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# Understanding Voluntary Organizations

## Guidelines for Donors

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and  
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No responsible donor should undertake to “assist” or “use” non-government organizations to help in development unless it is prepared to invest in understanding their nature and distinctive roles. Financial incentives, wrongly applied, can destroy the voluntarism of all but the most strongly self-aware of voluntary organizations.

Voluntary development organizations have demonstrated substantial comparative advantage in developing countries — especially in their ability to innovate, adapt to local conditions, and reach and work with poor and difficult-to-reach populations.

These capabilities are a function of their values, special skills, small size, limited resources, flexibility, and freedom from political constraints. Their weaknesses are a function of many of the same characteristics — particularly their value commitments, small size, independence, and lack of administrative rigidity.

In this paper on what makes nongovernment organizations (NGOs) tick, Brown and Korten suggest that it is equally inappropriate to criticize:

- Voluntary organizations for their limited ability to provide routine services to large populations on a sustained, self-financing basis.
- Government organizations for their limited ability to innovate and adapt responsively to the needs of many different groups.
- Commercial organizations for their limited ability to provide services below cost to persons who cannot afford to pay.

In relating to NGOs, they say, donors should avoid the danger of equating small with simple. Most NGOs are small by donor standards, but

are simple neither in their organizational form nor in their development roles. They are particularly complex in the aggregate.

The only thing NGOs have in common as a group is that they are nongovernment and are legally registered as nonprofits. NGOs include market-oriented public service contractors (PSCs), values-driven voluntary organizations (VOs), and member-accountable people's organizations (POs).

Some VOs are strictly voluntary and work with no budget; others have well-paid full-time professional staff. Their commitments span a wide range, and their participants range from saints to scoundrels.

The strongest VOs and POs respond to a good deal more than financial incentives. Their strength lies in the fact that they are not the same as government organizations or businesses. At the same time, they are not immune to financial incentives, which if wrongly applied can destroy the voluntarism of all but the most strongly aware of VOs and POs. The issues are complex, the necessary data elusive (Brown and Korten suggest a research agenda), and the potential for damage substantial.

Donors cannot automatically assume that existing staff experience and training prepare them to play a constructive role in helping NGOs become more effective in their essential roles in national and global development.

This paper is a product of the Public Sector Management and Private Sector Development Division, Country Economics Department. Copies are available free from the World Bank, 1818 H Street NW, Washington DC 20433. Please contact Zeny Kranzer, room N-9051, extension 69485 (40 pages).

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**A Concept Paper  
Prepared for the World Bank  
by**

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The decade of the 1980s has seen a rapid increase of interest in organizations that are non-governmental and non-profit within the international development community<sup>1</sup>. These organizations are commanding growing attention as possible alternatives to government in addressing the needs of populations otherwise unreached by official development programs.

The reasons are numerous, including the following:

- Growing interest among donors and national governments in strengthening the developmental roles of institutions outside the public sector.
- The demonstrated capacity of some non-governmental organizations (NGOs) to reach the poor more effectively than public agencies.
- A sharp decline in public development resources, necessitating a search by governments for more cost effective alternatives to conventional public services and development programs.
- The fact that NGOs based in the industrial countries mobilize US\$3 billion a year in development resources from private sources and manage another US\$1.5 billion from official aid agencies.<sup>2</sup>
- An awareness that some NGOs are sophisticated and influential organizations able to carry out programs on a national scale and to influence national policies and institutions. Organizations such as the Bangladesh Rural Advancement Committee (BRAC), Philippine Business for Social Progress (PBSP) and the Peruvian Institute for Liberty and Democracy are leading examples.

The search for new options reflects a painful realization that in spite of a few "miracle economies," such as Taiwan, Korea, and Singapore, the incidence of debilitating, dehumanizing poverty persists at unacceptable levels in most countries and regions of the South. In country after country the advances achiev-

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IDR is an independent voluntary organization engaged in institutional and policy research, education and advisory activities to enable broadly-based people's participation in economic, social and political development. IDR is located at 710 Commonwealth Avenue, Boston, Massachusetts 02215.

ed through economic modernization have left large segments of the population behind.

In many countries, the development gains of earlier decades are evaporating in the 1980s. The World Bank's *World Development Report 1988* reports that poverty in developing countries is on the rise, estimating that the number of people with inadequate diets in developing countries (excluding China) increased from 650 million to 730 million between 1970 and 1980. Declines are reported in life expectancy, per capita calorie supply, and real wages in the 1980s.<sup>3</sup> The countries of Sub-Saharan Africa experienced an annual decline of 2.9 per cent in per capita income from 1980 to 1987. Declines in real per capita income were also experienced during this period by oil exporting and heavily indebted countries.<sup>4</sup>

It is little wonder that thoughtful development theorists and practitioners are searching for new approaches to dealing with Third World poverty. In this search, a growing number of aid donors and national governments have turned to NGOs as potential instruments for implementing official development projects, especially those intended to channel public resources to the poor.

We share this interest in organizations that are neither governmental nor commercial and in their distinctive potentials for support of national development. We are concerned, however, that these organizations are too often viewed through conceptual lenses that miss important aspects of their nature. Their developmental roles and performance have most often been assessed through theoretical frameworks developed to assess organizations in the commercial and government sectors. The resulting analysis offers only a partial view that often leads to working with these organizations in ways that diminish rather than enhance their contributions to solving critical development problems. In this essay we will propose a conceptual lens for analyzing such agencies that offers a more complete and accurate picture of their special development roles.

### **THE NGO: A RESIDUAL CATEGORY**

The labels "non-profit" and "non-governmental" (we will use these labels interchangeably throughout this section) say more about what the organizations so classified are not than what they are. The terms define organizations that are residuals of more standard classifications. A wide variety of diverse, structurally and functionally unrelated organizations fall under the non-profit and non-governmental category, as illustrated in Box 1.

Bringing order to this chaos is a challenge. The World Bank has defined NGOs as "private organizations that pursue activities to relieve suffering, promote the interests of the poor, protect the environment or undertake community development."<sup>5</sup> This definition emphasizes the development related activities pursued by these agencies, but offers little help in understanding their fundamental nature.

Prevailing analytic classifications reflect the reality that though social scientists from a number of disciplines have studied NGOs, no social science discipline *specializes* in the study of this group of organizations, in the sense that political science specializes in the study of governments and economics specializes in the study of market-oriented institutions.<sup>6</sup> Consequently more analytic work has been done and more conceptual clarity exists about the public governmental and private commercial sectors.

When social scientists do turn their attention to the "residual" organizations, they are inclined to apply analytical perspectives that have been developed to analyze the other sectors. The following brief characterizations of commonly applied perspectives seek to capture their essential elements. These perspectives are useful and accurate, as far as they go.

### **The Lens of Economic Analysis**

The lens of economic analysis has often been applied to explain why NGOs exist and what motivates their behavior.<sup>7</sup> Economic analysis tends to focus on the implications of their non-profit status. Of particular concern to the economist is the question of how the productive efficiency of non-profit organizations differs from that of for-profit and governmental organizations.

*Public Goods.* One common explanation for the presence of non-profit organizations parallels the economic argument for governments, i.e., economists argue that certain "public goods", such as clean air, can be enjoyed by everyone once they are produced, whether they have paid for them or not. Economists note that there is no economic incentive for an individual consumer to pay for products from which others benefit equally at no cost. This "free rider" problem explains why markets seldom produce public goods, such as clean air, because the use of such goods cannot be restricted to those who pay for them.

Governments, in contrast, can use their power to tax and regulate all citizens to compel shared support for producers of public goods. Provision of public goods is generally considered to be one of

### **BOX 1: The Variety of Residual Organizations**

"Residual" organizations that are neither for profit nor governmental exist in a variety that seems to defy classification. In any given locality they may include savings clubs, parent teacher associations, non-profit consulting firms, health committees, squatter associations, communal labor sharing groups, peasant leagues, village water associations, irrigation user groups, women's associations, mothers' clubs, tribal unions, mosque committees, environmental advocacy groups, private paramilitary organizations, religious schools, volunteer firemen, consumer cooperatives, human rights groups, youth clubs, policy analysis centers, tennis associations, art galleries, alumni groups, legal aid societies, chambers of commerce, labor unions, service clubs such as Kiwanis and Rotary, local development associations, veterans groups, tenants associations, animal shelters, burial societies, private colleges, hospitals, medical societies, orphanages, asylums, temperance societies, support groups such as Alcoholics Anonymous or single parent groups, private relief organizations, boy scouts, crime watch committees, political action groups, community centers, ethnic associations, retiree lobby groups, and so forth.

Some exist to serve their own members; others are committed to serve those who cannot help themselves. Some provide services. Others offer mutual support, engage in public education and advocacy, or provide charity. Some are concerned only with local issues. Others are oriented to national or international concerns. Some, such as Amnesty International and the American Civil Liberties Union, perform watch dog functions.

the major legitimate functions of government.

But some segments of the population may want more of the public good than the government is willing to provide. They can obtain additional quantities through a non-profit agency by conducting a community clean-up campaign, offering public education, or pressing the government for more action. The action of the non-profit organization in such instances is explained as a private response to market failure.

**Contract Failure.** Many non-profit organizations produce services that do not meet the definition of

public goods. In many instances, such as the delivery of medical or child care, their services may be indistinguishable from those of a for-profit agency. The economic explanation for such non-profit providers is that when the quality of the service provided is difficult to assess, consumers will prefer a non-profit provider that has less incentive than a for-profit firm to take advantage of their ignorance.<sup>8</sup> A variation of the contract failure argument suggests that purchasers of services (for example, donors "purchasing" relief assistance from an NGO) will prefer non-profits if the services are provided to other parties with whom the donor is not in direct contact and the donor cannot directly evaluate service quality. For example, in development work donors can feel more confident that their resources will be used by non-profits to benefit their intended beneficiaries, since it is difficult for the "owners" of a non-profit to appropriate surpluses. A non-profit agency like Oxfam America may be seen by donors as more likely to deliver donations to intended recipients than a for-profit agency that might be tempted to convert the donations to profits.

**Consumer Control.** Non-profits may also be created by consumers to achieve greater control over the services rendered, thereby insuring quality and avoiding exploitation by for-profit agencies. Thus marketing or consumer cooperatives may be designed to reduce the capacity of middlemen to exploit monopsony or monopoly positions.<sup>9</sup>

The above are all explanations for the emergence of non-profits as a result of various forms of market failure. Market failure analyses ask what niche can be filled by non-profit organizations that is not served by the for-profit sector. Markets tend to be especially vulnerable to failures in developing countries<sup>10</sup> where large segments of the population lack the basic purchasing power to participate, so alternative forms of organization that are remedies for market failures may be particularly relevant there.

In addition, those who apply the lens of economic analysis commonly note that tax exemptions provide non-profit organizations with a competitive advantage in market situations and that this advantage in itself motivates their formation. Governments are often understandably concerned that many non-profits are nothing more than commercial enterprises that use the legal form of the non-profit to avoid the tax collector.

### **The Lens of Political Analysis**

Much as economic analysis tends to focus on the role of non-profit organizations in filling niches

created by "market failure," the lens of political analysis tends to focus on their role in filling niches created by "government failure," particularly in the production of public goods. Political scientists share with economists a concern with the free rider problem as a major rationale for the existence of both government and NGOs.

In general the tools of political analysis assign a natural role to NGOs in the provision of public goods that serve the needs of relatively small groups that can be brought together in face to face organizations. The members of such organizations are best able to see the results of their individual contributions and the group is in a position to exert social pressures that minimize the free rider problem.<sup>11</sup> This focus on the small group leads to a particular interest in the role of NGOs in local development.<sup>12</sup>

Overall, the political analyst finds the main arguments for the existence of NGOs in the reality of social diversity and in otherwise unmet needs for experimentation and flexibility.

*Social Diversity.* Societies are characterized by a wide variety of views of the public good. In the formulation of consistent policies it is normally necessary for governments to make choices among these views. It is difficult for governments to respond effectively to social diversity that results in different constituencies making different or contradictory demands for government services.<sup>13</sup> For example, public policy in the U.S. precludes the teaching of religion in the schools. Those groups that believe strongly that religious teaching should be integrated into the school curriculum have the option of establishing their own schools to accommodate their need.

This role of non-profit organizations is considered particularly crucial in political systems where the people are sovereign but diverse -- with competing and sometimes contradictory wills. The response of the NGO, of course, is not limited to providing the desired services. It might also engage in policy advocacy and political action in support of its preferred policy.

*Experimentation and Flexibility.* A widely recognized failure of large-scale government bureaucracies is their inflexibility and conservatism. Bureaucratic rules and attention to procedures can be justified for reasons of equity and accountability. But these institutional characteristics do not encourage flexible or innovative responses to novel problems.<sup>14</sup> Furthermore, many governments have considerable difficulty introducing innovations before a degree of political consensus has been achieved. Such consensus is

unlikely to emerge until the concept has been successfully demonstrated, a sort of governmental innovator's Catch-22.

Non-governmental agencies are less subject to such political pressures and thus are able to experiment more easily than governments with politically sensitive programs. The Ford Foundation, for example, can take on innovative projects that are not politically feasible for the U.S. government. Likewise NGOs elsewhere may test innovative programs that governments would not undertake until they are proven to be politically feasible. They may also act as policy advocates of these same innovations.

Political analysts have observed that vital non-governmental sectors are common features of pluralistic and democratic political systems,<sup>15</sup> and that they are one of the first casualties of a shift to a more authoritarian regime.<sup>16</sup> This has important implications for our subsequent argument regarding the distinctive nature and role of these organizations.

### The Donor Perspective

While the lens of economic analysis focuses primarily on economic efficiency and incentives, the political analyst emphasizes the political and institutional role of NGOs. Development donors have commonly chosen to view NGOs through the lens of economic analysis, asking how the efficiency and reliability of NGOs compare with that of private contractors or government in the provision of specified services -- in preference to applying the lens of the political analyst. The lens of the political analyst raises issues that donors have generally preferred to ignore in their desire to avoid being accused of meddling in the internal politics of the countries they assist.

Consistent with the choice of the economist's lens, development donors have generally concerned themselves primarily with NGOs that might assume roles in the implementation of specific development projects or in the transfer of financial resources, i.e., with NGOs engaged in roles that would otherwise be assumed by governments, private contractors, or other organizations with well defined and understood roles.

Donors have been less attuned to the more distinctive contributions of NGOs in a dynamic society. This is an important oversight. These distinctive but neglected contributions include: their roles as innovators and advocates; their contribution to the balance of power between the state and civil society essential to a dynamic economy and a participatory political system;<sup>17</sup> their ability to tap otherwise inaccessible social energy; and their capacity to link with one another to become self-



organizing systems responsive to a range of human needs.<sup>18</sup>

We agree with the growing list of observers who have concluded that the most important development roles of NGOs are organizational and political rather than financial and economic.<sup>19</sup>

### **THREE INSTITUTIONAL SECTORS**

It has been relatively rare in development circles to treat NGOs as constituting a sector with a distinctive identity and features of its own.<sup>20</sup> This is in fact appropriate, as the diverse collection of organizations classified as NGOs does not define a sector in a way that is very meaningful.

#### **Defining Three Sectors**

It may be more helpful to define the three institutional sectors as: government, commercial, and voluntary. Each sector so defined has distinctive and conceptually meaningful characteristics.

The term "voluntary" refers here to actions taken by the free will of the actor. We will argue that voluntary organizations (VOs) represent a distinct class of organizations that depend on energy and resources given freely by their members and supporters, because they believe in organizational missions, not because of political imperatives or economic incentives.

