Third Generation NGO Strategies: A Key to People-centered Development

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Summary. Dealing with a number of current development crises will ultimately require facing up to the challenge of democratization. The types of reform indicated involve complex organizational changes that the large official donors have little capability to address. The central leadership role must be assumed by organizations with the potential to serve as catalysts of institutional and policy change. Some NGOs have demonstrated the potential to serve in such roles and many others have the potential — if they chose to develop the necessary technical and managerial capabilities.

1. INTRODUCTION ˙

Two conditions dominate current development reality: the persistence of poverty and a declining availability of financial resources. With the exception of a few "miracle economies" like Taiwan, Korea, and Singapore the incidence of debilitating, dehumanizing poverty persists at intolerable levels in most countries and regions of the South. Yet, at the same time, debt burdened countries throughout the South face a net outflow of financial resources as development assistance from the North declines.[1]

Conventional development practice emphasizes capital transfers, formal planning, specialization, and central government control, and argues that resolution of the dual crises of poverty and debt depends ultimately on increasing financial transfers. In practical terms this usually means increasing existing debt.

The underlying theory of conventional practice suggests that placing responsibility for control and allocation of development resources in the hands of central government will result in optimal investment decisions. Reality, however, seldom corresponds to the theory. The command system approach to resource management favored by conventional practice more often results in the use of development resources to maintain vast national patronage systems and to build uneconomic showcase projects, the undermining of economic discipline, increasing dependence on external resources, and the stifling of local private initiative. In addition, it reinforces tendencies toward authoritarianism, and the concentration of wealth and political power.

Calls for a more people-centered development practice emphasize the need to strengthen institutional and social capacity supportive of greater local control, accountability, initiative, and self-

reliance. The transfer of capital is seen as less central. A high priority is placed on a process of democratization. The people are encouraged to mobilize and manage their own local resources, with government in an enabling role. Where such decentralized, self-organizing approaches to the management of development resources are seriously undertaken, they generally result in more efficient and productive resource management, a reduction in dependence on external resources, increased equity, increased local initiative and accountability, and a strengthening of economic discipline.[2] These results do not come easily, but sustainable broadly-based development never has. While a people-centered approach will not in itself resolve the problem of existing debt, it does help to remove the dependence on external financing and the incentives to misallocate resources that created the debt crisis in the first place.

Important as a reorientation to more people-centered development approaches may be, governments are often reluctant to provide the necessary leadership and lack a capacity to address many of the issues involved. NGOs are more likely to have a natural interest in democratization and face fewer organizational constraints in undertaking actions consistent with its achievement. To the extent that NGOs accept the challenge of providing the needed leadership, they must undertake a re-examination of their roles and commit themselves to developing new managerial and technical capabilities.

2. THE NEED FOR AN ALTERNATIVE APPROACH

Traditional development theory holds that development is primarily a function of capital investment and that the greater the flow of capital from wealthy countries to poor countries, the more rapid the development of the latter. The theory conditioned a belief that the best indicator of a developed nation's concern for the poor of the South is found in the percentage of its GNP that it transfers as development assistance. This belief currently motivates persistent pleas for a new Marshall Plan for the Third World to increase the flow of development resources. Ironically an increase in debt is being advocated not only as the answer to the crisis of poverty, but as the answer to the debt crisis as well.

The current prescription of new debt is being combined with demands for greater reliance on market forces to increase economic discipline.[3] This recognizes past tendencies to use available development resources in ways that were unpro-

ductive, even counterproductive to the achievement of self-sustaining development. There remains, however, a substantial tendency to overlook the extent to which past foreign assistance has itself been an important contributor to inefficiency and misallocation of investment capital.

International capital transfers do not automatically convert into productive investment in the receiving country.[4] In many instances those who are in a position to determine how available capital will be used have been conditioned by their experience to believe that the surest route to increased personal wealth, status, and quality of life is through the exercise of power and privilege to expropriate existing wealth. As demonstrated by the Marcos family in the Philippines, the instruments of expropriation are limited only by the imagination of those who control state power. They include, among others, "commissions" on construction and purchasing contracts, padded payrolls, defaulting on personal loans, diversion of loan-funded working capital for nonproductive personal use, mining and timber concessions, and crony-controlled marketing monopolies.

