

# New Challenges for Northern NGOs<sup>1</sup>

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*This paper examines the challenges facing Northern NGOs in the 1990s. It sets out the changing global context of aid and looks at the relationship between Northern NGOs and three different sectors: Southern governments, the private sector and Southern NGOs. The changing balance of activities among these three sectors, and the trend among Northern NGOs to re-evaluate their own value added to the development process means that strategic choices will need to be made if NGOs are to build partnerships with any of these sectors. The article provides some questions which NGOs should ask when doing this and some options for engaging in these partnerships.*

## Introduction

The role of NGOs has moved centre stage on the development agenda in the 1990s. Official donors have become frustrated with state inefficiency in programme management, with frequent misallocation of resources and an urban bias. In terms of delivery of services, the economic crisis in which many countries find themselves leaves governments short of funds for development programmes. Pressure from international financial institutions for reductions in public sector spending has resulted in government withdrawal from the provision of certain public services. Thus, NGOs are encouraged to focus their attention on poverty alleviation projects and programmes, especially in those economies undergoing structural adjustment. Between 1970 and 1990, there has been a

three-fold increase in the flow of funds to NGOs, and there is an increasing trend by donors to channel funds directly to Southern NGOs. NGOs now account for 13% of all official government aid. NGOs are seen to be able to work more effectively than government at the community level using a participatory approach, a process that is essential to democratisation and the development of civil society. They are deemed to be able to use money more efficiently and offer better value for money than governments.

The increased resources available to NGOs both in the North and in the South are accompanied by rising expectations among donors, of what NGOs can deliver, and a demand for accountability. In many countries there is competition between Northern and Southern NGOs with the latter arguing that the role of Northern NGOs is to support, not displace, them. As Southern NGOs grow in size and ability to work with bilateral and multilateral agencies, the role and value-added of Northern NGOs is questioned. "This has left some Northern NGOs with a crisis of purpose .... Reordering NGOs, building their capacity, redefining their roles, clarifying relationships between Northern and Southern NGOs and their relationship to civil society and state institutions are a matter of urgency in the 1990s"<sup>2</sup> and are the subject of this article. In particular, the paper addresses issues concerning the relationship between Northern NGOs and state/government in the South, the role Northern NGOs can play in the privatisation process taking place globally, and in terms of their relationship with Southern NGOs.

NGOs however, are not a homogeneous group; they vary in size, mission, culture and function. NGOs may be international donors, intermediaries, networks and federations, or grassroots movements of various kinds.<sup>3</sup> Northern NGOs may be operational in emergency and/or in long term development, they may be non-operational agencies but support local people and organisations in tackling their own problems, or they may be campaigning, development education and advocacy organisations. Many agencies have multiple mandates covering some or all of these aspects. NGOs in the South may be involved directly with communities in delivering services, they may have an intermediate function whereby they assist grassroots organisations to help their members/communities, or their main focus may be advocacy or networking.

## Aid and the changing global environment

The end of the Cold War has meant that aid given by the superpowers, to achieve political rather than development ends, has reduced. Developing countries will henceforth have to demonstrate greater efficiency with the aid which they receive. The collapse of the former Soviet Union and a number of economies of Eastern Europe, the settlement of conflicts in such places as Mozambique, and South Africa, and the escalation of conflicts in Rwanda and Burundi, means that an increasing number of countries require development assistance to stimulate economic recovery and support the market economy, cushion the effects of reform, to cater to huge refugee populations, or to sustain peace. Yet, few countries are increasing their aid budgets; many including the Middle Eastern countries and the US are substantially reducing their aid contributions.