Conceptually we can define the three sectors in terms of the three primary options available to organizations to mobilize the resources on which their function depends: coercion and legitimate

authority in hierarchical systems, negotiated exchange in market systems, and shared values in consensus-based systems. Table I summarizes some of the differences between the three sectors so defined. These differences will be discussed in more detail below.

Government organizations mobilize resources through the mechanisms of authority and legitimate coercion, consistent with government's primary role of preserving social order and social control. This pattern of resource mobilization is particularly evident in the power to tax or the power to draft an army, requiring individuals to provide resources in spite of their preferences to the contrary.

Commercial organizations carry out their tasks of producing goods and services through the mechanism of exchange. They offer financial incentives to gain access to the materials, information, and human resources required for their activity.

Organizations in the voluntary sector, in contrast, mobilize resources and social energy through the mechanisms of shared values and expectations. Most people have some basic values -- interpersonal, religious, political -- that are so deeply held that they will guide behavior even in the face of countervailing coercive sanctions or material incentives. These values can be invoked to mobilize voluntary contributions of labor, cash or kind to activities that give expression to these values. In the context of collective action the contributor is rewarded both by the satisfaction of reaffirming commitment to passionately held personal beliefs and by the fellowship of like-minded colleagues.

Shared values can be powerful guides to behavior because they offer actors a sense of efficacy

**Table I: Sector Differences**

	<b>Commercial Sector</b>	<b>Government Sector</b>	<b>Voluntary Sector</b>
<b>Primary Concern</b>	Produce Goods and Services	Preserve Social Order	Actualize Social Visions
<b>Implicit Organization</b>	Markets	Hierarchies	Clan/Consensus
<b>Coordination Mechanisms</b>	Negotiated Exchange	Authority and Coercion	Shared Values
<b>Enforcement Mechanisms</b>	Contracts and Reciprocity Norms	Supervision and Rules	Moral Obligation; Professional Ethics
<b>Prototype</b>	Corporation	Army	Church

in molding the world to fit a collectively desired vision. Organized action to supplement or counteract the activities of government and commercial organizations often depends on mobilizing resources through such shared values. There is growing evidence that the economists' "free rider" hypothesis simply does not hold up well empirically: people do in fact contribute time, energy, and money to agencies seeking to produce public goods even if they receive back less in material terms than they contribute.<sup>21</sup>

Conceptually the distinction we are making is quite simple. The three sectors focus on different concerns and employ quite different mechanisms to mobilize resources and human energy.<sup>22</sup>

Empirically, of course, the world is a good deal more complex than our model suggests. Most organizations have multiple concerns and utilize a variety of mechanisms to pursue them. VOs utilize financial incentives in the form of salaries and they employ hierarchical authority to guide activities.

But we will argue that true VOs are *primarily* driven by shared values. This distinction is critical to understanding the development potentials of NGOs that are truly VOs.

Note that not all NGOs are VOs by this definition. NGOs that are legally nonprofit but in fact primarily concerned with market and financial incentives are better classified as commercial agencies. NGOs that are largely dependent on and subordinate to governmental authorities are better understood as part of the government sector in spite of holding a non-governmental legal status. Self-help organizations of the poor are another important type of NGO, but they are not necessarily voluntary organizations by our definition. We will elaborate on this later.

### Defining Development

We believe that development is most usefully and accurately defined as:

*a process by which the members of a society develop themselves and their institutions<sup>23</sup> in ways that enhance their ability to mobilize and manage resource to produce sustainable and justly distributed improvements in their quality of life consistent with their own aspirations.<sup>24</sup>*

We further believe that many development failures can be explained as a consequence of focusing too heavily on the financial transfer dimensions of development and neglecting the institutional and political transformation dimensions essential to

constructive sustainable improvements in human well-being. Defining development in institutional terms helps to avoid such errors.

Financial transfers will have developmental consequences only if institutional structures to manage available resources effectively are in place.<sup>25</sup> The Marshall Plan in Europe and Japan, for example, was successful because it channeled resources into settings in which the necessary values, skills and institutional capacities to use them were basically in place, in spite of widespread physical destruction.

In the Third World, by contrast, development assistance has commonly been fed into institutional systems devised for feudal or colonial expropriation, so new resources are too often converted by elites into current consumption or capital flight. Consequently, the anticipated economic renaissance has failed to materialize in many countries.

Where the necessary values, skills, and institutions for effective resource management are not in place, the developmental impact of financial transfers should be assessed largely by their contribution to creating them.

### Differentiating Development Roles

Now we are ready to look at the natural development roles of each of the three sectors.

Historically in many countries government has assumed the primary responsibility for development leadership. The distinguishing characteristic of the government sector is its ability to obtain resources and compliance through authority and legitimate use of coercion. Legitimate authority and coercion offer effective means for accessing existing wealth. If the central task of development is to gain control over existing financial and physical resources, the government sector must play a very central role. But authority and coercion are more limited tools in the creation of value added and in the promotion of social innovation.

The commercial sector has the advantage in the efficient production of goods and services, while voluntary agencies have greater potential for mobilizing voluntary social energies and innovative problem-solving. Consequently development is difficult to achieve in a society in which the state maintains total dominion over civil society. While the state must set the rules and the framework, it is ultimately the civil society that must drive the development process, a fundamental truth now being acknowledged even in the U.S.S.R. and China.

From this perspective, the fact that development analysts have turned their attention to the potentials of the commercial sector as an engine of development, after years of focus on centralized economic

planning and production through public enterprise, is an important advance. Much of the current concern with "privatization," for example, can be understood as an effort to separate the functions of the commercial and the governmental sectors so that each sector may perform those functions for which it is best suited.

But the development task is not limited simply to increasing the value of economic transactions, which is what GNP measures. Development has failed unless the society has increased its capacity to transform available resources into justly distributed improvements in human well-being.

The commercial sector has evident advantages in pursuit of market induced innovations that increase the value of economic transactions. However, the innovations that insure that these increases in value are translated into justly distributed improvements in well-being must normally come either from government or from the voluntary sector. Between the two, VOs have important advantages over government organizations as catalysts of the types of social and institutional innovation required.

Governments depend for their function on a broadly based political consensus fashioned through negotiation and compromise among numerous existing power holders and interest groups. Their ability to innovate is constrained by the necessity of first achieving a reasonably broad consensus, at least among key power holders who may have a substantial commitment to maintaining existing inequities.

The constituencies of VOs are generally much smaller than those of governments and are built around a more coherent values consensus. Consequently, in comparison with government, the VO is able to define positions more clearly, to press for innovative solutions, and to experiment in ways that governments find difficult. This gives VOs a distinctive role as catalysts of system change in defining, articulating, and advocating positions that are outside the established political mainstream and therefore not supported by existing public policy.

Driven by values rather than by the quest for economic or political power, it is also natural that many VOs focus their attention on the needs of the poor and disenfranchised more naturally than do governments. In countries with a mature voluntary sector, VOs are constantly calling attention to and acting on perceived opportunities for improving the well-being of the society's members.

The voluntary sector role in social innovation is far more varied and pervasive than its commonly recognized role in implementing pilot projects for replication by governments and donors. For example, VOs have had a leading role in creating the civil rights movement, the environmental movement, the

women's movement, and the focus of world attention on population. These efforts have changed global perceptions and policies on fundamental social issues.

In a world dominated by the government and commercial sectors, VOs themselves may lose sight of the centrality of values to their existence. In their quest to strengthen their funding base through proving their professionalism many VOs have been inclined to deny their voluntarism, which some have come to view as an embarrassment -- though it is in fact their distinctive asset. If VOs are to realize their full potential as a distinctive developer force it is important that they become more self-conscious regarding the centrality of values and voluntarism to their distinctive nature and role.

#### **BOX 2: The Role of NGOs in U.S. Development**

NGOs played an important role in U.S. development. From the first days of its birth as a new nation:

Both merchants and evangelicals were active organizers and supporters of ... charitable enterprises that offered essential services few governments or private groups would undertake.

The sector grew enormously in the period from 1865 to 1900, serving the interests of both rich and poor.

Big business and private wealth underwrote the growth of universities, libraries, hospitals, professional organizations, and private clubs. But labor unions, mutual benefit societies, fraternal organizations, volunteer fire companies, building and loan associations, and even cooperatively owned no-profit business came into their own during this period as institutional vehicles for the interests of the middle and lower classes. With the rise of urban poverty and growing awareness of it among the middle and upper classes, charitable organizations of every sort were established .... And a host of organizations--temperance societies, civil service reform associations, civic federations, and the like--became actively involved in the political process.

Industrialism had ... not abolished poverty or inequality. This became a cause of concern to the industrial classes themselves, and eventually gave rise to private foundations that addressed the underlying causes of poverty and social inequality.

From Peter Dobkin Hall, "A Historical Overview," in Powell, *The Nonprofit Sector*, pp. 8-9.

## Pluralism and the Voluntary Sector:

Our definition of development focuses attention on distributive justice as a major development issue. This recognizes that poverty is as much a political as it is an economic condition. In many Third World societies the achievement of broadly based sustainable development depends on achieving a more broadly based distribution of economic and political power, while simultaneously strengthening incentives and values that support the use of that power to make productive use of available resources. This necessarily requires strengthening the role of the civil society *vis a vis* the state. It must be recognized in turn that democratic pluralism is a *sine qua non* for a strong and dynamic civil society.

The voluntary sector has a special role in contributing to the development of pluralistic civil societies and in the awakening of a socially conscious work and investment ethic. Indeed, these may well be the sector's most important and distinctive development roles.

The grassroots organizing work that is central to the agendas of many Third World VOs is an important contributor to democratization and to the strengthening of civil society. It facilitates the breakdown of residual feudalistic structures and value systems by realigning power structures and improving access of the actual producer to productive resources. Producer organizations in turn reinforce new values that support socially conscious productive work and investment.

In their political role, VOs supplement political parties as mechanisms through which citizens define and articulate a broad range of interests and make demands on government. In their educational roles they provide training grounds for democracy, develop the political skills of their members, recruit new political leaders and stimulate political participation. In their watchdog role they serve, as does the press, as checks on what Diamond refers to as "...the relentless tendency of the state to centralize its power and to evade civic accountability and control."<sup>26</sup>

The importance in the development of the United States of both VOs and, what we will describe later as, people's organizations is summarized in Box 2. Although many of the initial activities of VOs in the U.S. were essentially charitable, many VOs also undertook activities with substantial political and economic implications and had important roles in the creation of other institutions needed to respond to unmet social needs.

## VOLUNTARY ENERGY AS A DEVELOPMENT RESOURCE

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Voluntary energy is an almost wholly neglected development resource. It is the life force of the VO. It is important that we better understand its nature and application.

### Special Characteristics of Voluntary Energy

Voluntary energy has several characteristics that distinguish it from the energy generated by financial exchanges or governmental authority. These characteristics are important to the role of the voluntary sector in development.

First, voluntary energies are *low cost*, at least in financial and political terms and exist in potentially inexhaustible quantities. Many powerful voluntary movements do not have access to large amounts of financial capital or political power--indeed, part of their appeal may be their relative poverty and powerlessness, as in Gandhi's Independence movement. This is not to say that voluntary movements do not need financial and political resources; they do. But their lifeblood is in their appeal to values to which people will commit energy, time and often their lives.

Second, voluntary energies are *not easily controlled* by the mechanisms used to control other forms of social energy. Furthermore, they are difficult if not impossible to buy and cannot be stored. Leadership by appeal to values demands skills different from those learned in market or bureaucratic organizations. Although some public and private leaders develop charismatic leadership styles that serve them well in mobilizing voluntary energies, others are mystified by the demands of mobilizing and guiding voluntary energies. Not surprisingly, voluntary energy has proven to be a development resource largely inaccessible to development planners, bureaucrats and technicians.

Third, voluntary energies may be subject to *self-reinforcing escalation*. National and international social movements can grow from minuscule beginnings, as most of the world's major religions illustrate. Norman Uphoff has argued that the combination of shared values, new ideas about how to accomplish common goals, and new friendships can interact to produce a self-regenerating positive escalation of social energies with wide impacts.<sup>27</sup> He offers the example of a Sri Lankan irrigation system rehabilitation project in which the voluntary energy of participating farmers astonished the project organizers and led to development activity far beyond expectations.

There are, however, also instances of negative reinforcement cycles that produce "burnout" of voluntary energies and a failure of enduring commitment. More understanding of the circumstances that lead either to positive or to negative reinforcement cycles in the generation of voluntary energy is badly needed.

### **Voluntary Energy in Public and Commercial Sectors**

The importance of voluntary energy is not limited to the voluntary sector. Public and commercial agencies may also seek to mobilize voluntary energies in the service of government or corporate goals.

Much of the literature on "excellent companies" is focused on how to develop "strong cultures" that mobilize employee values and goals in the service of company strategies.<sup>28</sup>

Similarly, many governments seek to mobilize the voluntary commitments of their citizens in the service of public goals. When governments are seen as legitimate and the goals are consistent with popular concerns, enormous outpourings of energy may result. For example, thousands of young Iranians went forth to fight the Iraqi invasion; thousands of idealistic young Americans joined the Peace Corps in response to Kennedy's call. When government actions are not seen as legitimate, the same energies may be turned against them, as in the United States when large segments of the population actively resisted the Viet Nam War and in the Philippines when election fraud led the people to oust their government.

### **Mobilizing Voluntary Energy**

While in practice most organizations utilize several approaches to mobilizing and organizing their resources, they often depend on one approach as primary. Thus Etzioni argued almost three decades ago that organizations could be divided into three types quite similar to the sector descriptions we have proposed. In his typology, utilitarian organizations, like commercial firms, promise material rewards to their members in exchange for their calculative involvement; coercive organizations, like prisons and armies, secure alienating involvement through coercive control; normative organizations, like churches or social movements, mobilize members for moral involvement through shared values and norms.<sup>29</sup>

If VOs in fact mobilize people around shared values, we would expect the members of VOs to see their jobs in quite different terms from members of primarily commercial or governmental organizations. There is evidence that they do.

One recent comparison of work force characteristics in the three sectors in the United States found that voluntary sector employees reported significantly more meaning in their jobs and significantly fewer experiences in which job requirements violated their consciences. They also were paid two thirds as much. The authors of the study concluded:

..third sector employees bring to their jobs a greater commitment and nonmonetary orientation and find more challenge, variety, and autonomy in their jobs and more influence, and, perhaps, mystique in, their work roles. Nonprofit workers also find more intrinsic rewards in their jobs. The majority would prefer to continue in their present work.<sup>30</sup>

The dominance of value-based motivation in the voluntary sector has implications for leaders of VOs. Leadership based on hierarchical authority or financial incentives is less likely to be effective in VOs than leadership grounded in shared visions and adherence to common norms. There is a growing body of research on the characteristics of the charismatic leader who appeals to the values and visions of his or her followers. This research concludes that leaders who are able to articulate shared visions and mobilize their followers around them are more successful than others in sparking high levels of performance in individuals, teams and even national governments.<sup>31</sup>

### **Organizing Around Shared Values**

Organization to use voluntary energy effectively requires structures and processes in some ways quite different from those familiar in other sectors. Recent conceptual analyses suggest that there may be organizational forms that are particularly appropriate to different forms of social energy. The analyses of "transactions costs" theorists, for example, have identified three fundamentally different patterns of organization that are efficient under different conditions.<sup>32</sup>

- *Markets* are highly efficient for making decisions provided certain assumptions about competition and information availability are met. The mechanism of price provides a coordination mechanism; decisions are made through negotiations about prices; agreements are formalized in contracts and if necessary enforced through the court system.