Capturing political power is the key to controlling the expropriable resources at the command of the state, including foreign donor assistance. Once captured these resources are readily used to fuel vast systems of patronage to maintain that power — with military personnel often emerging as major beneficiaries. As the patronage system is gradually extended down toward the village level, local self-help initiatives are systematically — if unintentionally — stifled. As villagers learn to wait for outsiders to bring them charity, their own resources go unmobilized and as a consequence the total amount of resources mobilized for local development may actually decline. In the name of helping the poor, the bureaucracies through which most development assistance is dispensed serve first their own members and then the local political elites.

Corruption and patronage easily become preferred socially acceptable avenues to advancement. Meanwhile the poor, who lack access to these avenues and have no choice but to depend in their day-to-day struggle for survival on their own labor, find themselves subject to an often not so subtle scorn. Yet where an anti-developmental ethic has become strongly established among all but the poorest elements of the society, ironically the poor may emerge as the only group likely to be truly responsive to opportunities for advancement based on productive work and investment — thereby making them the best hope for national development.

Channeling official development assistance

predominantly, if not exclusively, through central government contributes to strengthening the institutions of central government over those of localities and the private sector, reinforcing anti-developmental social values, and concentrating control over national wealth in the hands of those who control government.

Without denying the importance of financial resources, the reality outlined above points to the fact that the central development task should not be viewed primarily as one of transferring financial resources, but rather as one of developing the human and institutional will and capacity to put whatever resources are available to sustainable productive and equitable use in the service of people. This is a difficult task that can only be accomplished under conditions that give people both the opportunity and the incentive to mobilize and manage resources in the service of themselves and their communities.

It has long been argued that democracy is a luxury that developing nations could ill afford. However, there is now growing reason to believe that democratization — defined in terms of broadly distributed control over · political and economic assets, and the open flow of information — may for many nations offer their only hope for equitable and sustainable progress.

The issues involved go well beyond the simple decentralization of government authority. At least as essential is the development of the complex mosaic of independent yet inter-linked local organizations through which people define and pursue their individual and collective interests within a guiding framework of national policy.[5] These organizations must in turn be supported by institutional structures and policies that create the necessary social and political space for them to function in their members' interests.

International donors that would exert leadership in addressing institutional processes supportive of democratization are seriously handicapped, as the task involves far more than simply rearranging funding priorities or pressing for macro-policy reforms, as will be elaborated in a subsequent section. National governments are constrained by the difficulty of separating the interests of the particular regime in power from those of the state as a surviving institution.

It is within this context that we now see the emergence of a substantially increased interest in the developmental roles of private voluntary or non-governmental development organizations (NGOs). In an era of declining financial resources and deepening poverty both donors and national governments are looking to NGOs as a means of getting benefits more directly and cheaply to the poor than governments have been able to accomplish on their own. Many NGOs are becoming increasingly aware of their potential to command national attention and international funding, and of the need and opportunity to exert badly needed leadership in addressing people-centered development issues within a broad policy and institutional context — issues that donors and governments have too long neglected.

Responding to this challenge will place many NGOs in unaccustomed roles that demand new kinds of competence. The following distinction between three generations of private voluntary development action helps to place the issues in context and illuminate their implications.

3. THREE GENERATIONS OF PRIVATE VOLUNTARY DEVELOPMENT ACTION

Private voluntary humanitarian and development assistance efforts directed to the relief of Third World poverty have undergone important · changes over the years. As individual NGOs have grown in sophistication regarding the nature of development and the potentials of their own roles, many have undertaken increasingly effective strategies involving longer time perspectives, broadened definitions of the development problem, increased attention to issues of public policy, and a shift from exclusively operational to more catalytic roles.

Rich in the diversity of their purpose and experience, NGOs defy attempts at precise classification. Even so, among those NGOs that work in development, it is possible to identify three distinctive orientations in programming strategy: (a) relief and welfare; (b) local self-reliance; and (c) sustainable systems development. All three strategic orientations appropriately co-exist within the larger NGO community — and sometimes even within a single NGO. At the same time there is an underlying direction of movement that makes it appropriate to label these orientations as first, second, and third generation.[6] (See Table 1 for a summary.)