The net negative cash flow problems experienced by so many Southern nations, where debt repayment and servicing are much greater than aid, has led to a deterioration in economic wellbeing, greater poverty, and less ability by countries to match aid with local subventions. For such countries as Burundi, Tanzania and Uganda servicing their multilateral debts accounts for over 20% of their export earnings. Governments are restructuring their economies but with very mixed results including many negative impacts on the poorest. While there is much rhetoric about helping the "poorest of the poor", there is an increasing trend that aid going to the poorest is in the form of relief rather than development as Northern governments respond to public demands to take immediate and visible action in emergency situations. On the other hand, there must be concern regarding the view that the poor have the capacity to deliver all their own needs, without adequate resources and the support of public services which are invariably severely limited due to cutbacks as part of structural adjustment programmes, or because of corrupt undemocratic regimes. The 20:20 compact (20% of national budgets of developing countries and 20% of ODA from developed countries to be allocated to basic social programmes) reached at the UN Social Summit in Copenhagen is a hopeful start in supporting and recognising the role of the state in service provision, though this is a voluntary compact and action plans have yet to be developed.

Significant changes are taking place within the development

environment. Economically, para-statal organisations are being privatised and a major emphasis is being placed on the role the private sector can play in generating growth and creating employment, though the experience in Western Europe would suggest caution. Politically, donor assistance is increasingly conditional on the development of democratic processes which includes good governance, human rights, an increasing role for local NGOs (especially in Africa), and participation by grass roots organisations. At the same time the impact of donor supported structural adjustment programmes often times resulting in harsh cutbacks in social expenditures, leads to an undermining of social cohesion and civil society itself. Additionally, policy conflicts emerge because the market's focus by definition is on the immediate whereas building participatory democracy is a long-term process.

In terms of development aid, there is an overall decrease in ODA from the OECD countries from \$61 billion in 1992 to \$56 billion in 1993 – a 6% fall in real terms, and large donors such as Germany, the US and Canada are likely to cut aid still further.<sup>4</sup> Donors are also debating the need to address growing poverty in the North as well as the South. With the large increase in refugees in both Eastern Europe and Africa there is an increasing demand for emergency and humanitarian assistance. Global media coverage of conflicts, droughts, floods, and earthquakes has influenced the public in the North to demand immediate short term action with visible results, often at the cost of more long-term development programmes. Among the donors themselves, there is a move towards more comprehensive programming approaches (rather than the project by project approach). In some instances, donors collaborate and fund different elements of a programme, e.g., agricultural sector programmes in Zambia, or the integrated transport programme in Tanzania.

With this rapidly changing environment, the time has come to have a new vision for how development agencies should adapt to the changing macro-environment. In this changing scenario, there are three key players with which NGOs can cooperate namely, Southern governments, the emerging private sector, and Southern NGOs. The challenge which faces NGOs is how they are going to relate to these different players, and undoubtedly, the relationship will be influenced by individual contexts and circumstances. A few key questions need consideration:

- (a) Is there a role for individual NGOs to collaborate with other NGOs, in the spirit of partnership, to have joint

negotiations with (well-chosen) host governments concerning, for example, government policy or budget allocations to key sectors which receive development assistance? Where they work with governments, NGOs tend to have individual ad hoc arrangements and agreements with governments.

- (b) How will NGOs interact with the private sector in the future? Has the time come to develop a partnership with the private sector and how might this be done?
- (c) What should be the role of NGOs in capacity development for Southern NGOs and strengthening the NGO sector in general, and conversely, what will be the impact on Northern NGOs of a strengthened NGO sector in the South?

## **Cooperation with Southern governments**

The relationship of cooperation between NGOs and governments in many countries has been described as that of “reluctant partners”,<sup>5</sup> characterised by mutual suspicion. Yet, if poverty is to be alleviated and poor people are to be empowered to determine their own destiny, the combined efforts of all development players is required. Increasingly, multilateral and bilateral donors are demanding that NGOs be involved in the implementation of programmes, and are channelling significant funds to NGOs.