- **Hierarchies** , in contrast, are efficient organizational forms when the assumptions of a frictionless market are invalid. Formal authority is the fundamental coordination mechanism in hierarchies; decisions are made or legitimated by commands; authority can be formalized in rules and procedures and assigned responsibilities of individuals. Hierarchies are particularly useful when the transactions costs of repeated negotiations in an imperfect market outweigh the administrative costs of creating and maintaining a bureaucratic hierarchy.
- **Clans** are organizational forms that are coordinated by shared values and norms rather than authority or price mechanisms. Decisions in such organizations are grounded in consensus about values and goals; expectations are enforced by "moral obligations" or professional ethics. Clan organization has higher costs in terms of socialization of its members for agreement on core values and expectation, but they cope efficiently with market imperfections that would undermine markets and with task uncertainties and ambiguities that would overwhelm bureaucratic hierarchies.

Clan forms of organization are equipped to innovate in the face of high levels of uncertainty and ambiguity. Their members are integrated around shared understandings of the organizational mission, so they can adjust their behavior to fit changing conditions—rather than follow outdated rules and procedures.

There are drawbacks to value driven organizations. Experience in voluntary development organizations indicates that the value commitments that are their strength can also be the source of considerable difficulty. Disagreements within value-driven organizations are easily interpreted in ideological terms, for example, and so lead to explosive internal and external conflicts that can disintegrate the agency.<sup>33</sup>

#### **A Mix of Values and Structures**

It is worth re-emphasizing that most effective organizations in any sector will use a mix of values and structure to motivate and coordinate the activities of their members. While VOs are organized around and centrally dependent on values for the definition of core activities and the mobilization of key resources, most also make use of authority and exchange as well.

In some VOs it is possible to identify two distinct systems that operate side by side. One represents a sort of leadership core of those in-

dividuals who carry and interpret the values of the organization, providing it with its energy, continuity, and direction. This is the group that will be found working nights and weekends, that stays with the organization through good times and bad. In addition there may be a parallel system, comprised perhaps of the administrative and possibly the operational personnel, that performs somewhat like a conventional bureaucracy. This system is staffed with persons who have been attracted to the organization as a source of employment and have a conventional exchange relationship with it, remaining so long as the pay and benefits are more attractive than alternative offers.

The Rural Development Trust, for example, hires many village level workers whose primary reason for joining the agency is employment and regular pay. In return for employment these workers are expected to follow the dictates of authorities in the organizational hierarchy. Yet at the top of the RDT organization is a leadership group, the members of which are committed to a common vision, are the carriers of the organization's values, and remain with the organization to pursue that vision in spite of opportunities for more pay in other agencies. So long as members of the leadership team maintain the organization's value commitment, opportunities presented to the organization for increased funding and political power will be rejected if acceptance would threaten the organization's core vision of empowering the rural poor.

#### **VOLUNTARY ORGANIZATIONS AND DEVELOPMENT**

Generally the VOs of concern to development donors have been those engaged in such functions as:

- *Disaster relief* for people suffering from famine, drought, war, and other natural and man-made catastrophes.
- *Provision of services* such as health care, family planning, agricultural extension and credit.
- *Community organizing, technical and educational assistance* to enable local groups to organize, solve local problems, and influence other agencies to provide better services.
- *Grant making* to people's organizations and to service provider and community organizing VOs.

- *Training and technical assistance support* to other VOs performing development functions.
- *Research and information exchange* for the formation of development policies and programs.
- *Networking* for experience sharing, program coordination and joint action on sector issues.
- *Development education* to increase public and opinion leader understanding of key development issues.
- *Advocacy* in support of critical policy and institutional changes.

Our experience suggests that the order in which this list is presented roughly coincides with the allocation of donor resources to VOs under foreign assistance programs. In other words, disaster relief receives substantially more donor funding than any other VO activity; advocacy receives the least.

All of the above activities involve international assistance. However, not all can be considered developmental by the terms of our definition. For the same reason, not all VOs assisted by donors are properly classed as development agencies.

#### **Service versus Development Catalyst Organizations**

There is an important distinction between welfare and development interventions that is important in distinguishing between voluntary service delivery organizations and voluntary development catalyst organizations.

*Voluntary Service Delivery Organizations*. Many organizations that provide disaster relief and welfare services in developing countries are organized around shared values and visions, often tracing their roots to religious traditions.<sup>34</sup> VOs that deliver disaster relief or social services perform important social functions, but unless they are developing the capacity of indigenous organizations to replace them in these functions on a self-sustaining basis after their departure they cannot claim to be doing development work. Where these are foreign or foreign funded VOs they may unintentionally be creating an anti-developmental dependence.<sup>35</sup>

In the case of disaster relief agencies, it is clearly difficult in the midst of a catastrophe to work seriously on building local systems to respond to future crises. However, in other than emergency situations, attention should be given to a more developmental approach that reduces dependence on foreign charity.

Some VOs, such as Oxfam America, have a clear commitment and approach to diagnosing local institutional capacities and to working to support and build these capacities rather than focusing on relieving immediate symptoms of the problem. Yet many VOs that deliver services needed in a local setting, such as medical assistance or education, find that it is easier to provide the needed services than to build local capacity.

Sustainability and accountability to beneficiary populations are critical concerns in assessing the appropriateness of service delivery arrangements. Sustainability requires building systems with reasonably secure sources of ongoing resource support, such service fees or access to public finances raised in the jurisdiction served. Accountability can be achieved through developing competing fee for service providers that offer the consumer a choice, or through governance structures that allow the service users to hold service providers directly accountable -- for example, parents electing a governing board that hires the teachers for the local school.

Where the services are funded by a foreign donor and delivered through an organization that has no accountability to beneficiaries it is difficult to establish that the tests of sustainability and accountability have been met.

Foreign voluntary relief and service organizations can have developmental impacts when they make explicit efforts to create local capacities to support or provide services that can be locally sustained. They are not development agencies when their impact is to create continuing dependence on themselves by the populations they serve or when they compete so successfully with local institutions that they in effect destroy local capacity for self-reliance.

*Development Catalyst Organizations*. Thirty Asian NGO leaders who met in Bangkok under the auspices of the Asian NGO Coalition in March 1988 to discuss issues of NGO strategy focused their attention on the importance of VOs working as development catalyst organizations defined as:

*organizations that use temporary interventions to promote the creation of sustainable locally-accountable institutions that improve the quality of life.*

Development catalyst VOs differ substantially from VOs that undertake to deliver services for an indeterminate period. The role of the development catalyst is temporary. Its actions are directed to catalyzing changes that produce self-directing, self-

**Box 3. Development Catalyst Organization:  
Seva Mandir**

Seva Mandir is a voluntary organization that works with small farmers in rural villages in India. In the late Seventies village workers became frustrated with the minimal impacts of training small farmers in agricultural methods. With the aid of an outside consultant they developed a program to help farmer leaders and village groups analyze their circumstances, plan initiatives, and organize themselves collectively to carry out their plans.

The farmer groups became extremely active, undertaking locally chosen projects like building schools, reducing village alcohol consumption, demanding more attention from agriculture extension agents, and building coalitions to elect new representatives to local government bodies. The results of the workshops and village follow-up activities were so successful that Seva Mandir staff soon began applying it in dozens of other villages.

Source: Rajesh Tandon and L. David Brown, "Organization-Building for Rural Development: An Experiment in India," *Journal of Applied Behavioral Science*, 17:2, 1981, pp.172-189.

financing local institutional arrangements that can survive its departure. See Box 3 for an example of a development catalyst organization.

Some VOs that believe themselves to be catalysts are surprised to realize on reflection that they are not. Even VOs committed to organizing local communities for empowerment and self-reliance often find they have unintentionally allowed the beneficiary groups to become dependent on them for services such as credit or health. Such dependence is increasingly being recognized by VOs as counter-developmental.

Development catalyst VOs face constant pressures from donors to move into welfare oriented service delivery roles that may compete with their distinctive catalytic functions. Service delivery is easier, produces results more quickly, and is more likely to please donors who want their resources matched with clearly measurable outputs. Both donors and catalyst VOs must be alert to these forces and attempt to resist them.

Another dilemma posed for the catalyst VO by well-meaning donors is the expectation that they should demonstrate their ability to become self-financing. The expectation commonly reflects the

donor's lack of understanding of the VO catalyst's basic nature and function.

First, the catalyst VO is neither a government dependency nor a business. So unless a donor is sufficiently generous to give it an endowment to fund its operations in perpetuity, the VO necessarily depends on a continuing flow of external contributions from donors willing to allow it the independence and autonomy essential to carrying out its mission.

Second, the true catalyst VO performs temporary functions. For this reason there is no inherent contradiction between its reliance on external funding and its commitment to sustainability -- as long as it maintains its independence in defining its agenda and strategy.

The task of the catalyst VO is to build self-reliant sustainable institutions that are accountable to the people, rather than to become self-reliant and sustainable itself. The concern of the donor therefore should be not with whether the catalyst VO is itself becoming financially self-reliant so much as with whether it is effectively developing self-reliant self-sustaining organizations and structures able to survive its own departure.

Effective performance in the catalyst role requires that the VO maintain substantial independence in defining and interpreting its own mission so that it does not fall captive to power holders in government or business who see their interests as better served by maintaining the status quo. At the same time, its survival and effectiveness often requires that it maintain credibility and legitimacy with a wide variety of external constituencies, including donors. Effective development catalyst VOs become adept at articulating visions and values that strike resonant cords among diverse external constituencies, as well as in their own members.

**Voluntary Sector Support and Networking Organizations**

As the voluntary sector matures in a given country, there is normally an increasing differentiation of functions among its component organizations, some of which undertake to become specialized service providers either to other members of the sector or to people's organizations. Similarly growing numbers of networks will emerge.

*Sector Support Organizations.* These organizations provide technical assistance, training, research, advocacy support, and other services to VOs that can not allocate resources away from their primary activities to create in-house expertise. As the voluntary sector grows in size and complexity, increasing



**Box 4. Support Organization: Society for Participatory Research in Asia (PRIA).**

PRIA is an NGO that provides participatory research, training, and consulting support to a wide range of grassroots organizations in India and Asia. Its staff members typically have backgrounds in community organizing and management fields, and they work in half a dozen sectors ranging from women's development to adult literacy to wasteland reclamation.

PRIA has pioneered the theory and practice of participatory research and evaluation, developing in cooperation with grassroots NGOs ways of diagnosing and solving their problems of organization and management. The agency has developed a program of educating NGO staff in experiential training methodologies adapted to rural organizing work. PRIA staff have also utilized their experience to develop manuals and literature on participatory organizing. Through linkages with similar institutions in other countries these materials have received worldwide dissemination.

numbers of such specialized organizations can be expected to emerge to serve its growing needs. In India, for example, the growth of the voluntary sector has reached the point where it requires the support of many high quality technical service organizations, such as PRIA. See Box 4.

*Networks.* Networks are self-help support systems, commonly with secretariats that provide services for their members similar to those provided by the sector support organizations described above. But unlike other sector support organizations the network secretariat is commonly responsible to a board that represents the members the secretariat is intended to serve. Most networks also have the specific function of linking together like-minded organizations to share information, plan joint activities, and make a united response to political pressures from governments and the demands of international development agencies.

As development catalyst VOs become more concerned about the sustainability of local development initiatives, they also become more conscious of the detrimental consequences of many existing development policies and institutions and the need for collective advocacy efforts. This is leading network organizations and associations to take on increasingly important roles. For example, a new

interest is emerging among members of some VO networks in defining shared visions to which they can apply their individual resources in mutually supportive ways in pursuit of national development agendas that would be impossible for any single member organization to attempt.

Some networks attempt to link all voluntary agencies within a country or geographic region. An example is the Association of Development Agencies of Bangladesh (ADAB) described in Box 5.

Other networks are organized around specific issues or areas of joint interest. The International Council on Adult Education (ICAE), for example, is an association of regional and national associations that includes the adult education and literacy associations of Africa, Asia, and Latin America as members. ICAE World Assemblies are occasions at which adult educators from all over the world share experience, learning and support.

While these associations seldom speak for a very integrated constituency, they do serve as important channels for the diffusion of ideas and technologies for local development initiatives. The "participatory research" movement, for example, which has advocates and practitioners on virtually every continent, has grown largely out of networks inspired by ICAE and its members.<sup>36</sup>

**Box 5. Voluntary Networks: Association of Development Agencies of Bangladesh (ADAB)**

ADAB includes the major voluntary development agencies working in Bangladesh among its membership. In early 1988 the chief executives of the largest dozen members of ADAB came together to discuss the development situation in the country and the prospects for the future. Although the agencies had a history of some competition and jealousy, their chief executives were somewhat startled to find themselves in essential agreement about the bleak prospects for future development.

Out of this meeting emerged an agreement that in large part the future of development in Bangladesh depended on the ability of the landless peoples' organizations promoted by the various NGOs to link together in federations capable of exerting national economic and political influence. They agreed to begin experimenting in selected districts with the promotion of landless federations toward the long term end of enabling widespread cooperation among people's organizations.

## OTHER TYPES OF SOCIAL ACTION NGOS

As indicated earlier, there are a variety of NGOs of interest to development donors that are not VOs. Two types bear special mention: public service contractors; and people's organizations.

### **Public Service Contractors**

Many NGOs are highly market oriented, evaluating their overall performance on such criteria as total funding level and market shares of particular types of funding. Though non-profit, they function largely as businesses within the development industry, selling services to governments or private donors, much as firms in the U.S. that accept contracts from government to provide a range of municipal services from garbage collection to health delivery. We refer to these organizations as public service contractors (PSCs).

The more competitive PSCs feature substantial technical competence, elaborate management systems, and concern with cost efficiency. Where resources are available they may operate on considerable scale.

It is important to address PSCs as a special category of NGO, because they often represent what donors are really seeking when they contract with NGOs for advisory services and project implementation. It is important for donors that want a contractor type of service to be aware of the difference between VOs and PSCs, both to increase the chances they will get what they want, and to reduce the chances that they will treat a VO like a PSC and unintentionally reduce its ability to function in its distinctive VO role.

Conceptually the difference between a VO and a PSC is clear. A values-driven VO defines its program based on its social mission, and then seeks the funding required to implement it. The market-driven PSC starts with an assessment of prospective funding sources and defines its program on that basis.

In reality it is sometimes difficult to distinguish between the VO and the PSC, particularly as NGOs come to rely heavily on government support, and as a growing number of VOs establish PSC units or affiliates as a means of generating income for their VO work in response to donor interest in contracting with NGOs.

The PSC may in many respects look much like a VO in its structure and its formal statement of purpose and have the same type of legal registration. Many PSCs combine a market orientation with a social commitment and have mission statements that emphasize the social agenda to which

they are committed -- as is true of many socially progressive for-profit businesses. Many also operate on the basis of high ethical standards -- as again do many for-profit businesses.

However, the VO is likely to be more clearly focused than the PSC in the pursuit of its particular social mission. It is more likely to challenge conventional practice and to be openly critical of government and of public policy. It will be more selective in its choice of funding sources, attempting to limit its reliance on donors that might redirect its mission. It will strive to accept contracts only when they offer a clear opportunity to advance its own mission.

We will look more closely at the issues raised by the PSC in a latter section.

### **People's Organizations**

People's organizations (POs) are commonly classified as NGOs. They represent a special form of NGO that differs from both VOs and PSCs in ways that make them of special importance. For an organization to qualify fully as a PO it must meet three criteria:

- It must be *self-reliant* in that its continued existence must not depend on outside initiative or funding.
- It must be a *mutual benefit association* in that it exists to serve its members.
- It must have a *democratic structure* that gives its members ultimate authority over its leaders.