(a) *Generation 1: Relief and welfare*

Many of the larger international NGOs such as Catholic Relief Services, CARE, Save the Children, and World Vision began as charitable relief organizations, to deliver welfare services to the poor and unfortunate throughout the world. The same pattern is observed in some national NGOs such as the Bangladesh Rural Advancement Committee (BRAC). Many of them were fo-

Table 1. *Three generations of NGO development program strategies*

	Generation		
	First	Second	Third
Defining features	Relief & welfare	Small-scale self-reliant local development	Sustainable systems development
Problem definition	Shortages of goods and services	Local inertia	Institutional and policy constraints
Time frame	Immediate	Project life	Indefinite long-term
Spatial scope	Individual or family	Neighborhood or village	Region or nation
Chief actors	NGO	NGO + beneficiary organizations	All public and private institutions that define the relevant system
Development education	Starving children	Community self-help initiatives	Failures in inter-dependent systems
Management orientation	Logistics management	Project management	Strategic management

cused originally on natural disaster and refugee situations relating to floods, famine, and war. The focus was on meeting immediate needs through direct action such as the distribution of food, the fielding of health teams, and the provision of shelter — all funded by private contributions. The focus of attention was on individuals or families and the benefits they received depended entirely on the presence of the NGO and its resources.

As these organizations brought their expertise to bear in non-disaster situations they gave birth to a first generation of private voluntary development assistance involving direct expression of a human desire to share with those less fortunate. But while the type of assistance they offered was appropriate to an emergency situation that created a special temporary need, it contributed little or nothing to the ability of the poor, whether countries or individuals, to meet their own needs on a sustained basis.

Relief efforts remain an essential and appropriate response to emergency situations that demand immediate and effective humanitarian action. Such situations may forever be a part of the human experience as there will always be individuals within any community whose circumstances are such that they necessarily depend on some form of welfare assistance. But as a *development strategy*, relief and welfare approaches offer little more than temporary alleviation of the symptoms of underdevelopment.[7]

(b) *Generation 2: Small-scale self-reliant local development*

Recognizing the limitations of relief and welfare approaches as a development strategy, in the late 1970s many NGOs undertook community development style projects in areas such as preventive health, improved farming practices, local infrastructure, and other community development activities.[8] What distinguishes these efforts from relief and welfare approaches is the stress on local self-reliance, with the intent that benefits would be sustained beyond the period of NGO assistance. Often second generation NGO activities parallel those of government, but are defended on the grounds that the government services are inadequate in the villages in which the NGO works. Second generation strategies by definition do not attempt to address the causes of the inadequacy of other service providers or the larger institutional and policy context of the NGO's own activities. The scope of attention is limited to individual villages or neighborhoods and to the specific local groups the NGO is assisting.

(c) *Generation 3: Sustainable systems development*

Currently segments of the NGO community are again engaged in a re-examination of basic

strategic issues relating to sustainability, breadth of impact, and recurrent cost recovery. At the heart of the re-examination is a realization that: (1) acting on their own they can never hope to benefit more than a few favored localities; and (2) self-reliant village development initiatives are likely to be sustained only to the extent that local public and private organizations are linked into a supportive national development system.

A growing number of NGOs are coming to realize they need to exert greater leadership in addressing dysfunctional aspects of the policy and institutional setting of the villages and sectors within which they work. This means moving to a third generation strategy in which the focus is on facilitating sustainable changes in these settings on a regional or even national basis. It will likely mean less direct involvement at village level for these particular NGOs, and more involvement with a variety of public and private organizations that control resources and policies that bear on local development. These may include local and national governments, private enterprises, other independent sector institutions, etc.

The more fully the NGO embraces third generation program strategies, the more it will find itself working in a catalytic, foundation-like role rather than an operational service-delivery role — directing its attention to facilitating development by other organizations, both public and private, of the capacities, linkages, and commitments required to address designated needs on a sustained basis.

