs, development banks, labour-sponsored investment funds, pension-fund investment vehicles, and ethical or socially-responsible mutual funds (Jackson, 1995). In the final analysis, access to capital is the key to restructuring and adjustment under globalization. Canada's own experience to date points to the importance of such tools. The case of the southern cone countries differs little in terms of the need of workers and citizens for strategies that will enable them to engage in economic restructuring at the local and sectoral levels of the economy.

### **3.5 *Strategic Objectives for New Linkages***

The present study found that ODA institutions can, and should, facilitate new linkages between Canada and the southern cone around a number of themes which are important in the present context in both parts of the world. Such linkages should be centred on expanding and making more effective private initiatives serving public purposes. In each case, though, the objectives of these linkages must be strategically focused. Support of this nature will assist local institutions to manage change, and to modify their purposes and methods in the service of their

**Figure 1**  
**New Revenue Strategies for Civil Society**



constituencies. Such support will also provide ODA institutions with a unique "window" on the process of change in the region, and new partners to accompany in this process.

### 3.5.1 Private Philanthropy

The strategic objective of this linkage activities in private philanthropy would be to add value, through critical research, to the many efforts now underway to promote the elaboration of a responsive, professionalized private philanthropic sector in Latin America and the Caribbean. IDRC would concentrate its particular efforts on "asking (and helping to answer) the hard questions" about philanthropy in the region, such as: how can private foundations be established that will support social justice, human rights and other change strategies, as opposed to traditional charities and social services only? How do commercial interests make use of the

foundation model primarily for tax-break and public relations purposes? What legitimate cash-management and financial market techniques can be used by foundations to maximize the growth of their assets?

In Canada, where capacity on these matters is limited in size but very high in quality, progressive philanthropists and charitable-law lawyers could be mobilized for linkages in this field. In the southern-cone sub-region, leading foundations, corporate philanthropists and the broader philanthropic community could be involved. Activities could include: seminars and conferences on new models, laws and cases; publications and manuals; exchanges in both directions; and a discussion-paper series on institution-building in this sector.

### 3.5.2 Participatory Restructuring Initiatives

Globalization, free trade and economic restructuring are generating dislocations and changes in Canada and in the Latin America and Caribbean region alike. Some of the techniques used in both parts of the world to assist in adjustment by business, labour and communities are important sources of experience to all parties involved. The strategic objective here, therefore, would be to promote an exchange of experience and techniques in adjusting to economic change. Trade unions, NGOs, research centres, universities, multilateral and bilateral agencies all could be involved, as resources permit, in both Canada and the southern cone.

Seminars, conferences, electronic networking, and publications would be the main activities of this component. Among the Canadian adjustment approaches which may be relevant to the region are: flexible business networks, local and regional labour market structures, early-warning systems on plant closings, and fair-trade networks. The performance, costs, benefits and impacts of these strategies deserve substantial attention.

### 3.5.3 New Pools of Social Capital

Equity and debt investment in small and medium-sized enterprises is critical for job creation, adjustment and poverty alleviation in both Canada and the southern cone sub-region. Canada's experience in building new institutions and programs for this purpose is of great relevance to business, labour, social organizations and governments in the sub-region. In particular, the following Canadian pools of socially-oriented capital are relevant: microcredit programs, community loan funds, the programs of the federal Business Development Bank, labour-sponsored venture capital corporations, the venture programs of public pension funds, and socially-screened (ethical) mutual funds. Senior officials of these organizations could usefully serve as resource persons in workshops, technical assistance assignments, and networks among key individuals and organizations in the sub-region. The strategic objective here thus would be to promote an exchange of experience and techniques in establishing and operating new pools of socially-oriented capital.

#### **3.5.4 Development Consulting**

The strategic objectives with respect to development consulting would be to 1) expand and strengthen the viability and sustainability of individuals and organizations engaged in development consulting in the sub-region; and 2) create opportunities for Canadian consultants and those in the region to collaborate in third-country joint ventures. On the Canadian side, partners could include the Canadian Association of International Development Consultants, a professional association representing nearly 1,000 consultants across Canada, as well as individual firms and research centres which engage in consulting. Canadian capacity is strong in consulting-business planning and management, and project monitoring and evaluation, as well as, sectorally, human resource development, rural development, environment, gender, small enterprise, and finance and economics.