NGOs and governments generally differ in their model of, and approach to development, the objectives they pursue, and the role they envisage for the poor in terms of their own development. The NGO approach is typically thought to be participatory, holistic, targeted at the grassroots level while the state is seen to be bureaucratic, centralist, and sometimes non-democratic, corrupt and repressive. Yet, it is argued that while NGOs generally claim and are perceived to be closer to the poor than to the state “they bear more resemblance to the state than they do to the poor – and in most of their activities they operate in a manner that is more akin to the state than to any organisation of the poor”.<sup>6</sup>

There is difficulty in making generalisations about NGOs

given their diversity and the actual contradictions between those that see development as an emancipatory process and those that see it as poverty alleviation. However, trends have emerged especially with regard to NGO/state relationships. NGOs have tended to develop their own structures, programmes and projects based on their individual philosophy and values. Cooperation with the state or with other NGOs has been limited. Consideration must be given to the consequences of NGOs acting independently of government as it can undermine government efforts and legitimacy, contradict government approaches, lead agencies to duplicating efforts, result in the use of conflicting approaches and generate confusion among the poor. It has been found that despite the constraints of government "the chances of achieving impact on policy and practice are enhanced when NGOs agreed to work within government structures right from the outset".<sup>7</sup> Equally, the poverty alleviation policy of government and effective use of government budgets, particularly with regard to meeting basic needs and provision of primary services, is central to the sustainability of NGO inputs. Thus, there is need for structures which define the complementarity of state and NGO efforts in the interests of the poor. Effective cooperation with Southern governments can allow NGO programmes to have a multiplier effect rather than an expansion in programme coverage merely having an additive effect.

The challenge is for NGOs and governments to develop partnerships that are based on mutual respect and trust. Partnership refers "to a shared commitment to tackle development problems on the basis of an agreed division of tasks and responsibilities"<sup>8</sup> where Southern partners take responsibility for their own development and donors play supportive roles only. Most development aid programmes claim to be based on partnerships but the reality is usually very different, not least because donors have financial power which they use to insist that the partner fulfil certain conditions. The concept of partnership may be correct, but much remains to be learnt on how it is to be operationalised. What is required is a "willingness from both sides to tackle the contradictions of the aid system ... a search for converging interests, priorities and expectations; and calls for a pragmatism rather than ideology in determining appropriate task divisions between partners".<sup>9</sup>

As governments are likely to have to function within very tight budgets over the next number of years, the time has come for

NGOs both in the North and the South, to negotiate jointly with governments to take policy decisions that support key sectors for the poor and that support the 20:20 compact agreed by donors and governments at the UN Social Summit in Copenhagen, 1995. There is scope for NGOs as part of their operations in some countries to jointly identify with governments what the problems are, how they can be resolved, and what each can contribute to the solution. If a number of Southern and/or Northern NGOs were to agree to provide clearly defined assistance over the forthcoming five years, in turn the government would agree to implement key policy decisions, e.g., with regard to resource allocation to the specific sub-sectors, or to increase incentives for local staff to limit the brain drain, (according to UNFPA, Africa lost one third of its highest skilled workers to emigration in the 1980s).<sup>10</sup>

This strategy is not dissimilar from the concept of "development contracts", proposed by the Norwegian government at the North-South Roundtable in Ottawa (1991) and the Global Coalition for Africa (1992). The concept includes a contractual agreement between partners based on mutual benefits and binding obligations on both sides; it is increasingly being adopted by European agencies e.g. the Catholic Institute for International Relations/ International Cooperation for Development (CIIR-ICD). A contractual agreement that recognises the strengths and weaknesses, needs and priorities of both partners would offer a viable way forward. Based on their experiences of building partnerships, NGOs both from the North and South can inform the process of building partnerships with governments.

This is clearly a strategy that could not be implemented unilaterally. Indeed, there are examples of many NGOs, who on grounds of policy and principles, will not work with governments that they perceive to be acting contrary to the interests of the poor. But perhaps in other instances, there is scope for pilot testing such a partnership in a chosen country where the political will is forthcoming and where the government is deemed to be potentially a good partner. Some may argue that such contracts are undesirable and are a form of neo-colonialism perpetuating Northern control over Southern nations. Others will see in the contract arrangement possibilities for greater partnership and sustainability in that both government and NGO agree to invest in a sector (or sub-sector) and work towards a common goal. Yet again, others argue that it is under non-democratic regimes that the poorest are often in

greatest need compared with those in democratic systems and that the choice of partner is a technical affair.