At best the NGO in this role may be able to influence — but not control — these other organizations, and will be working with resources that may seem inconsequential relative to those of the organizations it is helping to change. Therefore success depends on skillfully positioning the NGOs' resources in relation to the target system — a health system, a particular agricultural production and marketing system, a small enterprise credit system, etc. — in such a way as to facilitate accelerated learning by the organizations which comprise that system. To do so the NGO will need in-depth knowledge of the actors and organizations which define and regulate the systems being addressed. High levels of both technical and strategic competence will be required. NGOs that have historically worked independently, will need to develop skills in working collaboratively as members of larger coalitions of both public and private organizations.[9]

Most NGOs that undertake a third generation strategy will find themselves working in one way or another with government. Often government programs already command the resources re-

quired for broader impact, but use them ineffectively. The institutional and policy setting may actively discourage the self-reliant local initiative that might result in the effective mobilization of local resources. For example, there may be no provision for independent local groups to obtain legal recognition or enforceable rights to productive resources such as water or government regulated forest lands. Local income-generating activities may be undermined by publicly subsidized corporations that compete for control of the same productive resources and markets. But working with government can present a particularly serious challenge given the mutual suspicion, if not outright hostility, common to relationships between government and NGOs in some southern countries.[10]

(d) The co-existence of strategic orientations

These three generations do not represent precisely defined categories and are more appropriately applied to individual programs than to whole organizations. A given NGO may find that one of its programs is characterized by a third generation orientation, whereas others may be dominantly first or second generation — each responding to different needs.

In emergency relief situations and in providing welfare services to those unable to care for themselves, a predominantly first generation program strategy may be necessary. Certainly there is need for programs of the second generation type that strengthen community capacities to make demands on the larger system and to control and manage local resources. Yet in many instances first and second generation program efforts will ultimately prove futile in the absence of a third generation effort, quite possibly by a different NGO, to achieve a policy and institutional setting consistent with the purpose of first and second generation interventions.

In any given setting it is most likely that the needs addressed by the different strategies will be met by different NGOs representing different purposes, constituencies, and competencies. NGOs pursuing third generation program strategies will often need to give explicit attention to the development of capacities of collaborating NGOs to meet essential first and second generation needs as a part of their larger system development strategy.

4. NGO EXPERIENCE IN THIRD GENERATION ROLES

Though not widely recognized by development donors — or even by many NGOs themselves —

NGOs have a long history of significant influence on policy and institutional changes. For example, in the field of population, private organizations such as the Pathfinder Fund pioneered public education and service delivery programs several decades before governments began to take population growth seriously, preparing the way for a major shift in public attitudes and policies.

In the late 1960s and early 1970s, independent national affiliates of the International Planned Parenthood Federation throughout the world committed themselves to sophisticated strategies that in country after country resulted in important changes in public policy and achieved government commitment to the provision of family planning services. These efforts combined sponsorship of policy research, direct lobbying of policymakers by influential board members, public education campaigns, and service delivery programs that proved the extent of demand and served as models for government programs.[11]

Now in the mid-1980s a growing number of NGOs, both large and small, are becoming aware of the potential to assume third generation roles in areas such as local development, health, and small enterprise. Some focus on helping government achieve more effective results from its service delivery programs. Others develop independent self-financing delivery systems that facilitate community efforts to meet their own needs more effectively without government assistance. Still others are helping develop policy and institutional settings that enable community self-help efforts. The following are a few examples.

— The Institute for Social and Economic Research, Education & Information (LP3ES), an indigenous Indonesian NGO, is collaborating with the Indonesian Ministry of Public Works, the Ford Foundation, and USAID to strengthen water user associations and their role in irrigation system construction and . management. In addition to an operational role in the training and supervision of community organizers, LP3ES assists the Ministry in assessing and revising its own operating procedures in ways supportive of a stronger community role. It is also undertaking studies on a number of related policy issues in collaboration with the Ministry of Home Affairs.

— In late 1985, Philippine Business for Social Progress (PBSP) initiated a program funded by the Ford Foundation intended to develop independent provincial development foundations in selected provinces of the Philippines. These foundations are being helped to assume catalytic roles in mobilizing a wide range of public and private resources in support of poverty-oriented provincial development stra-

tegies — with a particular emphasis on experiments with locally initiated land reform.