Partners in the southern cone would include individual consultants and firms, research centres, NGOs, and government agencies responsible for international cooperation. Regional capacity would seem to be strong in strategic, political and economic analysis, the education sector, research networks, and third-country relationships. Activities in this component might include: seminars for particular constituencies on a country or sub-regional basis, delivered by both Canadians and regional professionals, on: how to start and run successful consulting firms; on "generic" consulting skills such as project management and evaluation; co-production in Canada and in the region of a manual on setting up consulting firms; support to governments for putting in place transparent, systematic bidding systems; and the creation of opportunities for the two sides to develop joint strategies for engaging in third country work in the poorer nations of the region.

#### **3.5.5 Linkage and Leverage with Other Donors**

IDRC can achieve significant linkage and leverage with other donors in these areas, particularly with respect to CIDA the IDB, and some private foundations, such as the Ford Foundation, for example. In CIDA's case, there may be some receptivity to a proposal which would involve the transfer of Canadian development consulting "technology" to consultants in the region. There may be foundation support for the strengthening of research centres in the region by Canadian consultants, especially with regard to business planning, marketing and consulting-practice viability. In terms of the IDB, it may be possible to access the Bank's trust funds for Canadian consultants, in order to carry out technology transfer activities that create opportunities for joint ventures in third countries (see section 4 below).

#### **3.5.6 Opportunity for Action**

An opportunity exists for the ODA donor community to play a role as a catalyst and innovator in supporting new activities involving private mechanisms and institutions designed to achieve public or social as well as economic objectives. Support in this area contributes to addressing important questions in the region relating to the promoting of job-growth with social equity,

financing the evolution of civil society, and sustaining the impressive research networks with which many ODA institutions are associated. Furthermore, such support would be complimentary to other ODA programs involving universities and NGOs. There are good reasons, therefore, for donor agencies to consider establishing a special set of activities to facilitate exchanges and linkages in these promising areas.

#### 4. DEVELOPMENT CONSULTING: AN ILLUSTRATION

It is perhaps useful at this point to examine in some detail an example of how mutual and cooperative activity by Canadians and Latin Americans in new private linkages could serve a particular public purpose. The illustration presented in this section is that of development consulting, with special reference to Chile.

##### 4.1 *A Strategic Opportunity for Revenue Generation*

The field of development consulting in the southern-cone countries is an emerging area of professional practice. Evidence from Chile and Uruguay suggests that this field holds considerable potential as a strategy for research institutions and centres to generate revenue to continue their work.

However, it also should be acknowledged from the outset at consulting work is, by definition, primarily market-driven. Consultants make money by undertaking projects that are usually defined by their clients. Consultants may, and usually do, influence the design and methods used in projects, and this sometimes affords considerable change leverage. However, the client is the ultimate decision-maker, the one who writes the cheque. The act of writing the cheque encodes the basic power relation between the consultant and the client.

This only means that Latin American and Caribbean (and Canadian, for that matter) researchers who turn to development consulting as a way of working and generating revenue, and who have policy and program agendas broader than those of their clients, must determine internally an organizational and administrative strategy for supporting those activities and services which the market does not purchase. This can be accomplished in many practical ways (e.g., through an internal "tax" on all contracts that is flowed to a central, independent account to fund work which is internally-driven rather than market driven; or, through an internally agreed-upon allocation of a percentage of staff time, funded by general salaries but focused on tasks that are not market-oriented). But it must be structured into the consulting practice, or else the market-oriented initiatives will dominate overwhelmingly.

In other words, development consulting must be seen strategically, as a means rather than solely as an end in itself. It is in this context that this area of professional practice is examined below.

##### 4.2 *Development Consulting in Chile*

###### 4.2.1 Management Consulting to Private Firms

There is an emerging sector of management consulting firms in Santiago which provide their services to private companies. Among these firms are "big six"-affiliated practices, such as Coopers and Lybrand, Deloitte Touche, Ernst & Young, Horwath, KPMG Peat Marwick, Price Waterhouse, and others which are also associated with international accounting and auditing

practices. It would appear that there also is a considerable number of "home-grown," smaller practices of "boutique" firms specializing in certain service niches. In this sector, the services offered by both groups involve strategic planning, organizational development, marketing, business planning, human resource development, information systems, work-team formation, total quality management, and so on. Many firms carry out technical studies and provide workshops and change facilitation services for corporations. Clients here include both foreign and Chilean companies.