The first challenge to NGOs is to initiate a debate on whether this sort of contractual arrangement is acceptable or desirable, explore its advantages and disadvantages, and if deemed appropriate to certain contexts, examine how it could be implemented on a genuine partnership basis. The primary question to be answered is whether the existing system of NGO operations result in sustainable benefits for the poor, or whether the poor would gain more than they currently do, and could be more empowered through such agreements.

## **Cooperation with the private sector**

A second challenge to organisations such as NGOs is to determine what their relationship will be to the private sector. The major economic changes affecting developing country economies today are public sector reform and privatisation. These have been an integral part of structural adjustment programmes since the early 1980s and they feature in two-thirds of the World Bank's programmes, half of them in sub-Saharan Africa. Between 1984 and 1991, the governments of 100 countries sold off \$250 billion worth of state-owned companies, primarily in developing countries, and especially in Latin America and Africa.<sup>11</sup>

Changes in development aid spending are also taking place. Until recently, most official development aid has been for public sector projects and programmes, often building the infrastructure to facilitate industrial development. However, this concentration on the public sector is becoming increasingly unacceptable to donors. Present political and economic thinking favours private sector initiatives as a major contributor to redressing the deteriorating economic and employment problems of developing countries (and developed countries also).

With this expanding role for the private sector, what will be the response of NGOs? Clearly, it would be unwise for NGOs to ignore the changes that are happening globally. Questions that need consideration are: will working with the private sector be seen as incompatible with the "NGO" and "development" ethic? Do NGOs see the provision of assistance to profit-making



companies as incompatible with a poverty focus and the meeting of basic needs? Will NGOs be able to make the cultural change that may be necessary if they are to play a constructive role in this new development, or will some find it impossible? Would, for example, NGOs provide managerial staff to a private company operating for profit? If they did give a positive response, what would be the impact on fundraising from the public? How would cooperation with the private sector be explained in development education programmes?

For many NGOs the risk of cooperation with private enterprise may be perceived to be too high. It could prove difficult to convince the public or political masters that provision of this kind of assistance constituted "development". Yet, the reality in developing countries is that most people are involved or want to be involved in income generation (the private sector). The development experience of income generation has not been good and has often tended to be welfare rather than economic in orientation. Agencies are frequently left with the choice of giving up on income generation projects or applying business principles. Well publicised, best practice examples exist however, such as the Grameen Bank in Bangladesh and SEWA (Self-employed Women's Association) in India, which demonstrate how commercial and development principles can work together. NGOs should identify and publicise other examples that may have wider application.

If the private sector is going to be a key player in developing countries, the question for NGOs may not be whether or not to help private enterprise, but which sort of private enterprise to assist. Undoubtedly, development agencies must adapt and respond to the new needs of developing countries. The issue that will concern NGOs will be the distribution of the wealth generated, and the benefits to the poor in particular. Even if wealth and jobs are created, private enterprises are developed, and growth is sustained, will this be gained at the expense of human and social development, will the poor benefit, or will we see a return to the 1960s approach to social development whereby the benefits of economic growth were expected to eventually "trickle down" to everyone?

In making decisions regarding assistance to the private sector, NGOs could develop criteria which would make the provision of such assistance acceptable to the "voluntary" or "development" ethic, and to the donating public. Criteria which could be adopted to reach the poorest include focusing on small scale enterprises, enterprises which encourage local economic revival,

are based on local labour, local skills and are labour-intensive and based on local materials, co-operatives, and non-economic, social, environmental projects that have links with the NGO sector.

Aid to the private sector could be regarded as “seeding”, to give a local based economy a kick-start. Continuing management aid is not likely to be acceptable, nor aid to private firms which can afford proper management or consultancy expertise.

The time has come for NGOs to initiate a debate on whether and how the provision of technical assistance could effect positive change in the private sector. Finding mechanisms for collaboration with the private sector is a challenge that lies ahead.