— The Bangladesh Rural Advancement Committee (BRAC) is establishing a Bangladesh Center for Rural Management to strengthen capacities of NGOs, rural banks, people's organizations, and central and local government officials to work collaboratively in local development problem solving. Initially the new center will concentrate on the health sector, working closely with the Ministry of Health on the development of more effective community based approaches to primary health care. BRAC is reviewing its program activities in rural development, non-formal primary education, and rural industries to increase their national impact during the coming decade.

— In Sri Lanka and the Philippines, Helen Keller International (HKI), has been assisting the government in introducing primary eye care and cataract surgery into the public health system.

— Technoserve is developing a program strategy in selected countries of Africa and Latin America that involves working with a variety of public and private sector institutions to develop linkages and policies within specific commodity sectors supportive of small and medium producers.

— CARE/Indonesia is reorienting its village water supply program from a focus on the heavily subsidized installation of some 30 to 40 village water systems per year to development of provincial, and eventually national, capacities to assist villages in the installation and management of self-financing water systems. The plan calls for establishment of a self-endowed Indonesian foundation to provide continuing training, research, and technical support for such efforts in perpetuity.

Most of the initiatives identified above are still in their infancy, and each places demands on the NGO involved to achieve a clearer definition of its own purpose and distinctive competence, and to define a strategy for developing required new capacities. These developments also present important new challenges to those donors that have in the past looked to NGOs as decidedly junior partners engaged in interesting but largely small and inconsequential undertakings at the periphery of the real development action.

5. POLICY REFORM: DIFFERENT STROKES

Why turn to NGOs for leadership in address-

ing the policy and institutional reforms supportive of a people-centered development? Does not this role fall more naturally to the large international donors with their more substantial resources, highly developed analytical capabilities, and access to top level policymakers? Current development thinking already places considerable stress on the need for policy reforms supportive of more effective and sustainable outcomes from development investments. Donor agencies characteristically look to themselves as the primary actors in the promotion of policy reforms — assuming that financial leverage is the key to the outcomes they seek.

Certainly support from the donors is important. A people-centered development approach does not eliminate the need for financial resources. But looking to the international donors for leadership in achieving the particular kinds of reforms required neglects the extent to which the programming of most major donors is dominated by conventional development theory and overlooks an important distinction between macro- and micro-policy reforms.

(a) *Macro-policy reform*

As defined here a *macro-policy reform* is a reform that can be accomplished with minimal development of new institutional capabilities to support implementation. A pre-emptive central action — the stroke of an authoritative pen — is sufficient to achieve the needed action. By nature a macro-policy reform involves a fairly clearly defined and specific decision. Strong political interests opposing the reform may make the decision extraordinarily difficult. But once formally made by the appropriate political authority, its implementation — at least from an administrative perspective — is relatively straightforward. Possible examples are: a decision to remove a subsidy from fertilizer imports; or a decision to move from subsidized to market level interest rates for agricultural credit. If the administrative mechanisms to implement these decisions are already in place, as they will be in most countries, then the reform fits the definition of a macro-policy reform. The primary change will be in the regulation that specifies the subsidy provided or the interest rate charged.

Many policies relating to pricing decisions, subsidies, and trade policies are of this nature. The concerned donor is normally pre-occupied with two issues: What decision will obtain the desired outcome? And how can the relevant decisionmaker/s be persuaded to make that decision?

(b) *Micro-policy reform*

A micro-policy reform, as defined here, is a reform that by its nature depends on the accomplishment of often complex and difficult to achieve institutional changes as a condition of successful implementation. These may include development of significant new capacities and norms, a redefinition of institutional roles and relationships, and even changes in deeply held personal and professional values. Achieving these changes will depend on appropriate supporting decisions and actions by hundreds of individuals.