The fundamental importance of strong POs in maintaining the dynamism of a society has been demonstrated throughout history, even in the early pre-industrial empires. A series of studies by Unger concluded that periods of decline in the great pre-industrial empires were triggered by the success of elites in gaining control over peasant land and labor. This control enabled them to reduce smallholders, independent tenants and wage laborers to serfs on great estates. According to Unger, empires that avoided decline were characterized by vigorous independent local organizations of farmers who were sufficiently politically conscious and organizationally skilled to engage in collective self-defense against these ultimately self-defeating and anti-developmental forces of social oppression.<sup>37</sup>

As development catalyst VOs articulate their visions, they commonly define as one of their central tasks the empowerment of people through the formation of grassroots organizations to assume key economic and political roles in improving their own

situations, including exerting influence over decisions of other agencies -- public and private -- that affect them. An increasing number of the more visionary VOs see this work as part of a larger commitment to democratizing the economic and political structures of their societies.<sup>38</sup>

POs are training grounds for democratic citizenship and institutional building blocks for the democratization of otherwise authoritarian societies. They are a means of broadening the distribution of political and economic power that most development catalyst VOs believe is an essential step to more broadly-based development participation. They create demands for greater responsiveness to grassroots concerns, providing the collective bargaining power that can enable landless people, small farmers or urban squatters to negotiate on more equal terms with the representatives of government bureaucracies or wealthy private corporations.

Self-reliant cooperatives, landless associations, irrigator associations, burial associations, credit clubs, labor unions, trade associations, elected local government councils, and political interest groups with accountable leadership are all examples of POs. Some POs might also be classed as VOs, if shared values are the primary basis on which they acquire resources and the commitment of their members. However, POs by definition exist to serve their members, while the distinctive nature of a VO is usually found in its commitment to values that transcend its members' immediate interests.

POs are commonly difficult to classify according to our resource acquisition scheme, because of the mixed basis by which they acquire their resources. Take the example of a cooperative, an important form of people's organization. The cooperative may have highly motivated member leadership that volunteers substantial uncompensated time to insure the success of the enterprise. The members of the cooperative may be committed to shared values of cooperation that cause them to direct their business to their cooperative even when better prices are available elsewhere. At the same time these same members may grant their leaders the authority to impose penalties or levies (taxes) on membership, much as citizens in a democratic society vest this authority in their government. Yet successful cooperatives are generally highly market-oriented in their external exchange transactions.

A number of studies of NGO development roles deal almost exclusively with POs.<sup>39</sup> This represents a recognition of their special importance. The problem is that in most Third World countries strong POs able to help their members broaden their economic and political participation are relatively rare. The donor that chooses to work directly

with and through POs as a means of benefiting the poor may find that investments must first be made in their institutional development. Such developmental investments are usually best made through VOs.

Government efforts to promote the development of POs usually produce something quite different. An organization may be formed, but its leadership will more likely be accountable to the government than to its members, and its existence is likely to depend on a continued flow of government patronage.

In many countries it is becoming clear that for village level POs to become truly effective as an economic and political force they must be federated into larger structures that give their members a political voice and provide services that strengthen the participation and bargaining power of their members in the modern economy. This federating process has been occurring in Latin America, often through the leadership of the POs themselves (See Box 6). In Asia, VO leaders are increasingly encouraging the POs they have assisted to form federated structures (See Box 5).

POs offer important opportunities for institutionalizing sources of credit, production inputs, marketing services, technical support, education, health and other essential services in ways that insure accountability and responsiveness to the people served. The development of such support structures becomes an important concern of the development catalyst VO.

The differences between the catalyst VO and the PO have important implications for their funding that are commonly overlooked by donors. We argued earlier that it is neither realistic nor appropriate to expect VOs engaged in performing temporary catalyst functions to become self-financing, unless donors are prepared to provide endowment funds.

By contrast, a strong PO is normally expected to survive as a permanent institution serving important functions for its members on an on-going basis. It is therefore necessary and appropriate that the PO work seriously toward making its activities largely self-supporting and locally sustainable. Any external funding should be consistent with this outcome, primarily supporting capacity building, and possibly capital investments. Excessive outside generosity in subsidizing POs to provide routine services and to cover their core costs will create dependence and work to the detriment of the organization over the long term.

### **Box 6. People's Organizations: Community Food Councils in Mexico**

The Community Food Councils in Oaxaca, Mexico are democratically-run organizations of rural peasants concerned with negotiating with state-owned food purchasing and sales agencies. In a setting traditionally controlled by corrupt bureaucrats, the Councils of Oaxaca have become major actors in the distribution of food and other resources in the areas.

In a series of struggles with government agencies, the emergent network of peasant-run Councils has been able to gradually build a network that represented approximately two million low-income rural consumers in national negotiations with government agencies.

At the state level, they have begun purchasing large amounts of fertilizer at better rates than previously possible and they have created three autonomous producers organizations to use their bargaining power to increase their share of the market value of their produce.

Source: Jonathan Fox and Betsy Aron, "Mexico's Community Food Councils," case written for the Synergos Institute, 1988.

### **VO STRENGTHS AND WEAKNESSES**

Many writers on VOs have been particularly interested in enumerating their special strengths and weaknesses, commonly using government or commercial organizations as a basis for comparison. While these assessments differ, there is a general consensus that we attempt to summarize below. In each instance we have indicated the characteristics of VOs that give them the special strength or debility in question. It should be noted that the VO community is highly diverse. Not all VOs reflect the strengths noted here. Nor do all suffer from what are widely perceived to be typical weaknesses.

#### **VO Strengths**

In general evaluators agree that VOs have a special ability:

- *To reach the poor* and other populations unserved by public or commercial agencies.<sup>40</sup> This capacity is often a function of their special commitment to help poor and neglected groups.

- *To facilitate local resource mobilization and the development of POs* through which the poor can participate in their own development. VOs have demonstrated their ability to promote local participation and their willingness to adapt to local needs and conditions in the support they provide to these groups.
- *To deliver services* at relatively low cost. This is derived from the VO's ability to mobilize voluntary energy and resources.
- *To find innovative solutions* to novel problems and to support successful innovation in government programs.<sup>41</sup> The capacity grows from their small size, administrative flexibility, and relative freedom from political constraints.<sup>42</sup>

#### **VO Weaknesses**

VOs are commonly criticized for having limited:

- *Technical capacity for complex projects*. This is a function of their small size and budgets. They are limited in the total number of staff, and their modest pay scales limit their ability to attract staff with advanced technical and professional qualifications.<sup>43</sup>
- *Ability to "scale up" successful projects* to achieve regional or national impact. This is a function of small size and resources, limited administrative systems, intensive focus on a few communities, the difficulty in maintaining their essential value consensus as the staff expands, inattention to developing real efficiency and expertise in a well defined technology,<sup>44</sup> and even their own commitments to their initial beneficiary populations.<sup>45</sup>
- *Ability to develop community organizations that are able to sustain themselves* once the VO withdraws its special staff and resources. This is a function of the fact that VOs depend on short-term, soft-funding sources, commonly define their interventions as short term, and work in isolation from or even in competition with other institutions whose support is required for long-term viability. VOs also seldom give adequate attention in project planning to sustainability questions.
- *Strategic perspective and linkages with other important actors*. VOs often ignore the larger context in which they operate, focusing only on the micro-level and failing to recognize the

extent to which the communities they serve are parts of systems strongly influenced by other agencies and forces<sup>46</sup> This weakness may stem from a combination of commitment to locality specific interventions and a sense of moral superiority that leads to undervaluing the ability and intentions of other organizations.

- *Managerial and organizational capabilities*. This stems from a combination of their lack of the necessary skills, reluctance to spend their scarce resources on functions that seem unrelated to beneficiary needs, donor unwillingness to fund administrative expenses, and values that equate administration with inflexible bureaucracy.

### Rethinking VO Strengths and Weaknesses

To summarize, voluntary development organizations have demonstrated substantial comparative advantages, especially their ability to innovate, adapt to local conditions, and to reach and work with poor and difficult-to-reach populations in developing countries. These capacities are a function of their values, special skills, small size, limited resources, flexibility, and freedom from political constraints. They also commonly demonstrate serious weaknesses, especially in achieving sustainable outcomes on a consequential scale. It is important to note that many of these weaknesses are a function of the same characteristics that give VOs their distinctive advantages, in particular their value commitments, small size, independence and lack of administrative rigidity.

One important implication is that it may not be possible to eliminate all the weaknesses in VOs without simultaneously eliminating their strengths. For example, the larger the organization the more difficult it is to sustain the value consensus that is critical to sustaining the flow of voluntary energy that gives the VO its special quality.

On the other hand, some VO weaknesses are not inherent, i.e., they are correctable without eliminating the qualities that give the VO its distinctive strength. However, corrective action must be grounded in an understanding of the distinctive nature of these organizations. Otherwise, well intentioned interventions may eliminate the very qualities that made the VO an attractive partner in the first place.

Ultimately it is the commitment to values and social mission that defines the distinctive strengths and weaknesses of the sector. The voluntary energy that drives the VO is self-directing within the parameters set by organizational values and visions. It supports innovative problem-solving behaviors of a

type and intensity that is difficult to achieve through coercion or even market forces.

Development planners and donors who recognize the special power of voluntary energy as a development resource face a frustrating dilemma. They see the potentials of VOs. Yet they need to operate on a large scale, while VOs tend to be small and scattered, with accounting systems that do not meet the standards of donor auditors. The primary tools with which planners and donors work are the conventional government tools of coercion and money. The use of either is more likely to suppress than to elicit the release of voluntary social energy. Furthermore, their planning and management tools call for adherence to project blueprints and fixed schedules. The social processes through which voluntary social energy is generated and released simply don't conform to these types of blueprints and schedules.

The first temptation of planners and donors is to remake the VO to conform to their administrative and programming requirements. To do so is something akin to killing the goose that laid the golden eggs. It is likely to destroy the ability of the VO to generate the special resource -- voluntary social energy -- that is the object of the planner/donors attention.

A particular danger is that the planner/donor will create incentives that will encourage VOs to assume more of the characteristics of PSCs. Or they may unintentionally encourage the formation of new market driven NGOs, or PSCs, primarily in response to the availability of funds. The availability of funds from foreign donors for family planning services in Bangladesh, for example, has inspired the emergence of agencies legally organized as NGOs that appear to be more a response to market incentives than to voluntary commitment.

Differences inherent in the nature of organizations in each of the three sectors -- government, commercial, and voluntary -- give organizations in each sector a natural advantage in some tasks and a natural disadvantage in others. Thus, for example, it is equally inappropriate to criticize:

- Voluntary organizations for limited ability to provide routine services to large populations on a sustained, self-financing basis.
- Government organizations for limited ability to innovate and to adapt responsively to the needs of many different groups.
- Commercial organizations for limited ability to provide services below cost to persons who cannot afford to pay.

Donors and planners accomplish little by treating VOs in ways appropriate to commercial or government agencies. Voluntary organizations are not a substitute for government or commercial organizations in performing functions for which these other sectors are naturally better suited. Where a donor identifies a need suited to the nature of government or commercial sector organizations it should not look to VOs as a cheap substitute.

## **IMPROVING VO PERFORMANCE**

There are important opportunities for improving VO performance without risking loss of those qualities that are their distinctive asset. Many of the past limitations of VOs have been largely self-imposed, partly due to their own acceptance of the prevailing belief that development leadership can come only from large organizations with substantial financial resources.<sup>47</sup> As VOs re-examine their development roles, many of them see with increasing clarity the extent to which their limitations are largely self-imposed. As a consequence they are, in growing numbers, thinking beyond charitable action in a few communities and giving greater attention to the underlying causes of poverty, injustice, and environmental destruction.

This means thinking more broadly than defined project areas. It means thinking and acting in terms of people's movements, and becoming engaged in shaping national policies and institutions. It quickly becomes evident that this requires gaining access to top level technical talent, thinking strategically about issues of scaling up, and building organizations that mobilize and use resources effectively. It becomes equally evident that large scale sustainable changes require building alliances with other organizations in the voluntary, commercial, and government sectors to solve problems that are intractable to any one of them alone.<sup>48</sup>

### **Enhancing Technical Capacity**

VOs have the capacity to tap highly sophisticated technical talent either as employees or as volunteers -- when they set their minds to doing so.<sup>49</sup> There has been a significant growth over the past two decades in the number of highly qualified and socially committed specialists, researchers, lawyers, and economists that have joined the staffs of VOs.<sup>50</sup> Of course when adding such talent, it is important to take care that the individuals added not only bring technical expertise. They must also share in the value commitment of the organization, if they

are to have a consequential and constructive role in its decision processes.

When VOs are criticized for lack of technical talent, it is important to ask what kind of technical capability the critic believes they should acquire. VOs commonly demonstrate the ability to undertake projects that are highly complex from a social or political perspective. But one would not normally turn to a VO to build a dam or implement a major reclamation project. These capabilities are readily available from commercial firms that would be technically ill-suited to mobilizing community organizations.

### **Expanding Scale and Sustainability**

Not all VOs have difficulty in increasing the scale of their operations. The Bangladesh Rural Advancement Committee and the Sri Lankan Sarvodaya Shramadana, for example, operate programs and projects of national scale and employ thousands of staff members. The difficulties of sustaining voluntary commitments and value consensus in such large organizations are serious, but not insurmountable.<sup>51</sup> At the same time there is reason to question whether NGOs operating on this scale are most accurately classified as VOs or as PSCs.

More to the point, however, is the question of whether VOs *should* operate programs of such scale, given their special strengths and weaknesses. We would argue that the scaling up issue has generally been improperly defined, at least in relation to VOs. It is not evident that it is in the nature of the VO to operate services on a very large scale. There are other, possibly more appropriate, ways for them to contribute toward large scale social and economic impact, as illustrated by the examples in Box 7. The following are among the appropriate VO roles and strategies in support of "scaling-up."

- *Demonstration and Transfer to Government or Commercial Sectors.* The VO may prove a service concept to be politically and economically viable on a pilot basis and then facilitate its transfer to the government or commercial sectors through provision of technical support. This was the chosen strategy of many of the local affiliates of the International Planned Parenthood Federation that pioneered the development of family planning services. A variation on this approach was used by Helen Keller International (HKI) in working with the Ministry of Health in Sri Lanka to develop a program of primary eye care and cataract treatment. In this instance rather than doing its own pilot, HKI helped the ministry itself to develop

the new service on a pilot basis and then supported expansion on a national scale.

- *Doing Small Scale-Development on a Large Scale through the Networking of VOs and POs.* For example, In Indonesia WALHI has promoted environmental action on a national scale by promoting the development of a national network of independent local environmental organizations.<sup>52</sup>
- *Promote National Policies that Enable Self Help Action.* This may be effective where legal barriers seriously constrain decentralized self-help action. The Institute for Liberty and Democracy in Peru has identified legal and procedural constraints that limit the productivity of the self-help employment in the informal economy and has mobilized broad political support for key legislative changes.<sup>53</sup>

It is important to recognize that the strength of the voluntary sector as a development agent is not found in the size of its individual organizations so much as in their number and variety, their ability to constantly evolve, and the ever shifting networks and coalitions that they form. To focus on the performance and scale of individual VOs is to risk losing sight of the aggregate phenomena that they represent, a movement that is attempting to return the control of development back to the people who are its intended beneficiaries through the creation of what Annis describes from the Latin American experience as a "thickening web of grassroots organizations."<sup>54</sup>

Cernea describes this movement as:

a growing stream which gradually gathers its waters from innumerable affluents of various origin, location, and content, at every turn running into barriers or being constrained by straits, but nevertheless converging into an ever wider flow with multifaceted strength.<sup>55</sup>

In general it is probably inappropriate to look to VOs as large scale service providers. But there is nothing that precludes their pursuit of strategies aimed at large scale consequences, as demonstrated by a rich experience.