Another group which offers management consulting services to corporations -- and to government, as well -- is the consulting engineering sector. While these firms often specialize in sectors like hydropower, forestry, mining, and transport, they also offer more general services such as feasibility studies, project planning and project management. In this sector, foreign firms increasingly are buying stakes in local engineering companies in order to do business in Chile. SNC Lavallin, a large Canadian firm, has recently taken this step, for example.

#### 4.2.2 Consulting to Government

The national government in Chile in recent years has begun to hire consultants to design, implement and evaluate government programs and projects. Such assignments involve, for example, privatization, infrastructure, and social services. Individuals, institutions and firms are

<b>Table 3. Types of Consulting in Chile, 1995</b>	
<p><i>Individual and institutional researchers advising NGOs:</i></p> <ul style="list-style-type: none"> <li>- local</li> <li>- national</li> <li>- regional</li> </ul>	<p><i>Companies providing management consulting services to the private sector:</i></p> <ul style="list-style-type: none"> <li>- organizational change</li> <li>- marketing, public relations</li> <li>- information systems</li> <li>- outplacement</li> </ul>
<p><i>Individual and institutional consultants/researchers working on contract to international agencies: ECLAC, IDB, IBRD, etc.</i></p>	<p><i>Companies and individuals providing consulting services to the national government:</i></p> <ul style="list-style-type: none"> <li>- design</li> <li>- implementation</li> <li>- evaluation/monitoring</li> </ul>

hired for this work. One problem in this area is lack of systematization and transparency in the contract bidding and selection process. Critics suggest that party politics drives this selection process currently, leading to the perception (and the reality) of corruption and uneven quality

of service. Some of the management and engineering consulting companies that sell their services to the private sector are also involved in providing services to government.

#### 4.2.3 Providing Research and Advice to NGOs

Many individuals and institutions provide research and advisory services to NGOs and other civil-society organizations (including universities, unions, co-operatives and church bodies) in Chile. Sometimes they are contracted through project funds, under very modest fee arrangements, and sometimes they work voluntarily. The withdrawal of foreign donors from this sector has made it difficult for NGOs to engage consultants at precisely the time when they need such advice most urgently. In particular, these organizations must reorient and restructure themselves, generate new sources of revenue, and gain new efficiencies in program delivery. There would seem to be no pool of funds on which NGOs can draw to access consulting services. The establishment of such a pool would receive strong support from this sector.

#### 4.2.4 Consulting to International Agencies

Highly skilled individuals and institutions also work on contract to such international agencies as ECLAC, IBRD, IDB, ILO and the Ford Foundation. Services in this area tend to be focused on research and policy issues, often with a Latin-American wide orientation, including economic policy, labour markets, productivity, educational reform, and gender and development. Fees tend to be attractive, and the individuals involved may also be able to integrate this work with other teaching, research and consulting duties. Some consultants in this field have been or remain leaders in the NGO sector. Some sell their services to the national government, as well. Still others teach at universities, where the salary structure is so low they are obliged to regularly seek external assignments.

#### 4.2.5 Obstacles to Local Consultants Formalizing their Practices

There are real obstacles to individual local consultants in Chile and other southern cone countries formalizing their consulting practices by establishing incorporated businesses, marketing aggressively and publicly in-country, and so on. These obstacles include:

- 1) **Tax Treatment.** The first major obstacle is tax treatment. Informal consulting practices can minimize local income tax in several ways. First, the informality of the practice may mean that income generated locally is not always reported as business income. Second, and probably more common, especially among consultants who work for international donor agencies, invoices often direct clients to pay accounts off-shore (eg. Miami), where such income also escapes taxation in the consultant's home country. In both instances, incorporating a consulting business would require the owner to submit the entity to annual business taxes and the shareholders and staff to income taxes.



- 2) **Net Revenue.** In order for local consultants to formalize and systematize their consulting practices, they must make significant gains in their net revenue. In the case of well-connected, globally-engaged consultants, they now probably can make more money on their own informally. But when competition for their services intensifies, and when companies can command higher "external" fees (those billed to clients) and therefore can pay higher internal fees or salaries to associates and staff, it will then become worthwhile for local consultants to formalize their practices, incorporate, and enter into partnerships and joint ventures.
- 3) **Scope of Work.** Presently, individual consultants in the region do small, short-term projects: designs, evaluations, monitoring, or policy research. These assignments can be carried on while they also work in government, universities, research centres or NGOs. As larger projects become available, the economics change for all stakeholders. Large projects carry financial and professional risks which demand incorporation in order to limit liability. Large projects also need, and can pay for, permanent administrative and professional staff. But large projects also generate a different scale of overhead and profit which enable owners to grow their consulting practices to new plateaux.