A few examples of issues that might be considered are:

- the possibility of mixing social and commercial practices in the same organisation, and how to measure their dual impact. Oxfam’s fair trade network of shops is an example of this;
- the development of partnerships not only with government, local authorities, NGOs, and cooperatives, but also with economic and social partners, for example, trade unions, professional associations, chambers of commerce and industry, producer groups;
- actions that could be taken to make the private sector and its management more responsible and answerable to employees and the wider society, e.g. assistance could be provided with the agreement that worker participation be adopted as an integral part of management; or that raw materials would be acquired from other small firms or the informal sector; or that sub-contracted work would be given to small producer groups or cooperatives; or that women as well as men would be given opportunities at recruitment, training, and promotion levels;
- actions that could be taken to mitigate against the worst aspects of modern industry with regard to exploitative conditions of labour; for example, agreements to provide assistance in labour relations, if the private company were to give fair conditions of employment to its employees and improve health and safety standards. A further example is where managerial expertise could be provided in return for provision of fair rates for home-based workers;

- as more Northern companies invest in developing country economies, or establish joint ventures with local companies, there may be a role for NGOs to help them prepare for inter-cultural collaboration through training of their management staff;
- there is scope to work with commercial companies to help them improve their environmental standards, and/or encourage them to provide basic facilities for the local community;
- there is an advocacy and practical role to be played to ensure that indigenous communities are acknowledged and rewarded for their knowledge and preservation of products from their local environment that are now being harvested by commercial companies, e.g. the Body Shop, Café Direct.

## Cooperation with Southern NGOs

There is a major role for NGOs, North and South, to be a countervailing force vis-à-vis governments, business, donors, international financial institutions. Indeed, this is a valuable and legitimate role played by many NGOs. However, NGOs are not a homogeneous group, some are better than others, but the impact that Northern and Southern NGOs may have will be largely determined by their capacity to respond to the changing context within which they operate.

The 1980s saw a significant increase in the amount of funds being allocated to NGOs. The growth rate of official aid to NGOs outstrips almost five-fold the growth of ODA itself, confirming a policy shift in favour of NGO financing from public funds. "Expressed in 1986 prices the flow of foreign aid channelled through NGOs rose from \$2.7 billion in 1970 to \$7.2 billion in 1990".<sup>12</sup> The 1980s also saw a new phenomenon of channelling funding directly to Southern NGOs. This trend is likely to continue<sup>13</sup> despite the fact that some Northern donors require that Southern agencies have a Northern partner in order to secure funding.

Increased funding places organisational and management demands on NGOs for which many are ill-prepared, as well as raising real concerns about their independence, and advocacy and empowerment role. Official funding requires good

management practices, but oft-cited inadequacies of NGO management practices include charismatic but sometimes autocratic leadership; committed but untrained staff; weak monitoring, inadequate reporting, little accountability or transparency, and above all, financial confusion.<sup>14</sup> It is argued by some that unless the institutional capacity of Southern NGOs is substantially increased, they will collapse under the weight of the projected growth in funds available to them.<sup>15</sup>

As more funds are channelled to NGOs, problems of self-regulation, collaboration and quality control will emerge. As Southern NGOs are developing institutionally, and as they gain greater access to direct funding from donors, their dependence on Northern NGOs will diminish as their overall share of NGO funding grows. However, among NGOs, both North and South, there is growing competition especially with regard to fundraising and public profile which is not necessarily in the interests of the poor. As NGOs grow in size, they become more bureaucratic and as they become more reliant on donors for funding, so their policies and agendas are influenced or set by the funding body. In the case of Southern NGOs this can often result in their policies and programmes being determined by foreign donors.

Other concerns are that as NGO funding becomes tied aid, NGOs' role in advocating social and political change which are crucial in achieving sustainability, equity and empowerment will be eroded. The project-based approach to funding by many official donors and Northern NGOs has placed significant constraints on a participatory, grassroots approach to development, characteristic of NGOs who are striving to alleviate poverty.