### Improving VO Management

We do not see any inherent reason why a VO must be poorly managed. But the management procedures and styles chosen must be appropriate to the VO's

### BOX 7: Appropriate Scaling Up

The Bangladesh Rural Advancement Committee (BRAC) carried out a nation wide campaign that trained one person in each household in Bangladesh to administer oral rehydration therapy. This was accomplished as a one time campaign with mass media backup. Recognizing the need for sustained support to the community in other areas such as immunization and Vitamin A distribution, BRAC has been drawing on its own experience in village health care to assist Ministry of Health in developing the capacity of its rural health centers to provide this support on a sustained basis throughout the country.

CARE/Indonesia had become recognized for its success in installing community managed water systems. But a self-assessment led to the conclusion that 70 to 80 water systems a year was an inconsequential contribution in a country of 170 million people. Furthermore, all the resources available to all agencies in both the government and voluntary sectors for water supply development were not enough to meet the needs of unserved populations in the foreseeable future on the usual subsidized basis. Consequently CARE Indonesia has reoriented its strategy to focus on experimenting with self-financing approaches to village water supply. It then expects to share the lessons of this experience with government and other voluntary organizations who want to provide technical support throughout the country in the installation of self-financing systems.

Source: David C. Korten, BRAC (A), (B) & (C); and CARE Indonesia (A), (B) & (C), teaching cases available from IDR.

nature and task.

Too often, the criticism of VO management capabilities is substantially motivated by the concern of donors with meeting their own auditing and reporting requirements. There is little evident relation between performing these tasks well and actual development effectiveness, particularly in the more innovative roles of the VO.

The control oriented styles of management common to government, and generally favored by donors, are not effective when the goal is innovative problem-solving and the mobilization of voluntary energy. The modern literature on corporate management demonstrates that the most effective forms of

management, even for large market-oriented corporations, are those that seek to mobilize the self-motivation and self-direction of staff through the development of value consensus regarding the firm's social role.<sup>56</sup>

These forms of management emphasize self-directing, problem-solving teams. They also feature well developed accounting and information systems, but these systems are designed to provide information useful in self-directed problem solving rather than to assure close adherence to budgets and blueprints.<sup>57</sup> These forms of management are well suited to VOs.

Resistance among VOs to management improvement is rapidly declining. As VOs take themselves and their development roles more seriously, they are also becoming more interested in improving their managerial capabilities. The barriers are increasingly found in the lack of adequate sources of assistance in developing appropriate management systems and skills;<sup>58</sup> and donor resistance to funding administrative overhead and staff development expenses.<sup>59</sup>

## **INTER-SECTORAL RELATIONS**

Balanced development is a complex undertaking that cannot be achieved by any one sector alone. Each sector -- market, government, and voluntary -- is subject to failures inherent in its nature. These failures can often be compensated by strengths of organizations from other sectors. Pluralistic societies that foster the strength of all three sectors thus gain institutional advantages over societies dominated by a single sector in the wealth of organizational resources they can bring to bear on difficult problems.

But in practice such collaboration is often difficult to start and even more problematic to sustain. The differences among the sectors are simultaneously the source of potential synergies and the cause of serious misunderstandings.

### **Development Partnerships**

Cooperation across sectors is an attractive means of using the special capacities of different sectors in development projects. The importance of public-private partnerships between government and business is increasingly recognized in some settings. For example, in the United States there has been a dramatic escalation over the past decade in the use of public service contracting as a substitute for direct delivery of public services through government bureaucracies. The resulting competition among service providers results in increased efficiency.<sup>60</sup>

Many development problems have the characteristic of social "messes," in which interacting constellations of problems reinforce one another and frustrate single agency efforts at solution.<sup>61</sup> Multi-sector partnerships of institutions from different sectors that utilize the special strengths of each may be a key to unlocking many development problems.<sup>62</sup>

The potentials for joining forces with other organizations within or beyond the voluntary sector are being discovered by a growing number of VCs. An example of the type of collaboration that is resulting is illustrated in Box 8.

VOs have natural advantages in facilitating the formation of such partnerships by acting as a credible bridge among potential partners who have histories of conflict or mistrust.<sup>63</sup> Their independence gives them a degree of neutrality and flexibility,<sup>64</sup> and sometimes confers a degree of credibility that other participants in the partnership lack -- particularly in dealing with poverty groups. At the same time, the experience of VOs in relating with different constituencies -- POs, donors, government agencies -- can be a critical input to the sensitive negotiations required to launch and maintain cooperative activity among very diverse agencies.<sup>65</sup>

Important though it is, there are important barriers to collaborative problem-solving in many Third World countries, particularly between VOs and governments.

### **Uneasy Relations between Governments and VOs**

At the most basic level, as outlined earlier, the distinctive role of government is to maintain order and stability. The distinctive role of VOs is experimentation, innovation, and change consistent with core values of their members. Though both government and VOs contribute to a dynamic society, it is easy for them to come in conflict. It is also easy for agencies in each sector to become preoccupied with their own importance and lose sight of the extent to which their effectiveness can be enhanced by the effectiveness of other sectors.

From the point of view of those who hold state power, VOs and POs may represent more than a source of competing ideas. Even enlightened political leaders who recognize the role of institutional pluralism in achieving development dynamism are aware that the sector may also produce political and economic competition. VOs are commonly training grounds for alternative leadership, and sometimes the temporary haven of out-of-power opposition politicians. Consequently, there are good reasons for politicians in power to look with a wary eye on the emergence of a dynamic voluntary sector.



For these reasons, Third World governments are inclined to assess VOs and their contributions more from a political perspective than from economic efficiency perspective that tends to preoccupy donors<sup>66</sup> and to make decisions regarding their regulation on this basis -- rather than on the basis of their potential as engines of social and economic development. The less secure a government is about its own political legitimacy, the greater its reason to fear a populace mobilized in autonomous organizations -- and the more likely it will seek to control, even suppress, the voluntary sector,<sup>67</sup> as well as the free market commercial sector.

Michael Bratton has identified four categories of control mechanism used by African governments to control VOs and POs, ranging from the relatively subtle to the outright coercive.<sup>68</sup>

- *Monitoring/Registration.* In order to transact business, and particularly to receive foreign funding, in most countries a VO must be registered. This can be a proforma procedure involving a few straightforward requirements or a serious barrier to NGO formation.<sup>69</sup> Requiring government approval of foreign funding contributions also provides opportunities for harassment and delay, even where approval is ultimately granted.<sup>70</sup>
- *Coordination.* Haphazard patterns of rural development can lead to official coordination of VO activities. At local levels VO activities may be subject to approval by a local agency or official, affirming that development activities are a monopoly of the state.
- *Co-optation.* In some countries all development VOs are required to become members of a government sponsored coordinating body. The body may be registered as a VO, but will commonly have a board of trustees controlled by senior government officials. Control under such bodies may include review and approval of operating plans or control of all foreign funding. Co-optation is particularly popular with authoritarian governments of the political left.<sup>71</sup>
- *Reorganization, Dissolution, and Imprisonment.* These less subtle control measures include forced reorganizations in which the government replaces the existing leadership, (often in the name of correcting some financial abuse), dissolution of the organization, or imprisonment of the organization's leaders -- without legal recourse.

#### **Box 8. Development Partnership: Savings Development Foundation in Zimbabwe**

In Zimbabwe, the Savings Development Foundation (SDF) works with government ministries and private firms to support increased agricultural production among small-holders, particularly women. SDF pioneered a simple method of encouraging weekly savings of small amounts of money by households organized into neighborhood groups and devised a financial record-keeping system accessible to non-literate people. As a result, group members--numbering by 1985 about 250,000 persons in more than 5,700 clubs--now save enough money to place bulk orders for fertilizer and seed. Rural women thereby increase their financial independence and modernize their farming skills.

The partnership involves the Ministry of Community Development and Women's Affairs, whose field staff are trained by SDF to teach the savings methodology, and the Ministry of Agriculture, whose extension agents are linked by SDF to groups who require technical services.

The partnership has also involved a private fertilizer company to finance the production of training materials. The company's sales to peasant farmers have increased as a consequence of increased savings.

By the mid-Eighties this innovative, low-cost, and participatory approach to raising agricultural production among the rural poor had become firmly institutionalized in Zimbabwe as a trilateral partnership between the public, private, and voluntary sectors.

Source: Michael Bratton

Many Third World governments have been particularly pre-occupied with controlling POs, especially labor unions and cooperatives. Throughout much of the Third World government control of cooperatives is so complete that they are more accurately described as government agencies, created and managed by the state, than as POs. VO leaders in India have expressed concern that their government may follow the same regulatory path with VOs that undermined the cooperative movement as an independent force for self-reliant local development. See Box 9.

This regulatory process can proceed in small incremental steps--each of which is relatively innocuous and apparently well-intentioned. The cumulative impact of many small steps, however, can devastate the independence needed for the effective operation of both VOs and POs.<sup>72</sup>

The threat that some governments perceive VOs to pose does not arise purely from their more overt efforts to spawn political competition in their societies. The legitimacy of many Third World govern-

ments is based on their ability to deliver services. Any VO that delivers services more effectively and efficiently than government becomes a political threat, no matter how benign its intentions.

There are basically three options open to the regime so threatened. One is to position itself to claim credit for VO accomplishments. A second is to hinder VO operations to the point that they become ineffective. A third option is to displace the voluntary sector by creating captive organizations to assume the apparent functions of VOs, but as instruments of the regime.

#### **Box 9: Cooperatives Legislation in India**

The first Cooperatives Act was introduced in India in 1904 "to encourage thrift, self help and cooperation among agriculturalists, artisans and persons of limited means, and for that purpose to provide for the constitution and control of cooperative societies." It was a ten page document that left it to the cooperative members to use their own initiative in management matters. The Registrar of Cooperatives was to provide for their legal registration, audit their accounts free of charge, and perform certain fairly minimal regulatory functions.

Subsequent versions of the law dropped "to encourage thrift, self-help and cooperation" from the purpose, increased the involvement of government, and all but eliminated member control over their own organizations. The Act in force in Andhra Pradesh State in 1985 was over 80 pages in length and gave the Registrar of Cooperatives the power, among others, to: divide and consolidate cooperatives, amend the by-laws of any cooperative, postpone management committee elections and appoint a "person-in-charge" to assume the management committee's functions, supercede the decisions of elected committees, and issue instructions that all cooperatives were required to follow -- irrespective of the wishes of the cooperative's members.

Due to application of these provisions, all cooperatives throughout Andhra Pradesh were for several years managed by persons-in-charge who had no accountability to the members. Free election of management committees by cooperative members was restored only as a result of a successful court action brought by Samakhya, a VO committed to restoring the independence of cooperatives in Andhra Pradesh.

Source: Samakhya

#### **Captive Organizations: GONGOs and DONGOs**

NGOs that are created as captives of government to substitute for true NGOs are commonly referred to by NGO leaders as "CONGOs," which stands for government-organized NGOs. GONGOs are created and registered as NGOs by governmental agencies as instruments of government policy with government defined missions. An example is the Indonesian women's organization, the PKK. Its national chairman is the wife of the Minister of Home Affairs. Each provincial organization is chaired by the wife of the governor, and so on down through the hierarchy. It is made clear to wives of government officials that they are expected to participate.

The formation of a GONGO seldom reflects a spontaneous expression of a shared value commitment, and participation is often less than voluntary. The motives in forming such organizations may be positive, and they may serve useful social functions, but they are less likely than agencies more squarely positioned in the voluntary sector to serve as consequential agents of social innovation.<sup>73</sup>

As donors become more interested in NGOs, they also find themselves tempted to create NGOs suited to their own perceived needs. Such agencies might be called "DONGOs," or donor-organized NGOs. The mission of a DONGO will normally be defined by its sponsoring donor. Such organizations may serve useful functions for the donor, while offering a degree of flexibility in administration and funds disbursement that the donor's own procedures might not allow.<sup>74</sup>

Since donors are particularly preoccupied with the disbursement of funds and usually find their own procedures and modes of working ill suited to making grants to dozens, or even hundreds, of small scattered organizations, the DONGOs they create are most often funding bodies. This does not create a particular problem in itself, unless a number of donors should decide to pool their funds and channel them through a single DONGO -- creating a single control point for funds in violation of the

pluralism principle we will outline later. Ultimately the person or persons who control this organization gains inordinate control over the sector.<sup>75</sup> Such an organization also becomes a natural take-over target for a government that feels threatened by independent VOs.

Concerns with coordination, size, and technical capacity of NGOs may encourage donors to support the idea that NGOs should be brought together under coordinating bodies that can absorb and retail large blocks of donor funds, insure proper accounting standards, and coordinate responsibilities for service coverage. This concern may lead donors to suggest that government form an NGO coordinating body, or the donor might decide to act directly to form or co-opt a national level NGO or NGO consortium body to serve as a conduit and a coordinating agency.

Such initiatives may appear to suit the needs of the donor, but they carry considerable risk of disrupting or co-opting the organizations they are intended to assist. The distinction between VOs, POs, and PSCs becomes important here. There is no contradiction in a donor effort to coordinate activities of PSCs through the use of centralized contracting mechanisms. But any external effort to impose coordination on VOs and POs represents a denial of their essential nature.

The donor that is conscious of such issues may seek to avoid the imposition of external coordination by seeking to channel its funds through an existing autonomous NGO consortium body governed by its own members. This too can have unintended consequences. Consortium bodies normally exist to be responsive to the needs and interests of their members. When NGO consortium secretariats become involved in exercising judgements on individual member proposals for the purpose of allocating a limited block of funds it inevitably changes the relationship between the consortium body and its members. It may also politicize elections for the board of the consortium body by enticing politically ambitious members to compete for control over the consortium's fund.<sup>76</sup>

If donors and governments are to build an effective partnership with VOs, it is important that they recognize the distinctive social roles of the VO and the extent to which these roles turn on the VO's independence. They must also be able to recognize the nature of NGO variants like DON-GOS, and GONGOS.<sup>77</sup>

## GUIDELINES FOR DONOR ACTION

There are important dilemmas in any effort to forge partnerships between VOs and major donors. As articulated by Michael Bratton:

Big donors and small NGOs make uncomfortable bedfellows by virtue of unbridgeable differences of scale, ethos and capacity. In an asymmetrical power relationship driven by the movement of money, the goals of the dominant agency will invariably displace the goals of the subordinate partner.<sup>78</sup>

The differences between VOs and large donors are important and often difficult to bridge effectively. In general, donor agencies tend to deal in money and technology; VOs deal in values, people and institutions. Donor agencies work with central governments; VOs work with grass roots organizations. Donor agencies engage in large projects; VOs engage in small projects. Donor agencies fund contracts; VOs depend on grants. Donor agencies emphasize pre-planning; VOs engage in adaptive learning. Donor agencies find strength in their size; VOs in their numbers and adaptability.

There are many opportunities for complementarity; there is also much potential for conflict and mutual damage. There are no easy rules for donors interested in assisting VOs and the VO sector. We believe, however, that two basic tests of available choices -- *voluntarism* and *pluralism* -- provide useful guides to action.

### The Test of Voluntarism

Commercial organizations are driven by market demand for goods or services. In working with commercial organizations it is appropriate for donors to say what goods and services they want, and for vendors who can provide them with an acceptable return to present their bids. In the development "business," donors contract with agencies that demonstrate their ability to meet required quality standards at the least cost. The contract specifications and the donor demand that they be met as a condition of payment constitute the relevant control mechanism.