Any efforts to promote expanded use of development consulting as a revenue-generating strategy must take into account and address these and other obstacles in the field.

#### **4.3 *Possible Linkage between Canadian and Southern-Cone Development Consultants***

##### **4.3.1 Terminology**

In Canada, development consultants are organized into the Canadian Association of International Development Consultants. Presently, no association of development consultants exists in the southern cone or in Latin America as a whole. In fact, the term "development consultant" is not generally used. In the NGO community, both words often carry negative connotations. Rather, in the development field, practitioners will designate themselves "advisors", "planners", "researchers", or will use discipline-defined labels such as "economist", "sociologist", and so on. In the private sector, though, and in government work, the term "consultores" is used more frequently. Other terms appearing more commonly are "consultores gerenciales", and "consultores en desarrollo organizacional," "en management," "en recursos humanos," and so on. In any case, no organizational counterpart exists to the Canadian Association of International Development Consultants (CAIDC).

##### **4.3.2 Areas of Cooperation**

There would seem to be some very important and innovative opportunities in which Canadian development consultants and their counterparts in southern cone-countries could co-operate. Among these potential areas of co-operation are the following:

- ✓ In the NGO sector, skill-development among staff and advisors in the areas of:
  - organizational change/strategic planning;
  - new fundraising methods;
  - "generic" skills in project evaluation and monitoring;
  - results-oriented programming;
  
- ✓ In the government sector, technical assistance to:
  - establish a transparent and efficient bidding process;
  - establish a pool of funds for NGOs to access consultants;
  - support results-oriented programming;
  - "generic" skills in project evaluation and monitoring;
  
- ✓ In the international agency sector, co-operation to:
  - facilitate joint Canadian-southern-cone bids on larger donor-funded projects in poor third countries;
  
- ✓ In general, co-operation activities in:
  - how to start and operate small consulting firms;
  - establishing an association or network of consultants in the development field.

In terms of what CAIDC members can learn from southern-cone consultants, there are many opportunities, as well. Local practice in the region in certain sectors, such as NGO programming, gender, microenterprise, and so on, is leading-edge in global terms. Canadian consultants can also learn from the complex and sophisticated governance process in the sub-region, especially with respect to political parties, macro-economic policy, and human rights.

A project of cooperation between development consultants in Canada in the sub-region could be eligible under CIDA's new technology transfer program in the sub-region. It could be focused on four southern cone countries--Chile, Argentina, Uruguay and Paraguay--which share many characteristics with respect to the consulting field. Other sources of support for such a project might include, for example, the Ford Foundation, UNDP or IDB.

#### 4.3.3 Identifying a Partner Organization

Under the circumstances obtaining in the region presently, it may be necessary to create a specially constructed partner organization in the region. One approach could involve creating a joint venture vehicle, based in Chile or Uruguay, under Canadian and local ownership, that would do business in all "conosur" countries. Such an entity could be owned by Canadian development consulting firms, which might hold a majority of shares, and with local consulting interests perhaps holding a minority interest. As the linkage project proceeds, this ownership ratio could shift to a more equal arrangement and, ultimately, to majority local ownership. In the meantime, the new structure would be available to do business in the region, hosting and

organizing country events (workshops, fora, missions); networking with other consultants in the region; and generally serving as the project's co-ordinating "node" in the southern cone.

Whatever ownership form is taken by the new entity, it should operate purely as a project-driven, market-oriented firm. It could be a vehicle for project work by Canadian members jointly with project participants from the region. It could be a tool to access IDB and IBRD contracts. Its "rules of operation" should be entirely non-bureaucratic. Principals and staff could be paid on a reward system based on profit-sharing and "sales" incentives.

One alternative to the above proposal is to employ existing research networks as "proxy" consultant associations and to use the linkage project to convert some of the members of these networks to become members of a new association or associations of development consultants based in the conosur sub-region.

A final option would be to establish a partnership with a government body and then create a new association that would be spun off as an independent, non-profit institution; it could then become the partner organization. A government unit that might play this role is the Chilean technical cooperation agency. However, this agency's involvement may be insufficient in a sub-regional sense, in that only one of the four country governments would be involved in the project, an asymmetry that probably would be non-viable from several points of view.