For example, the introduction of a credit program for small farmers where none has before existed may be of this nature. Although credit institutions may already be in place that make loans to large commercial farms, making their services accessible to small and often remote client populations will require capacities quite different from those involved in reaching their traditional clients, including different values and skills on the part of the bank managers.[12]

Most complex of all are likely to be those micro-policy reforms calling for a sharing of power between national and local levels, and the development of self-reliant beneficiary organizations.[13] In a micro-policy reform initiative, deciding what to do is often relatively simple compared to the job of creating the institutional conditions required to do it.

(c) *Implications*

The differing nature of macro- and micro-policy reforms has important implications. For example, macro policy is the natural and appropriate realm of practitioners of what John Friedmann calls the policy analysis school of planning — whose expertise is in projecting the consequences of alternative policy choices to estimate which will produce the most favorable outcome.[14] Such expertise is abundantly present in many official donor organizations.

Macro-policy reform is a natural realm of large donors, not only because they commonly feature policy analysis expertise, but also because they can use their substantial financial resources to obtain acceptance by the relevant political authority.

Micro-policy reform is quite a different matter. Here the policy analysts have relatively little to offer. The day belongs instead to those from what Friedmann calls the social learning school of planning — whose expertise is in facilitating the processes by which complex institutional

changes are achieved.[15] Performance in the micro-policy arena depends on the exercise of creative initiative by many individuals. A dictatorial regime — or a control oriented bureaucracy — is most likely to inhibit such individual initiative.

Both political leaders and the larger donors commonly find their obvious sources of leverage to be of relatively little consequence in achieving micro-policy objectives. While they can demand formal compliance, they cannot achieve results unless they and appropriate in-country colleagues are prepared to work hard and long to accomplish the necessary institutional changes. For example:

— Irrigation projects can demand a role for water user associations. But unless the capacity to develop and support such associations already exists it must be developed before there will be any meaningful action.

— Agricultural extension projects can demand that the research-extension system be responsive to farmer realities and inputs. But if existing structures are geared to enforcing farmer compliance with centrally mandated technology packages and there is no tradition of researchers seeking feedback from extension agents, such responsiveness is unlikely until these structures and traditions are transformed.

— Community health projects can call for the development of self-sustaining, self-financing village health committees to assume the leadership in local health matters. But if the health system is geared to centrally funded physician care, unless a major reorientation of the system is accomplished, formally established local committees will be sustained only so central project funds are available.

The financial resources of the large donors may actually place them at a disadvantage in dealing with such matters. Demands to keep the money moving divert their attention from the careful coalition building and learning processes through which micro-policy reforms are developed and institutionalized. Faced with competing political interests within their own organizations, and having little time for the details of internal management, even the top administrators of the agency in question may be severely constrained in their ability to achieve desired changes — irrespective of the strength of their personal commitments.

While people-centered development strategies call for a range of macro-policy reforms, many of the most important and difficult reforms are of a micro-policy nature and require the intervention of an effective catalyst organization.

6. THE ROLE OF CATALYST ORGANIZATIONS

Although authoritative policy support may at times be crucial to success, micro-policy reforms are more likely to be achieved through the facilitation of social process than through legal proclamation. Indeed, effective catalyst organizations can often achieve influence far out of proportion to their financial resources or political authority.

(a) A prototype strategy

A demonstration of a prototype third generation strategy has been provided by the work of the Southeast Asia Office of the Ford Foundation in irrigation and social forestry in Indonesia, the Philippines, and Thailand. In each instance prevailing government policies and practices worked to concentrate resource management authority in the hands of large central bureaucracies, without accountability to the local communities that depended on the resource for their livelihoods. The goal of the intervention was to support policy reforms that place control in the hands of the community and develop community capacities to manage the resource and reap its benefits. Generally the reforms have depended on interrelated changes of extraordinary complexity bearing on everything from regulations relating to legal registration of local associations, to budgeting and contracting procedures, staffing, training, and reporting relationships within the agency — to name only a few.

While specifics differ for each country and sector effort, the intervention strategy in each case shares in common the basic elements of a now well proven learning process approach to micro-policy reform[16] — and offers a model suitable for adaptation by other NGOs concerned with the reorientation of resource management systems.[17] Conceptually the model has two key elements: (1) the formation of a coalition of individuals committed to change who bring with them the resources of a number of relevant institutions; and (2) the introduction of a variety of sources of feedback on operational experience as an input to institutional learning.