In contrast, the donor's guarantee of VO performance is the VO's demonstrated commitment to its mission and values. If the VO is to exercise its distinctive competence as an agent of innovation the relationship between the donor and the VO must give the VO the flexibility it requires. It is entirely possible that specific outputs cannot be known in

advance, and therefore cannot be contracted in the conventional sense.

In a values-driven organization the value commitment is the source of motivation and discipline. Since the value commitment is internal, the organization is largely self-regulating with respect to those values. With such organizations grants with broad terms of reference are appropriate, especially when the donor is more interested in investing in the organization and its mission commitment than in purchasing a specific service or product. Under such grants VOs are answerable to donors more in terms of faithfulness to their espoused missions and values than in terms of pre-specified contracts and outputs. Of course donors dealing with values-driven organizations have to be well informed about their values if they are to avoid unpleasant surprises.<sup>79</sup>

This leaves the donor with a difficult question. How does it know whether it is working with a real VO, when many organizations with non-governmental, non-profit legal status may be GONGOs, DONGOs, or PSCs rather than true value drive VOs? Whether an organization is non-governmental or non-profit is easily established. Whether it is a VO by our definition is less easily determined, and very much a matter of judgement.

As the availability of public funding for NGO activities increases, so to do reports of retired bureaucrats, unemployed local touts and other opportunity seeking individuals rushing to form NGOs to qualify for funding. These organizations are formed more as an entrepreneurial response to market or political opportunities than on the basis of value commitments. Donors should not expect that such NGOs will act like VOs, or even like responsible PSCs.

The test of voluntarism, which involves asking questions such as the following, can be quite helpful:

- Does the organization have a well defined sense of its mission, and has there been continuity in its basic commitments over the years?
- Is there evidence that the staff, and especially the leaders, work for the organization primarily because they believe in its mission?
- Has the staff accepted adverse working conditions, when necessary, to pursue that mission -- including working at salaries below the market rate for people of their education, ability and performance?

The track record is critical. Substantial differences in commitment and capability will have a major bearing on VO performance. An effective VO will

commonly have a program that has evolved on the basis of learning from its own experience.<sup>80</sup> Where the organization's program consists of partial, short-term commitments that coincide with shifting donor fads--one year women in development, the next year child survival, and the next small enterprise development--one might ask if it is market-driven more than values-driven.

### The Test of Balanced Pluralism

When choosing interventions that bear on the development of the voluntary sector, we believe that balanced pluralism among the sectors is a useful guide. By balanced pluralism, we refer to development of different sectors consistent with effective use of their complementary strengths.

A key issue in the evolution of balanced pluralism is the distribution of power among the sectors. While equality among them is not practical in most countries, some degree of mutual influence is critical to using their complementary strengths well. The test of pluralism involves one basic question:

- Does the proposed intervention enhance institutional pluralism and mutual influence in the society?

When the intervention would be more likely to create monopoly control over a particular institutional space, reduce the independence of existing organizations, or create a control point that might be used to limit freedom of independent association, it fails the test.

The issues involved are complex. Take the case of funding for voluntary activities. Many donors are interested in increasing the flow of funding to VOs and POs. There are also calls for greater local control of such funds, on the grounds that funding decisions should be made by indigenous rather than expatriate organizations.

The range of possible mechanisms for financing voluntary activity is quite broad, a subject we touched upon above. What guidance is provided by the "test of pluralism" in choosing among them? For purposes of illustrating the underlying issue, we can put forward a worst case scenario:

It is required that all financial contributions to VOs, whether from government or private, foreign or domestic sources, must pass through a single government-controlled agency that has sole power to decide on their allocation.

In this scenario there is a single decision point, a total monopoly on voluntary financial resources. Decision-making would be in the hands of a single individual or group, virtually eliminating the possibility that the sector will serve multiple perspectives and values. The interests served would be almost certainly those of the persons who control the state.

An alternative scenario with respect to pluralism might look like the following:

A strong prevailing norm of voluntarism encourages individuals in the society to contribute ten percent of their income and time to voluntary causes of their choice. The state supports voluntary funding of VOs through tax exemptions for contributions to qualified organizations. Qualifying for tax-exempt status is simple, and freedom of association and expression is protected by the courts.<sup>81</sup>

In this scenario the state sets the basic framework. The choice of priorities in the allocation of funding resides entirely with individual citizens according to their individual value preferences.

These two scenarios represent the extremes of the spectrum: from unitary central control to the ultimate pluralism of individual choice. The latter scenario is generally limited as an option both for lack of governmental commitment and for insufficient development of an ethic of charitable giving. We would argue, however, that in choosing among the policy options that it will support, the donor preference should be toward those options that represent greater pluralism, i.e., more broadly distributed choice making. Thus for example:

- Public financial support of VO activities should give preference to tax incentives for individual contributions over direct government funding.
- Direct public funding of VOs should be dispersed across multiple ministries and levels of government rather than centrally controlled.
- Blocks of funds contributed to indigenous organizations to allocate should be distributed through several independent agencies rather than through a single conduit organization.

Donors should decline to participate in or endorse any scheme that calls for channeling all foreign contributions to the voluntary sector through a single government controlled agency. Such schemes are, by their nature, a direct denial of the pluralism

that represents the foundation of the voluntary sector.

## MODES OF DONOR SUPPORT FOR VOS

What are ways in which large donors can work effectively with VOs? On the basis of the discussion so far, we can identify at least five possibilities.

### 1. Providing Direct Financial Support

Most donors are primarily funding agencies. It is natural for them to think first in terms of providing VOs with increased financial support for their activities. There is no question that VOs require financial resources and might benefit from increased flows of those resources. But there are several dangers involved.

- Too much money can undermine voluntarism. Those who carry the values of the VO must remain clear on the organization's mission and their own reason for participating. Money must remain secondary to mission.
- The easiest relationship for donors is to enlist VOs as contractors to implement projects, and to deal with them essentially as commercial firms. VOs that respond to this invitation may find themselves reorienting their basic nature to become PSCs rather than social catalysts.
- Donors that seek to support VOs by earmarked government-to-government transfers of funds to be reallocated by the recipient government to VOs risk undermining VO independence by giving the state control over their funding. Grants administered through the recipient government can inadvertently compromise the pluralism that is essential to the strength of the voluntary sector.

Alleviation of poverty depends as much on the strengthening of institutions for political participation as on the strengthening of institutions that guarantee economic competition. Both forms of initiative depend on the institutional pluralism to which most VOs are committed.

If donors accept this perspective as the basis for their relationships with the VO community, they must recognize that on many issues VOs have more relevant expertise than donors. Where the VOs have greater expertise, it is appropriate for them to take the lead in defining the relationship.

This will not be easy for either party. Few VOs have given serious thought to the possibility of such a relationship. Neither have donors. The donors would have to learn to listen and to play a supportive role, seeking ways to respond constructively to the needs and agendas of the VOs. The VOs would have to learn to grapple with issues and concerns on more of a national scale.

Avoiding the hazards of direct financing of VOs will require new mechanisms for making funds available in amounts and through procedures that will not overwhelm or pervert their special capacities. Appropriate guidelines might include the following:

- Direct aid for VOs, particularly from large public donors, should generally be limited to two types of organization:
  - Large and well-established VOs whose track record demonstrates their capacity to handle large blocks of funds without being overwhelmed or co-opted.
  - Organizations that function in the role of private foundations in making small grants to VOs and POs. These might be quasi-governmental organizations such as the publicly funded German foundations or the U.S. Inter-American Foundation. They might also be entirely private foundations geared to this purpose such as the Foundation for the Peoples of the South Pacific or Philippine Business for Social Progress. CIDA has created several foundation-like mechanisms for the channeling of assistance to NGOs in Asia.
- Funding should take the form of broadly defined grants tied to mutually agreed "program missions" that are evaluated in terms of general development values and objectives rather than specific and concrete contracted outputs.
- Reporting systems should be standardized across donors and not require or reward the commitment of substantial VO resources to satisfying special needs of individual donors that make no contribution to improving the VC's mission performance.

Providing direct assistance to key VOs is potentially an important role for donors. But mechanisms are needed to provide that support without undermining the distinctive nature of the sector. Without ade-

quate safeguards, it is better for large donors to focus on other approaches.

POs are also subject to co-optation and donor support for them can be even more problematic. POs ideally are permanent community organizations that mobilize local resources to meet continuing local needs. Their strength depends even more than that of VOs on their becoming financially self-reliant.

## 2. Financing Sector Support Institutions

Our review of the weaknesses of VOs suggests that they often need support other than increased financial resources. Donors may well contribute, for example, to the improvement of VO technical or management capacities. This might be accomplished by providing resources to promote the emergence and effectiveness of voluntary sector support institutions like the following:

- Regional, national and sub-national VO consortium bodies that enable individual VOs to share experience and effective innovations, undertake cohesive action to resist destructive pressures from international agencies or government, and to create strategic networks and evolve integrated national sector strategies for development.
- Institutions offering training and consultation services to VOs, especially in priority areas such as strategy formulation, organization development, management training, community organizing, and various technical areas.
- Research institutes that offer the voluntary sector access to high quality technical advice and research support. Such information can be critical in helping VOs influence policy decisions that require analytic sophistication that individual VOs seldom possess.
- Advocacy centers that make available to VOs and POs expertise in developing policy positions, planning advocacy strategies and lobbying legislatures. As more VOs and POs become interested in shaping the larger policy context, such advocacy and legislative skills will be more in demand.

The more the voluntary sector moves from work at the grassroots to asking questions about how to influence institutional and policy contexts, the more important specialized institutions characteristic of a strong voluntary sector will become.

Donor agencies may be able to support the work of grassroots organizations indirectly with resources given to institutions that serve the sector as a whole, even when direct financial aid to operating VOs is not practical for the reasons discussed earlier.

### 3. Increasing Political Space

Our analysis leads us to conclude that some of the most promising opportunities for donor support of the voluntary sector lie in the realm of policy dialogue with national governments rather than in direct financing. There are few natural incentives for governments to encourage VOs, even though they can play an important role in the long term development process. Donors had to assume a lead role in gaining recognition for the importance of the market, and they may have to provide similar leadership in promoting policy and operating space for VOs.

There are three areas to which particular attention should be directed.

*Guarantees of Freedom of Association.* For the commercial sector to function efficiently, legal and procedural barriers that constrain the market must be minimized. Similarly, for the voluntary sector to perform its social role effectively, legal and procedural barriers to free association and expression must be minimized --in accord with the universal declaration on human rights. Registration procedures should be simple and easily negotiated by any legitimate group that meets the basic standards. Reporting should similarly be simple and limited to routine annual reports of activities and finances appropriate to the public record. Recognized organizations, so long as they are not convicted of illegal activities, should not have to obtain prior approval for ordinary activities and financial contributions.

Just as donors have developed expertise in advising on policies, laws, and procedures for a productive market sector, so might they develop the expertise required to advise national governments about the promotion of a strong and constructive voluntary sector. A first step might be to develop an inventory of relevant policies and procedures in countries at differing stages of development and with differing political systems to better understand the range of options and their consequences.

*Policies Encouraging Private Philanthropy.* As middle classes emerge in developing countries, the potential for generating significant resources for voluntary sector activities within the country in-

creases. The contribution of such resources to voluntary development activity can be encouraged by legislation that provides tax or other incentives.

Donors might consider building capability to advise countries on how to structure incentives that will encourage private voluntary financing of VOs. Considerable experience has been gained around the world with such tax incentives. As a starting point it may be appropriate to survey this experience for lessons. Examination of how the philanthropic ethic develops in a country and how traditional charities can be encouraged to support development-oriented activities is also worth attention.

*VO Participation in Policy Processes.* Governments commonly require that VOs obtain prior permission for activities to insure that they are supportive of the priorities of the government. Less common have been decisions like that of the Aquino government in Philippines to invite VOs to participate in the deliberations of municipal, provincial, and regional planning councils to help insure that the development plans of the government are responsive to the needs of the people.

In general, development policy deliberations have suffered from lack of effective feedback from the grass roots. Even the introduction of locally elected councils has only partially addressed this problem, because local elites have often controlled those councils to serve their own interests. In a number of countries VOs have been addressing this problem by helping the poor organize themselves to support the election of their own candidates. But effective feedback channels from VOs or representatives of the poor remain the exception rather than the rule.

Donors can do much to help recipient governments explore mechanisms for expanding popular participation in a variety of policy forums. Again a first step might be to compile an inventory of experience with efforts by VOs and POs to provide substantive input to public policy processes.

### 4. Creating Feedback Links from VOs to Donors

Donors need the kind of feedback that VOs can provide as much as governments do. VOs concerned with development and the environment have become increasingly active in providing donors with feedback on the negative environmental and social consequences of some of their projects. Some donors have taken such feedback seriously and have built mechanisms for continuing the dialogue. This is a positive step and should be given increasingly serious attention. But donor mechanisms for obtaining and acting on needed feedback are still limited.

As VOs become more comfortable in dealing with donors as partners, they will probably seek greater involvement in early project planning in the hope of reducing some of the negative social and environmental consequences of large development projects. Donors might find the establishment of *national* VO advisory groups to be useful, just as some have experimented successfully with *international* VO advisory groups.

One important issue that donors will need to face is the secrecy of their own proceedings and documentation. Donors typically treat their own planning documents as privileged information to be shared only with authorized representatives of the recipient government. It is the rare representative of a donor agency who is prepared to openly share such information with individuals or groups that might be critical of their content. There are reports of indigenous NGOs in Asia being able to obtain documentation on World Bank projects being planned or implemented in their countries only by working through U.S. NGOs that could more readily acquire documents from the Bank in Washington.

Some NGOs are demanding that Bank documentation be treated as a matter of public record accessible to any citizen of either donor or recipient country. Nearly all U.S. government information is available on request to U.S. citizens under the Freedom of Information Act, and some NGOs want this principle to be applied to international development agencies.

The greatest resistance may come from borrowing governments. Most governments, including many democracies, insist on some confidentiality regarding public business. It must be remembered, however, that it is ultimately the people who are borrowing the money, not the government. It is the people who must ultimately pay, as particularly the poor of debt burdened countries have sadly learned. They have a right not only to know what is being borrowed in their name, but also how it is being used.

Some donors are becoming more forthcoming, but there is a long way to go before the critical information on donor plans and projects becomes public information subject to the kind of public scrutiny that is necessary to insure that public moneys are being used in beneficial and environmentally sound ways. Donors are asking NGOs to be responsible critics. To do so VOs will need open access to donor records and technical data, as should be their basic right.

## 5. Building Development Partnerships

The involvement of VOs in development partnerships differs in essential respects from the more

### Box 10. Inter-sectoral Collaboration

In Indonesia the Institute for Socio-Economic Research, Training and Information (LP3ES), a major voluntary agency, has been assisting the national government to strengthen farmer involvement in irrigation development and management. With funding and technical support from the Ford Foundation and the U.S. Agency for International Development, the Institute has assisted the Ministries of Public Works, Home Affairs and Agriculture. Initially they trained and supervised government community organizers implementing pilot projects aimed at enhancing farmer roles in the development of irrigation systems.

As the Institute became aware of the legal and policy impediments to building strong water users' organizations, they expanded their efforts to include studies and dialogue with government officials about the legal status and powers of user organizations. Even in small irrigations systems, the government usually held management authority.