#### 4.3.4 Other Possible Features of a Linkage Project

##### *A Key Role for Youth*

Young people everywhere do not carry the baggage of attitudes and methods of previous generations. It would seem very likely that in the southern cone it will be people in their mid-to late twenties and early to mid thirties who will be able to convert themselves to consultants most rapidly and effectively. Their unencumbered absorption of new ways of working and their motivation to fashion a well-paying, sustainable profession for themselves and their young families will serve them well in the learning process. Younger workers also tend to be more computer literate than their older counterparts, a characteristic that can also serve the former well in the age of the Internet and of project management software.

##### *Consulting Business Incubation*

One very direct way of stimulating the growth of quality consulting firms in the conosur countries is by setting up consulting business "incubators". Incubators are office services facilities which would provide training, management support, accounting services, infrastructure and credit to new companies in the consulting field. Firms started by young people could be especially encouraged. As the incubated firms gradually build their capacity and viability, they could increasingly pay for incubator services at market rates.

### *Joint Venture Fora*

Another practical activity which could be mounted in support of consulting-firm development is a joint venture forum. In each country, on perhaps an annual basis, Canadian and local firms could be brought together to discuss some aspects of the consulting profession. At the same time, through meals and break periods, the participants could also be encouraged to meet privately to discuss common interests, complementarities, and possible joint ventures.

### *Consulting Skill-Training*

Researchers, university faculty members, NGO activists, and others seeking to make consulting an important part of their professional work must develop skills related to: time management, technical report-writing, contract negotiations, marketing, financial administration, and so on. Training in these areas could be provided through informal workshops associated with IDRC or one of its partner agencies, or through a more formal training program operated over a longer period of time; this type of program might even be accredited. Such a program could be delivered by CAIDC or its members, in conjunction with regional trainers.

### *Market Research*

Notwithstanding the face-value evidence gained in the present assignment showing the potential for consulting in the region, there is a need to carry out more detailed market research in the cono-sur countries and in poor-country contexts in the region. The relevant segments of the market are: project design and planning services, project evaluation and monitoring services, project implementation, sector studies, market studies, social and environmental impact assessments, and cost-benefit analyses. Potential client groups include national governments, private corporations, and international organizations. Competitors include national and international engineering and accounting firms, and American and European development-consulting companies.

## **4.4 *IDRC's Contribution to Development-Consulting Linkages***

IDRC can make some very unique and important contributions in facilitating Canadian-southern cone linkages in development consulting. The Centre enjoys longstanding credibility as an innovative, progressive donor and partner in the region. Its own networks and partner-institutions house some of the most talented development professionals in the region. The Centre could mobilize these and other resources to ensure the success of new linkages between development consultants in Canada and those in the southern cone.

### **4.4.1 Identification of New Consulting Opportunities**

Potential clients for consulting services and contract research by IDRC's partner-institutions include in the UN system include:

- Inter-American Development Bank (IDB);
- The World Bank (IBRD);
- United Nations Development Program (UNDP);
- United Nations Environmental Program (UNEP);
- Organization of American States (OAS);
- Organization for Economic Cooperation and Development (OECD);
- United Nations Economic Commission for Latin America and the Caribbean (ECLAC);
- International Labour Office (ILO);
- Global Environment Facility (GEF).

UNEP, with its annual \$100-million budget worldwide, is seeking new partners, especially private-sector ones, to gain leverage and coverage of its ideas (see Stackhouse, 1995). The ILO, for its part, is considering a new mix of approaches to poverty alleviation that promote economic growth, redistribute resources to the poor, and generate employment (Rodgers, 1995). UNDP continues its advancement of capacity-building and good governance in the public sector.

The largest donors in the region are the World Bank and the Inter-American Development Bank. The IBRD contracts consultants to carry out policy research, project appraisals, and evaluations. It also hires firms to implement projects. The Inter-American Development Bank (IDB) purchases a similar range of services. Ongoing communication with local staff of these institutions and with their headquarters staff in Washington is necessary to track consulting opportunities. Competitive bidding and selection processes characterize the larger, multi-year assignments of these institutions. In recent years, the World Bank has demonstrated increased interest in "soft-side" issues such as poverty reduction, sustainable development, participatory development, labour adjustment, gender equality and public-sector governance (see World Bank, 1993, 1994, 1995a, 1995b).