If Northern NGOs do not wish to see their Southern partners become tools and instruments of donor-directed development, with all that it implies for their autonomy and sustainability, there is need to build strategic alliances between like-minded NGOs with complementary skills, both within and between Northern and Southern NGOs so that they can rationalise their efforts and use of resources. There is need for on-going collaboration between NGOs so that they can harmonise policy positions on issues affecting NGOs as a whole, nationally and internationally.<sup>16</sup>

The experience of many Northern indigenous NGOs in community development, in nurturing social partnerships within the voluntary sector, with trade unions and government, and their role in influencing national policy could inform the work of

Northern NGOs working in the South. However, (with some notable exceptions) the track record of NGOs collaborating either in the North or the South is not encouraging. A window of opportunity for this emerged at the UN Social Summit, wherein NGOs from both the domestic and development sectors in the countries of the North and the South had the chance to discuss common problems faced by them in the light of globalisation, ongoing poverty and social disintegration. The future relationship between Northern and Southern NGOs will have to be based on more genuine partnerships built on mutual respect and sharing of power and resources. They will also need to find efficient ways in which all NGOs can come together, build alliances between communities, and between NGOs themselves.

Perhaps the time has come for a division of labour to evolve between NGOs North and South. As Southern NGOs become stronger and more confident about their work, perhaps Northern NGOs should focus on developing the capacity of their Southern partners, and assisting them with advocacy work among Northern donors and global institutions on such issues as donor conditionality and its impact on the poor, or for a moratorium on debt servicing. This is a major challenge to Northern NGOs whose credibility and funding is often based on their practical involvement in implementing projects overseas,<sup>17</sup> but also points to the need for more innovative ways of maintaining and sustaining public support through development education. The problems associated with poverty are enormous and too complex for any one organisation to go it alone. There is need to foster a "climate of cooperation" within the NGO community, civil society, and between governments and international institutions.

The crucial question for Northern NGOs is what will be their role in this process? They could begin by initiating a dialogue with Southern partners about the implications for both sides of these changing trends, and explore how collaboration and cooperation can be strengthened and reinforced. There is also likely to be a strong role for Northern NGOs to assist Southern NGOs with institutional capacity building, management development, and income generation as the focus of donors shifts from funding good project proposals to assessing the general competence, track record and performance of Southern NGOs. As happened in Europe, those NGOs that strengthen their institutional and organisational capacity will expand, those who do not may become marginal to development debates.

Perhaps the challenge for the future is to help build not only

strong individual NGOs, but also a strong NGO sector in each country that can influence national government policy and programmes, the private sector, and influence the support provided by external donors.

## Conclusion

NGOs have a comparative advantage over the private sector and government in relation to sustainable poverty alleviation arising out of their access to the poor, their relations with intended beneficiaries, and their organisational freedom.<sup>18</sup> However, the changes that are taking place in the wider environment in which NGOs operate demand that adaptation is required if they are to respond to this dynamic environment. Some may argue that it is not the role of NGOs to place conditions on governments in exchange for development or humanitarian assistance, and that it is certainly not their role to help the private sector to make profits, and they may well be right. Others may be threatened by the growing Southern NGO sector and its direct access to Northern funding. Given the dramatic changes in global politics, and the economic fate of developing countries since the early 1980s, the 21st century will require creative approaches and flexibility by all parties. Negotiation with governments and private companies is likely to have a more far reaching and strategic impact on the lives of the poorest, than any number of individual projects. All development agencies will have to make strategic choices in the years to come. The quality of the choices that are made will influence the extent to which the assistance will achieve sustainable benefits for the poor.

### Footnotes

1. Based on a paper presented to the National Forum on Development Aid, Dnblin, November 1994
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3. M. Edwards, and D. Hulme, "Scaling up NGO impact on development: learning from experience", *Development in Practice*, Oxfam, vol.2, no. 2, June 1992
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6. Ibid., p.177

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8. J. Bossuyt and G. Laporte, "Policy Management Brief", ECDPM, no. 3, December 1994, p. 1
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13. A. Fowler, "Distant obligations: speculations on NGO funding and the global market", *Review of African Political Economy*, no. 55. 1992, p. 9-29.
14. I. Smillie, "Changing partners: Northern NGOs, Northern governments", in *Non-governmental Organisations and Governments: Stakeholders for Development*, Paris, OECD, 1993, p.23
15. Ibid., p. 27
16. Ibid., p. 28
17. M. Edwards and D. Hulme, *Making a Difference: NGOs and Development in a Changing World*, Earthscan, 1992
18. A. Fowler and R. James, op.cit.