In 1987 the World Bank, drawing on the work of the Institute, agreed with the government to support transferring management responsibility for small systems from the government to water user associations. The project involves the Institute in a key role to train government employees for preparing the associations to take on these new responsibilities. The Institute is also advising on the institutional changes needed to support the new policy. The Institute's participation in this project is financed by the Ford Foundation.

Source: Frances F. Korten

conventional involvement of VOs in the implementation of a government- or donor-initiated project. In effective partnerships, VOs often assume leadership roles. Even when VOs are not the partnership initiators, in the type of development partnerships we are advocating they are equal participants in planning, problem-solving, and action-taking process rather -- rather than simply implementors of projects initiated, designed and funded by others. This gives maximum scope for the VO to perform its institutional catalyst role in a way seldom available in more conventional projects.

The case described in Box 10 involving a collaboration between an Indonesian VO, three govern-



ment ministries, the Ford Foundation, and the World Bank in Indonesia in support of new irrigation policies and programs aimed at strengthening the role of farmer/irrigator associations illustrates the potential of such partnerships. In this instance the Ford Foundation, itself a VO, had an important role in helping the Indonesian VO establish itself as a credible member of the partnership and in funding its participation.

The operating modes of the large donors generally do not allow them to play the kind of supporting roles in helping to engage VOs in this type of national partnership that the Ford Foundation was able to play in this instance. Large donors that lack such capability, might find it useful to ally with organizations, such as the Ford Foundation, that are better suited to this nurturing role. Other foundations or international private VOs like Oxfam or the World Council of Churches might also be good allies in such cases.

Further efforts to identify and document examples of development partnerships should be undertaken so that the conditions for their success can be better understood and their implications for donor strategy and practice explicated.

## **A RESEARCH AGENDA**

We have proposed a conceptual lens for examining the voluntary sector that emphasizes its special capacities for social innovation and responsiveness to relatively deprived and unserved populations. This lens provides insights into the distinctive strengths and weaknesses inherent in the nature of the voluntary development sector, and how these complement those of other types of development agencies.

There has been little theoretically grounded research on VOs, in part because of the lack of an appropriate conceptual lens. With the benefit of such a lens we can better define a range of research needs that have important bearing on donor policy formulation and programming action. Among the important topics for research are the following:

### **1. Voluntary Sector Development**

Voluntary sectors have developed quite differently in different regions, nations, and even in different regions within a given country. Voluntary sectors in Asia, Latin America, and Africa each have their distinctive regional characteristics. In Asia and Latin America the voluntary sectors are generally strong. In Africa the indigenous voluntary sector is less well established. In Asia VOs have been inclined to seek out opportunities for collaboration with government.

In Latin America they have been more politically active, often seeing themselves as in fundamental opposition to government.

Within region differences are sometimes even more striking than differences among regions. For example, in the Asia region India and the Philippines are known for the variety and density of their VOs. Yet within India, it is reportedly difficult to find a development VO in any of the three northern states of Punjab, Haryana and Himachal Pradesh.

Pakistan and Bangladesh were once part of the same predominately Islamic country, with few if any NGOs. In less than two decades, Bangladesh has become home to some of the largest and most effective development VOs in the world. In contrast, Pakistan may have fewer development VOs on a per capita basis than any other non-Communist country in Asia.

NGOs in Nepal are limited to a few charities working under the supervision of the Queen. The largest VO in Indonesia is barely a tenth the size of the largest VO in Bangladesh, though Indonesia is a larger, more populous, and generally more developed country.

In Bangladesh VOs tend to become all purpose community development generalists providing rather similar services. VOs in India, Thailand, and the Philippines are often more specialized.

There are also important differences among countries in the extent to which the legal framework guarantees freedom of association and encourages consequential voluntary sector involvement in national development. There are similar differences in the number and strength of support institutions offering educational, consultancy, research and advocacy services to the voluntary sector.

Little attention has been given to mapping and understanding these differences and the forces that have created them. For example, how have VOs and POs developed differently under authoritarian and democratic regimes? What have been the consequences of various types of regulatory and incentive policies? Such knowledge is basic to donor policy and action intended to strengthen voluntary sector development.

Approaches to supporting voluntary sector development will need to be very different in the Philippines or in Andhra Pradesh (India) than in say Pakistan, Nepal or the Indian Punjab. Yet donors have few frameworks available for understanding these differences and their implications.

What are the characteristics that define a healthy, vital and effective VO community? Does Bangladesh provide the model, with its large generalist VOs substituting for government in offering nearly identical services to large rural population?

Or is the appropriate model something more like the Philippines, with its diversity of VOs of differing political ideologies, policy and program commitments, and operating styles? Are there identifiable evolutionary stages in the development of a VO community? What types of support are most important at each stage? These are important questions for donors if they are to avoid creating distortions through well intentioned, but possibly misguided application of their resources.

Since development catalyst organizations commonly define their own performance in terms of the creation and strengthening of strong, self-reliant POs, no study of VO development performance could be complete without serious attention to VO contributions to the development of POs as an important feature of the institutional landscape.

The questions involved are most amenable to analysis on a comparative basis. They are also questions that many VOs and VO coalition bodies need to be asking themselves. Therefore, a participatory type of research process might prove appropriate. For example, the draft study report for an individual country might serve as the basis for a national conference of VCs in that country to review the report and its conclusions in a kind of sector self-assessment exercise.

Several country studies might form the basis for a regional conference devoted to a comparative assessment that would help to sharpen the frameworks for comparative analysis. An international conference might then examine patterns of regional differences. The result would be a much refined set of frameworks for assessing VO development in any given country, and a heightened self-awareness within the voluntary sectors of the participating countries of the issues they face as a sector.

## 2. Small Scale Development on a Large Scale

Conventional concepts of replication and scaling up reflect a top-down bias in their underlying presumption that the task involves defining a blueprint for project action and then engaging a large development bureaucracy to stamp out replications of projects based on that blueprint over a large area.

Sheldon Annis puts a different twist on the conventional formulation by asking: "How large can small become?" Or "Can small-scale development be a large-scale policy?"<sup>82</sup> His questions puts the problem in proper context. The genius of the VO approach is found in its people-sized units of action and its local problem-solving focus, in contrast to the imposition of an externally defined blueprint. Yet it is true that so long as this is accomplished in only a few communities the consequences will be

severely limited. Obviously the proper answer is to do it on a large scale.

The questions posed by Annis are best addressed on a case study basis. The research task is to identify examples of both successful and unsuccessful efforts to accomplish small scale, locally controlled development on a large scale. Normally the focus should be on reasonably mature efforts that yield clear and easily documented lessons, rather than on incipient efforts in which it is only possible to speculate about prospective results. Each effort selected should be documented and analyzed as a case study to yield lessons and insights that might be translated into other efforts to make small-scale development large-scale policy.

Particular attention should be given to questions such as the following: Is there a point at which a critical mass of small POs sets loose a new dynamic that supports the spontaneous generation and linkage of such organizations? What are the conditions conducive to such an outcome? Reports on the Latin American experience suggest that important insights into these questions may be found in that region.

The proposed documentation should be done from a social learning perspective. The most useful lessons are likely to address the question of how to create and manage the learning process by which a functioning set of institutional relationships emerges in support of large scale local development action. Efforts to find blueprints for cookie cutter replication are likely to contribute only to more large-scale, top-down failures.

In many instances the successful examples of large-scale coverage that provide useful lessons may not be limited to VOs of the type described in this paper. A study of livelihood programs done by Judith Tendler for the Ford Foundation identified six initiatives that had influenced the lives of large numbers of poor.<sup>83</sup> One was sponsored by a public sector enterprise, three by trade unions, one by a bank, and one by a private consulting firm. Tendler's study provides an important caution in such a research undertaking: it should not look only for examples in which the chief sponsor is a VO.

## 3. Mechanisms for VO/PO Funding

The potential dangers of public donors channeling large blocks of funds to VOs and POs have been examined in this paper. But simply sensitizing donors to the potential dangers of inappropriate action does not provide them with a solution to their problem. We have yet to answer the key question: Are there demonstrated ways to channel such funds that are consistent with enlarging the

scale of impact while simultaneously strengthening the funded organizations in their distinctive roles?

Again a comparative case study approach is the research method of choice. There is need to pull together the available data on a variety of different approaches to public funding of different types of NGOs, applying the conceptual framework proposed by this paper to discriminate between development and welfare interventions, as well as between VOs, PSCs, and POs. There should be no presumption that a funding mechanism appropriate to one or another of these will prove equally satisfactory for the others, because both the nature of the organization and the task are likely to differ.

A first step would simply be to do an inventory of the many mechanisms presently in place. These include specialized organizations such as the Inter-American Foundation, the partnership funding mechanisms being established by Canadian CIDA in a number of countries of Asia, the efforts of USAID to expand family planning service coverage in Bangladesh through grants to NGOs, and the experience of European governments in channeling public resources through international NGOs to indigenous organizations.

Once the inventory is complete, a number of experiences that represent a range of approaches and outcomes should be documented and analyzed from a comparative perspective in relation to the issues identified in this paper. Much of the necessary information might be compiled from existing evaluation and assessment documents.<sup>84</sup> The resulting cases should provide a basis for a contingency analysis suggesting the circumstances under which different funding mechanisms are appropriate. It will be important to assess these mechanisms from a variety of perspectives. Those that are effective at developing VOs as a dynamic force for social innovation may not be the same ones that demonstrate effectiveness in contributing to small-scale development on a large-scale.

#### 4. VO/PO Policy Participation

There is growing interest among donors in the roles of VOs and POs as sources of grassroots feedback in the design, implementation, and evaluation of projects. Here again documentation and comparative analysis of experience, particularly of successful experience, is likely to result in useful lessons.

At the macro-level it might be useful to examine the role and strategies of environmental VOs in reshaping the environmental policies of the multi-lateral development banks. Going further back in history the same questions might be asked regarding VO roles and strategies during the 1960s and 70s in

reshaping global policy and programs on population and family planning.

At the more micro-level it would be useful to examine the use of formal mechanisms for achieving direct grassroots input and feedback into both donor and host government policy and programming. Examples might include MYRADA's role in improving the design and implementation of World Bank funded projects in India involving resettlement of displaced populations and the Philippine experience with the participation of VOs on regional and provincial planning councils.

One output of the country studies suggested earlier might be an assessment of the extent to which VOs and POs in the country in question have played useful roles in shaping development policy and programming, and why.

#### 5. Development Partnerships

There are numerous experiences that may lend themselves to documentation and analysis to achieve better understanding of the dynamics of development partnerships, the special role of VOs in their formation and maintenance, and the conditions conducive to their formation. Examples include the experiences briefly described in Boxes 8 and 10 in this paper; the LSP initiatives in Indonesia described in footnote 62; and the collaboration of Philippine Business for Social Progress with government, the banking system, and a variety of VOs in Negros Occidental in a locally initiated and controlled land reform initiative.

It is important to be clear here that the interest is in cases that involve joint inter-sectoral problem solving, often in situations that demands expenditure of considerable voluntary energy. This is not the same as the case of the multi-sectoral project implementation committee charged with implementing a project blueprint.

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In relating to NGOs there is a danger that donors may equate small with simple. Most individual NGOs are quite small by donor standards, but they are not simple either in their organizational form or in their development roles. They are particularly complex in the aggregate, in part because the term NGO does not define an organizational type.

NGO defines only a broad range of types of organizations that have little in common with one another except that they are non-governmental and are legally registered as non-profits. They include market-oriented PSCs, values driven VOs, and member accountable POs.

Even among the more precisely defined category of VOs some organizations function purely on voluntary commitment, with no budget. Others have well paid full-time professional staff. Their commitments span the range from pure relief operations to development advocacy and the mobilization of politically active people's movements. The participants range from saints to scoundrels.

The most important development contributions of VOs will often be overlooked if attention is focused on individual organizations. Only in the aggregate is it possible to appreciate fully the sector's contribution to mobilizing voluntary energy in support of a broad range of social agendas; its role in serving as a marketplace of ideas and of social and institutional innovations; and its function in the promotion and preservation of democratic institutions, in part as a counter weight to the centralizing and controlling tendencies of the state. These contributions are best appreciated within the context of the broader political and institutional dimensions of development that have so often been overlooked.

The strongest VOs and POs respond to a good deal more than financial incentives. Their distinctive development contributions are found in the fact that they are not the same as government organizations or businesses. At the same time they are not immune to financial incentives, which if wrongly applied have the potential to destroy the voluntary nature of all but the most strongly self-aware of VOs and POs. The issues are complex, the necessary data elusive, and the potential for damage substantial.

If there is one central message of this analysis, it is that no responsible donor should undertake to "assist" or "use" NGOs as a part of its development programming unless it is prepared to make a substantial investment in understanding their nature and their distinctive roles. Donors cannot automatically assume that existing staff experience and training prepare them to play a constructive role in helping NGOs become more effective in their essential roles in national and global development.

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21. We are indebted to Michael Bratton for much of the language of these two paragraphs that describes value commitments. Research on voluntary associations in the United States suggests that the "free rider" hypothesis that people will not contribute resources to causes from which they will not receive private benefits, simply does not stand up empirically. Knoke, for example, found that "normative incentives" grounded in agency efforts to influence policy and create public goods were more powerful predictors of member behavior and contributions than utilitarian or social incentives. See David Knoke, "Incentives in Collective Action Organizations," *American Sociological Review*, 53, 1988, 311-329.

22. See Alan Fowler, "Why is Managing Social Development Different?" *NGO Management*. No 12, January-March 1989, pp. 18-20 for further discussion of distinguishing characteristics of the three sectors.

23. The term *institutions* in this definition refers to the enduring systems of structures, rules, customs and values that shape the behaviors and relationships of people within a society.

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25. It is a fundamental error to assume that a society that is not making productive use of its own existing resources will make productive use of concessional foreign resources. This insight has resulted in a basic reorientation of the programs of the Institute for Development Studies (LSP) in Indonesia toward a focus on forming development partnerships including government, banking, and private commercial sector groups aimed at improving the utilization of major blocks of existing national resources and talent in ways that would benefit the poor. See also footnote 62.

26. Diamond, "Beyond Authoritarianism and Totalitarianism: Strategies for Democratization." The roles described here are a dual function of VOs and people's organizations.

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33. See L.D. Brown and J. C. Brown, "Environmental Microcosms and Ideological Negotiations," in M. Bazerman and R. Lewicki, *Negotiating Inside Organizations* (Beverly Hills, CA: Sage, 1983); L.D. Brown and J.G. Covey, "Organizing and Managing Private Development Agencies," Working Paper No 128, Program on NonProfit Organizations, Yale Institution for Social and Policy Sciences, 1987.
34. Mother Theresa's work with the dying poor in Calcutta, for example, grows out of a religious vision. The Sarvodaya Shramadana in Sri Lanka has drawn on the Buddhist tradition to inspire voluntary commitments to work on behalf of poor villages by persons from all socio-economic strata, from the poor to the affluent. See Joanna Macy, *Dharma and Development: Religion as Resource in the Sarvodaya Self-Help Movement* (West Hartford, CT: Kumarian Press, 1983). Cross cultural studies of the voluntary sector have noted the prevalence of religious traditions, especially Christianity, in the antecedents of the voluntary sector, such as Estelle James, "The Nonprofit Sector in Comparative Perspective," in Powell, *The Nonprofit Sector*, esp. pp 404-405.
35. For illustrations in the African setting, See Elliott Morss, "Institutional Destruction Resulting from Donor and Project Proliferation in Sub-saharan African Countries," *World Development*, 12:4, 1984, 465-470.
36. See the ICAE journal *Convergence*, for a review of the literature on participatory research in development; L. D. Brown and R. Tandon, "Ideology and Political Economy in Research: Action Research and Participatory Research," *Journal of Applied Behavioral Science*, 10:3, 1983.
37. See Roberto Mangabeira Unger, *Plasticity into Power: Comparative Studies on the Institutional Conditions of Economic and Military Success* (Cambridge: Cambridge University Press, 1987), 10.
38. See ANGOC, "Democratizing Asian Development: A Commitment to Leadership," ANGOC Monograph Series No. 7, Asian NGO Coalition, Manila, Philippines, 1988. This is a report of the conclusions of a workshop of 30 top Asian NGO leaders held in Bangkok under ANGOC auspices in March 1988; a similar theme is presented in ADAB, "Future Strategies and Vision of NGOs in Bangladesh," a report on a series of workshops of Bangladeshi NGO leaders organized during 1988 by the Association of Development Agencies in Bangladesh (ADAB).