After a long preoccupation with policies to reduce national indebtedness and spur economic growth in the region, the IDB has begun to address equity issues. It has placed greater emphasis on lending programs to micro-enterprise and reform in the social sector, and on transparent governance by borrowing countries. IDB is being urged to put poverty alleviation at the centre of its programming, promote gender-sensitive development strategies, and discourage military spending by member-countries (Tussie, 1995).

As of early 1995, IDB reported a wide range of new projects in its pipeline in the following sectors: agriculture, education, energy, environment, finance, health, planning and reform, sanitation, transportation, and urban development. Other projects currently in the pipeline involve micro-enterprise and micro-credit support, meeting basic needs of vulnerable groups, and social policy development (Inter-American Development Bank, 1995).

In the realm of civil society in Latin America, NGOs and popular organizations suffering from the cutbacks and pullouts of financial support from foreign donors and NGOs which took place in the first half of the 1990s. In addition to this, civil-society organizations also feel pressure

to maximize their outputs and impacts and to manage for results. This pressure comes from bilateral and multilateral donors whose political masters oblige them to "do more with less" and whose broader publics are skeptical of most public spending as standards of living continue to fall for many citizens in the industrialized nations.

NGOs and popular groups must restructure themselves, refocus their efforts, find new ways to generate funds, and cooperate productively with each other. In this context, organizational learning together with a results orientation become very important, indeed. And, as economic growth is also accompanied by income polarization and environmental degradation, in the absence of a state-funded social "safety-net," NGOs find that the demand for their services is increasing (see, for example, Quiroga, 1994 and Vio Grossi, 1995). This "ground-level" reality of poverty, inequality and pollution is the most important factor impelling this sector to generate wider and deeper program results.

In general, IDRC staff and partner institutions are knowledgeable about new training opportunities and can do some of that training. The broad opportunity to make money by organizing and offering professional training activities (workshops, courses, etc.) is evident today in the southern cone. There is a thirst for the knowledge such training can provide. Many groups are providing such training, but the quality of what is being delivered is uneven at best. The market for training consultants, NGOs, universities and research centres in how to design, manage or evaluate projects for donor agencies (particularly IDB and IBRD) would seem to be very large and the willingness of potential customers to pay for this service would also seem to be very substantial.

In each of the cases mentioned above, where opportunities to sell consulting services can be increased, IDRC staff and partner-institutions possess the knowledge and contacts to identify new contracts. They also could carry out this new work as a way of generating revenue for their host institutions.

#### 4.4.2 Converging Areas of Interest

There would seem to be a considerable convergence of areas of interest among three stakeholders in development-consulting linkage projects involving Canada and southern-cone countries. The underlined areas of interest in Table 4 denote sectors and project-cycle skills which 1) relate to the skill-sets of both IDRC networks and CAIDC and 2) also relate to anticipated contract opportunities with IDB and IBRD. It would appear that the IDRC networks' skills combined with CAIDC members' skills could, in fact, create new and expanded consulting opportunities in Latin America.

#### 4.4.3 Conversion of Existing Networks

There is considerable potential to convert some of IDRC's existing networks in the region directly into consulting networks. Most individual members of these networks are already

engaged in some form of consulting. What seems to be required is the establishment of a completely new operating environment--perhaps a new organization located outside the "normal" structures of IDRC, the universities, research centres and government agencies. Such a new organization could be established as a for-profit consulting firm under company law or as a new non-profit agency. In any case, its modus operandi must be market-driven and fee-funded only. Two networks worth considering for conversion are the social policy network and the education policy network. In each case, the "conversion" vehicle could be, for some period of time, run alongside the existing network operations, with individuals opting in as their time and interests permit.

#### 4.4.4 Commercialization of the Knowledge of Current Networks

Adjustment for jobs and standard of living with the more marginalized groups in Latin American and Caribbean societies could be advanced through the commercialization of indigenous and local specialized knowledge. In the case of indigenous peoples, this knowledge, essentially about biodiversity, is detailed, sophisticated, and strategically important. IDRC can play a role, and is beginning to do so in its grassroots sustainable environment program worldwide, in assisting its local partners to transform in a strategic manner their knowledge into business opportunities, particularly consulting services to both the private and public sector, training, and intellectual property and patent management. It will be important to experiment with and learn from various models of enterprise structures for the conduct of such business. It will also be important to protect the intellectual property rights associated with any knowledge that is "brought to market" in this way. This work entails great ethical responsibility, to say the least.

#### 4.5 *Sources of Support for Development-Consulting Linkages*

There are several sources of support which could be utilized to promote development-consulting linkages between Canadians and southern-cone professionals.

##### 4.5.1 Canadian Trust Funds at IDB and IBRD

The Canadian trust funds at IDB and IBRD which support Canadian consulting work through these institutions offer "pump priming" money for major projects in Latin America. Trust funds can be used for feasibility studies leading to participation in bids for the major projects. Major project implementation may be ideal targets for joint ventures between Canadian firms and Latin American firms, organizations and individuals. Canadian expertise in project management can be blended with regional expertise in technical/professional analysis and political networking.

##### 4.5.2 CIDA INC

CIDA's Industrial Cooperation (INC) Division in its Canadian Partnership Branch may also be a source of support for feasibility studies and preliminary work leading to large multilateral projects. In many countries, CIDA-INC treats preliminary work leading to joint ventures on

development bank projects as eligible under its funding program. Firms must contribute to the cash and in-kind costs of the INC project.

<b>Table 4. Converging Areas of Interest, Expertise and Opportunity</b>			
<b>Area</b>	<b>IDRC Networks' Skills</b>	<b>CAIDC Members' Skills</b>	<b>IDB/IBRD Contract Opportunities</b>
<b>Sectors</b>			
Natural Resources/Environment			
Information Technology			
Education/HRD			
Social Policy			
Governance/Public Administration			
Water/Sanitation			
Microenterprise			
Basic Needs/Poverty			
Gender and Development			
Agriculture			
NGO Capacity-Building			
<b>Project Cycle</b>			
Design			
Implementation			
Monitoring			
Evaluation			
Policy			

#### 4.5.3 CIDA Technology Transfer

In late 1995, the President of CIDA announced a \$20-million technology transfer project over the next five years for the southern-cone countries. The transfer of consulting techniques could be eligible for support under this new bilateral project, whose focus is on the sub-region of the cone as a whole as opposed to single-country activities. One issue to be addressed here, however, is the need for a partner in the sub-region. Partners must be organizations rather than individuals, and it is preferable that partners themselves be sub-regional in scope. In the case of development consulting, there are neither regional nor national professional associations with which CAIDC could partner, at this time. A special partner organization could be created



expressly for this purpose. Alternatively, perhaps regional networks of research centres or other organizations could be designated as partners in this special circumstance, until counterpart associations emerge. A final option is to temporarily designate a government agency as a partner organization until a new private structure is created.

<b>Table 5. Comparative Advantages</b>	
<b>IDRC's</b>	<b>CAIDC's</b>
• credibility	• project cycle expertise
• regionally-based networks	• HRD/social-sectors
• innovation	• knowledge of CIDA
• independence	• private-sector character
• critical perspective	• business management expertise

#### 4.5.4 Ford Foundation

The Ford Foundation has expressed concern with the financial sustainability of many research centres in the region which the Foundation has supported for many years. Rigidities in leadership and operating styles have prevented some of these organizations from responding creatively and pro-actively to the recent withdrawal of foreign donor funding. The Ford Foundation office in Chile expressed interest in exploring how training in business management and development consulting could reduce the vulnerability and enhance the sustainability of these institutions. Foundation support for such activity should be investigated in New York.

## 5. CANADIAN CAPACITY

### 5.1 *Canadian Capacity*

Canadian capacity in implementing the kind of private initiatives under discussion here can accurately be described as broad but not deep. There are dozens (but not hundreds) of organizations and hundreds (but not thousands) of specialist-professionals in Canada that could be mobilized to participate in linkage projects in these areas.

In fact, the capacity of Canadians to be useful in accompanying and learning from their regional counterparts through such projects probably will increase as the Canadian economy and standard of living "adjusts" downward and the economy restructures more markedly. As public spending on such projects also declines in Canada, Canadians' experience in finding new ways to finance civil society and innovative research will become even more relevant to their Latin American partners than before.