39. See for example Esman and Uphoff, *Local Organizations*; and Cernea, *Non-Governmental Organizations*.
40. See for European experience, Commission of the European Communities, *Evaluation Study of 26 Cofinanced NGO Projects in Five Countries*, SEC (81)1052, 1981. For an assessment of UK experience, see K.O.H. Osborn and G.A. Armstrong, *An Evaluation of the Joint Funding Scheme*, United Kingdom, ODA, 1982. For U.S. experience, see Hursh-Cesar, *Development Effectiveness*. For an overview of many studies, see OECD, *Voluntary Aid for Development*.
41. Although many governments regard VOs as a nuisance or as a threat, in some circumstances VOs and governments have joined together in creating development strategies that build on the comparative strength of the VO in piloting innovations and the comparative strength of government in broad scale implementation. In Thailand, for example, an adult education program developed in one area by World Education, a small international VO, has been adopted by the Ministry of Education, which worked closely with the VO during the pilot tests. The potential for shaping government policies and programs has been assessed by an evaluation of U.S. AID projects in small enterprises, health and nutrition, water and sanitation, agro-forestry, and livestock. In the first two sectors VOs had marked impacts on national policies: they demonstrated the effectiveness of community-based primary health care as a vehicle for improving the health status of under served populations, and they encouraged more favorable government policies toward small and informal enterprises. See Hursh-Cesar, *Development Effectiveness*.
42. Government agencies must answer to many constituencies, any one of which may wish to block a particular initiative. The interlocking structures of their own bureaucracies also serve to block innovations considered to be against some bureaucratic interest. The fact that VOs are answerable only to their own boards and possibly to the funder of a particular project gives them much greater flexibility to experiment and to demonstrate the viability of innovative programs.
43. In Senegal, for example, VO efforts to irrigate desertified lands with wind and solar power have failed because of inadequate technical analysis or limited capacity to maintain the installations required. Note that this limitation is similar to the problem of "amateurism" identified as a "voluntary failure" in studies of the U.S. PVOs.
44. The importance of developing a narrow and well-understood technology that is suited to broad scale replication over a wide area with relatively little training and funding has been underlined by Judith Tendler's study of VOs that serve large numbers of clients. "What Ever Happened to Poverty Alleviation?" A report prepared for the mid-decade review of the Ford Foundation's programs on livelihood, employment, and income generation, March 1987.
45. The Women's Health Coalition in Bangladesh, for example, has expertise in reproductive health and has created clinics for menstrual regulation badly needed by Bangladeshi women. But the agency is now offering other services in their clinics that potentially dilute their special expertise in order to respond to patient requests.
46. See Commission of the European Community, 1981, 1985; Hursh- Cesar and Associates, 1986; and Tendler, "What Ever Happened to Poverty Alleviation."
47. The myopic view that many VOs have had of their roles is revealed in the common practice among VOs working in South India of referring to themselves as "projects," essentially defining themselves not as an organization, but as the project they are implementing in some defined set of villages. A common response to the question "What influence has your work had beyond your project area?" is a blank stare. A number of these NGOs are becoming aware of the problem and are taking steps to correct it.
48. Tim Brodhead, "NGOs: In One Year, Out the Other?," *World Development*, Vol. 15, Supplement, pp. 1-6, 1987; and David C. Korten, "Third Generation NGO Strategies: A Key to People-centered Development," *World Development*, Vol. 15, Supplement, pp. 145-159, 1987.



49. PROCESS, a Philippine VO, recognized a need to develop the capabilities of its assisted fishermen's organizations to deal with the courts and the legislature on matters relating to fishing rights and fisheries resource management. It recruited two lawyers to develop legal manuals and training appropriate to the needs and educational levels of the fishermen and convinced several Congressmen, including the Speaker of the Philippine House of Representatives to coach association leaders in how to lobby the Congress.

50. Cernea, "Non-Governmental Organizations and Local Development," p. 11. Robert Chambers, "Normal Professionalism, New Paradigms and Development." Discussion Paper No. 227 (Brighton, England: Institute of Development Studies, December 1986) describes this joining of technical expertise and commitment to the poor as the "new development professionalism."

51. Sarvodaya has been accused within the NGO community of having become a state within a state, a sort of parallel government operating a vast bureaucratic apparatus engaged in nearly every aspect of Sri Lankan village and national life, that so dominates the scene that it inhibits the development of a dynamic, pluralistic voluntary sector. BRAC has been engaged in a fundamental re-examination of its strategy in an effort to reduce its direct operational presence and serve in more clearly catalytic roles in the transformation of national credit, poultry, health, and education systems. BRAC is a leading candidate to demonstrate that it is possible for a VO to be big *and* be an innovative social catalyst.

52. Sheldon Annis describes the processes by which grass people's organizations in Latin America are forming themselves into networks that are gradually transforming the institutional structures of numerous countries in the region. "Small-Scale Development, Large-Scale Policy?" in Sheldon Annis and Peter Hakim (eds.), *Direct to the Poor: Grassroots Development in Latin America* (Boulder: Lynne Rienner Publishers, 1988), pp. 209-218.

53. See report by Hernando de Soto, Director of the Institute for Liberty and Democracy, in *The Challenge of Democracy, A Conference on Efforts Underway to Advance the Cause of Democracy throughout the World* sponsored by the National Endowment for Democracy, May 18-19, 1987, Washington, D.C., pp. 68-73.

54. Annis, "Can Small-Scale Development be Large-Scale Policy?" See also David C. Korten and Rudi Klaus (eds.), *People-Centered Development: Contributions toward Theory and Planning Frameworks* (West Hartford: Kumarian Press, 1984); and David C. Korten (ed.), *Community Management: Asian Experience and Perspectives* (West Hartford: Kumarian Press, 1986).

55. Cernea, *Nongovernmental Organizations*, p. 11.

56. See for example, T. Peters and R. Waterman, *In Search of Excellence*, or R. M. Kanter, *The Change Masters*.

57. David C. Korten, "Strategic Organization for People-Centered Development," *Public Administration Review*, Vol. 44, No. 4 (July/August 1984), pp. 341-352.

58. It should be noted that the availability of knowledge and expert resources in the field of NGO management is growing rapidly. Research centers like the Program on Non-Profit Organizations at the Yale Institution for Social and Policy Studies, the Management Division of Independent Sector, and the NGO Management Network of the International Council of Voluntary Agencies are potential resources for improving the management of voluntary organizations. More research on the special strategic and organizational problems of development-oriented voluntary organizations is also becoming available, such as L.D. Brown and J.G. Covey, "Development Organizations and Organization Development: Toward an Expanded Paradigm for Organization Development," in R.W. Woodman and W.E. Pasmore, *Research in Organizational Change and Development*, Vol I, Greenwich, CT: JAI Press, 1987, and L.D. Brown and J.G. Covey, "Organizing and Managing Private Development Agencies."

59. The Bangladesh Rural Advancement Committee insists that each project grant or contract routinely allocate seven percent of the budget for staff development. We believe this is a sound policy responsible donors should honor and encourage other voluntary organizations to emulate. Ian Smilie has written an illuminating paper on the perverse funding policies of donors regarding NGOs and their debilitating consequences titled "Strengthening Collaboration with NGOs: The Strangulation Technique," (unpublished). Available from Ian Smilie, 618 Melbourne Ave., Ottawa, Ontario, Canada K2A 1X1. This set of issues received extensive attention at a November 1988 meeting of the Development Assistance Committee of the Organization for Economic Co-operation and Development in Paris, resulting in recommendations that donors should be more willing to fund administrative overhead and staff development. See "Summary Record of the 560th Meeting held on 22nd-32rd November 1988 at the Chateau de la Muette, Paris on Cooperation with Non-Governmental Organizations, DAC OECD, Paris, draft prepared 13 January 1989.

60. See Salamon, "Partners in Public Service", pp. 99-117.

61. See Russell Ackoff, *Redesigning the Future* (New York: Wiley, 1974).

62. Another example comes from the Philippines, where Philippine Business for Social Progress (PBSP) has been engaged in a partnership with the Provincial Government of Negros Occidental and the National Bank of the Philippines in a local land reform initiative. Negros Occidental is a sugar growing Province that suffered economic devastation as a result of a drop in sugar prices. Hardest hit were the families who worked on the sugar estates. They were among the poorest families in the Philippines even before the decline. After the decline their conditions were truly desperate. Many of the estate owners who had mortgaged their lands during better times were not able to meet mortgage payments after the fall. Large tracts of land were foreclosed by the National Bank. PBSP was invited by the provincial government to form a development partnership with itself and the bank to transfer these foreclosed lands to otherwise landless laborers. PBSP is responsible for developing the procedures and training the provincial development staff, as well as the staff of other voluntary organizations in Negros in their implementation.

63. For further discussion of development partnerships see L. David Brown, "Private Voluntary Organizations and Development Partnerships," in P. Khandwalla, *Organizational Behavior and Social Development* (New Delhi: Sage Publications, forthcoming).

64. The Lembaga Studi Pembangunan (LSP), an Indonesian voluntary organization, served as a catalyst for a market development project in Samarinda, Kalimantan, Indonesia involving local government, a private developer, and an association of small traders. Concerned that a new market development might displace a group of small traders, LSP brought together the key actors in an arrangement involving what LSP refers to as multi-strata (social strata) land use. Local government responded with a zoning requirement that obligated the developer to allocate a portion of the land to small traders. The commercial developer financed and implemented the project. LSP assisted the developer with the design and organized the vendors to negotiate their contract and manage their space in the development. LSP has subsequently promoted a variety of other such urban development partnerships in housing and commercial projects that benefit the poor, all on a commercially viable basis using locally available public and private financing.

65. See L.D. Brown, "Private Voluntary Organizations and Development Partnerships."

66. This holds at least for donor assessments regarding support for recipient country VOs. Northern VOs present a somewhat different situation. To the extent that they are perceived by the donor as a political constituency able to influence legislative action on the donor's own budgets, the donor's interest in VOs is also likely to be conditioned by unspoken political criteria that may equal or outweigh its professed concern for economic efficiency.

67. See Bratton, "Politics."

68. See Bratton, "Politics" for extensive documentation. Each of these forms of control are widely observed in Asia as well.

69. In this situation the interests of pluralism are likely to be best served where responsibilities for the registration and monitoring of different categories of VOs and POs is divided among a number of different agencies. This often gives the VO or PO more than one option if a particular agency proves overly restrictive.

70. At the time of this writing delays of many months in government approval of some foreign donor funded NGO grants was threatening the very survival of the prospective recipient organizations in Bangladesh.

71. Rajesh Tandon, "The Relationship between Non-Governmental Organizations and Government," Society for Participatory Research in Asia, New Delhi, August 1987, p. 4, notes that Marxist political parties commonly believe that any organizing for poor and powerless should be done under the Party's banner on the theory that the Party is the vanguard of the people. Since the party represents the interests of the masses, there is, by the Marxist logic, no need for any other autonomous, independent structure to represent their interests.

72. Ben Witjes, "The Indonesian Law on Social organizations: A Study of the Sociopolitical Context and the Consequences for Indonesian and Foreign NGOs," Nijmegen, April 1987 (unpublished) provides a detailed description of how this process has progressed in various sectors in Indonesia.

73. The YPPSE in Banjarnegara District of Central Java in Indonesia was formed by local government officials who found that working within governmental procedures and budget constraints made it all but impossible to respond in effective ways to actual community needs. They formed an NGO that could receive external donor funds specifically to give themselves a needed freedom of action outside the constraints of government. The people involved in this instance were in fact value driven and they used the resulting freedom responsibly and well. Yet in a workshop exploring the experience and its implications for local government/NGO collaboration, even some government officials expressed concern that YPPSE's special position with government may have resulted in its attempting to coordinate the work of other NGOs in the region and may possibly have inadvertently limited their freedom of action. See Andree Iffrig and David C. Korten, "Banjarnegara and the YPPSE: A Case of Local Government/NGO Collaboration," a case study. Institute for Development Studies (LSP), Jakarta, Indonesia, June 1988.

74. Depending on the nature of their charters, DONGOs may enjoy more independence than do GONGOs--if the donor understands the true nature of the voluntary sector and as a consequence takes measures to ensure such freedom. For example, LDAP in Thailand, a DONGO created by CIDA, seems to enjoy considerable freedom in defining a mission consistent with the value commitments of its leadership and with a social catalyst role.

75. Even where the DONGO handles only the funds of a single donor, problems can arise here not so much from the exercise of donor control as from the fact that inordinate influence over the indigenous NGO community may be placed in the hands of the local individual or individuals who control the DONGO and its funds. This can create substantial destructive dissension within an NGO community, as resulted from a well-intentioned AID initiative in Kenya.

76. This situation has arisen in Bangladesh, with serious consequences for the functioning of the NGO consortium body there.

77. Donors can do a great disservice to true voluntary organizations if they fail to recognize the difference between these organizations and true NGOs. In the case of the Indonesian government sponsored women's GONGO described earlier, two UN donor agencies named it the outstanding NGO in Indonesia. Such actions send a signal to governments that either the international donors can't tell the difference between a GONGO and a real NGO, or applaud government's action in filling that institutional space with government sponsored and controlled organizations, therefore clearing the way for governmental control of the sector free from any fear of external repercussions.

78. Michael Bratton, "Poverty, Organization and Policy."

79. This point is underlined by the fact that some donors in the Philippines have been shocked to find that some of the more "liberal" minded NGOs they were funding were channeling a portion their finances to the armed insurgency that was attempting to topple the post-Marcos democratic government. These organizations were driven by values, but not necessarily values the donors shared.

80. David C. Korten, "Community Organization and Rural Development: A Learning Process Approach," *Public Administration Review*, Vol 40, No. 5, September-October 1980, 480-511.

81. We have been asked: Will this ensure that funds will flow where they are required? As with the market? The issues here are complex and the answer must be no, there is no such assurance. Yet at the same time, the question can really be answered only with a question: "Required" by whose definition or assessment? It is commonly assumed that governments represent the public interest in answering such questions. That is a demonstrably false premise. Governments represent the interests of the people who control them, and in non-democratic countries the interests so represented may be quite narrow. It is also relevant to the argument that governments have numerous options for action on their priorities. For government to pursue those options by setting the priorities for the voluntary sector is to deny the distinctive nature of the voluntary sector. At the same time there is no contradiction in government choosing to fund non-profit public service contractors to pursue government's definition of the public good. But that such action should not be confused with providing support and encouragement for the voluntary sector.

82. Sheldon Annis, "Can Small-scale Development be a Large-scale Policy? The Case of Latin America," *World Development*, Vol. 15, Supplement, pp. 129-134.

83. Tendler, "What Ever Happened to Poverty Alleviation?"

84. This is not to negate the need for first hand data collection as well. Situations are changing at a rapid rate and it would not be desirable to base conclusions only on historical data.

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