### 5.2 *Private Philanthropy*

In Canada, the primary organization in the private philanthropy sector is the Canadian Centre for Philanthropy in Toronto. This organization might be a useful partner for counterpart associations in the Latin American and Caribbean region in the future. However, some member-foundations of the Centre are more oriented to social-change than others. In particular, the McConnell Family Foundation in Montreal is a leading funder of community-based self-help and environmental sustainability projects, and McConnell's leadership possesses impressive experience in international development. The Laidlaw Foundation takes a similar approach in social and community development. For its part, the Calmeadow Foundation is Canada's leading foundation engaged in microcredit lending in Canada and also in Latin America, and is a superb resource for IDRC. In addition, there are lawyers and consultants in Canada specializing in charities law and tax regimes, and private fundraising techniques, who could also be very useful resource persons in possible future projects.

### 5.3 *Community Economic Development*

There is a well-developed national network of professionals and activists engaged in urban and rural community economic development (CED) in Canada. Among some of the more well-known organizations are the Westcoast Centre for Development Management in Vancouver; Montreal's RESO, a citywide CED structure; and New Economy Development Group, a consulting firm in Ottawa. Across the country are hundreds of community and Aboriginal development corporations, community loan funds and small-business promotion centres which also could be useful participants in linkage projects. Some universities also have research centres and professional courses in CED, including: Cape Breton, Carleton, Concordia, Dalhousie, Guelph, and Simon Fraser. Finally, there are government agencies which specialize in CED. Among the more innovative of these agencies are the Economic Recovery Commission

of Newfoundland-Labrador and the national network of Social Development Officers of Heritage Canada.

#### **5.4 *Labour Adjustment and Restructuring***

In the area of labour adjustment and restructuring in the formal economy, a number of business-labour groups could serve as effective linkage-project partners. Nationally, the federally-funded Canadian Labour Market and Productivity Centre and the Canadian Labour Force Development Board would both be useful partners; the former has worked on research projects in the southern cone in recent years through CIDA funding. The research departments of the Canadian Labour Congress and several of its major member-unions, including the Canadian Autoworkers, the United Steelworkers, the Communications Energy and Paperworkers, and the Canadian Union of Public Employees, have been active in various ways on adjustment issues and also have international-development programs. In addition, there are university research centres (eg. Carleton) and private consultants across the country working on these issues. The Canadian Chamber of Commerce is undertaking a project on flexible business networks, and this experience too is likely to be relevant in Latin America.

#### **5.5 *International Development Consulting***

While the member-firms of the Canadian engineering and management consulting/accounting associations employ individuals who work in the field of international development, the most concentrated aggregation of professional skills in this area is found in the membership of the Canadian Association of International Development Consultants (CAIDC). Based in Hull, and now serving 1,000 Canadian consultants (both those working in firms and those working on their own), CAIDC's members specialize in the "softer" side of the Canadian foreign-aid program, including human resource development, rural and community development, water and sanitation, agriculture, small business, gender and development. Association members design, implement and monitor and evaluate foreign assistance programs and projects. Another association which offers expertise in consulting is the Canadian Evaluation Society, which recently co-hosted a large international evaluation conference in Vancouver, which IDRC supported.

Appendix B provides information on how to contact the Canadian organizations discussed above.

## 6. RECOMMENDATIONS

In light of the findings of the present study, it is recommended that ODA institutions:

- 1) identify, assess, monitor and support a wide range of emerging private initiatives which serve public purposes, throughout Latin America and the Caribbean, and promote exchanges on experience and techniques in these initiatives between Canada and the region;
- 2) in the constellation of organizations promoting private philanthropy in Latin America and the Caribbean, serve as engaged critics in order to advance a social-change approach to foundation and corporate giving in the region;
- 3) make special efforts to facilitate linkages among Canadian and southern-cone professionals and activists involved in community-based economic development and solidarity economics in the informal economy;
- 4) support partnership projects between Canada and the southern-cone in the areas of labour-market adjustment and economic restructuring in the formal economy, especially activities involving joint business-labour cooperation;
- 5) encourage and fund a project with the Canadian Association of International Development Consultants to build development consulting capacity in the southern-cone countries.

ODA institutions can play a catalytic role in assisting countries in the southern cone and elsewhere in Latin America and the Caribbean to respond creatively and effectively to the challenges of globalization, inequality, the environment, governance, and the unfinished process of development in the region as a whole. An important opportunity is presented here to help build regional capacity in designing and implementing private initiatives that seek to achieve public purposes. This is not the only opportunity facing donor agencies in the region today, but it is one which deserves very serious consideration.

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