Normally the effort begins by identifying those agencies that dominate the policy and program environment with regard to the management of the resource of interest: in the present instance, irrigation water or forest lands. Then key individuals within these agencies who want to encourage more community-based approaches to resource management are identified. If such indi-

viduals are not found at the central level, they may be found at sufficiently high levels in a provincial or divisional office to allow initial action and provide a base from which central support can be developed at a later date. Funds are provided by the catalyst organization to the focal agency through the identified individuals to support studies that focus on the community's existing resource management practices and the impact of agency programs on those practices. Wherever possible, these studies are done by local universities or research institutes identified as having a potential long-term interest in the problems in question. As findings emerge, workshops are held at national and local levels where researchers, agency officials, and representatives of interested NGOs examine the results and their implications.

Out of these events a number of individuals are identified who, through their participation, have demonstrated both a serious commitment to the problem and skills useful to the institutional change effort. These individuals are invited to form a working group — chaired by a senior official of the agency that is the focus of the change effort. This working group assumes the leadership in documenting and analyzing available experience, planning pilot activities, and initiating a variety of actions leading to the institutionalization of policies and supporting capacities within the agency.[18] In addition to agency staff and the responsible Ford Foundation Program Officer, a mature working group may include participants from several research and training institutions, plus one or more NGOs.

As understanding of the resource management problem increases and possible ways of dealing with it using community management approaches are identified, one or more pilot projects are established under agency auspices to serve as learning laboratories in the development of new approaches. These pilot efforts may involve one or more non-governmental development agencies assisting in the training and supervision of agency field staff — plus social scientists from one or more in-country institutions who develop site assessment methods and document implementation processes. The experimental field activities are intensively monitored by the working group, so that approaches may be modified and implications for the larger organization assessed. Through workshops, conferences, and training programs, the experience base and the number of persons engaged in the review of these experiences is expanded. Gradually, additional learning laboratories are established that build from the experience of the earlier efforts.

The Ford Foundation program officers serve as facilitators of the process, identify prospective working group members, support their involvement in relevant activities, and help them establish distinctive roles within the working group. At the same time they play a key role in agenda setting, and in helping resolve conflicts among working group participants. Flexible funding is provided in the form of grants to the sponsoring agency for related experimental and research activities. Grants may also be made to other participating institutions allowing them to pursue related initiatives supportive of their own program interests. Occasionally the Ford Foundation program officer will develop his or her own study illuminating key program and policy issues as input to working group sponsored workshops.[19]

(b) *Necessary capacities*

Relative to the need, all too few organizations — either donors or NGOs — with the requisite qualifications are systematically attempting to serve in this type of catalyst role. Experience suggests the following are minimum requisite qualifications. First, the organization must have experienced professional staff who combine in-depth country knowledge, professional credibility, and facilitation skills. For the expatriate staff of international organizations to develop these qualifications they must have long-term country assignments in professional roles that leave them relatively free of routine administrative duties to concentrate their energies on problem-centered collegial interactions with counterparts. Second, the organization must have a capacity to quickly and flexibly fund a range of activities through small and medium-sized grants as needs and opportunities arise.

Above all the organization and its staff must be trusted and respected by the relevant counterparts and must have demonstrated that they bring something to the relationship the counterparts value.[20] Such relationships normally take time to build.

(c) *Donor constraints*

Given the demonstrated success of the Ford Foundation's experience noted above, it is not surprising that other donors have indicated interest in emulating the approach.[21] But the results have not been encouraging — due largely to internal staffing and procedural constraints faced by these agencies.

The situation of the US Agency for International Development (AID) is not atypical. AID

staff are normally limited to a maximum four-year assignment in a given country (longer than some major donors) and continuing cuts in staff force those who remain to focus their attention on matters of AID's internal administration — their time largely consumed by logistical and procedural concerns. The bulk of AID funding goes into large projects funded through formal government-to-government mechanisms, seriously limiting flexibility and creative initiative.

The large development banks face even more serious constraints. Often they have at best only a token staff presence in the country, and face intensive pressures to keep the money flowing in large, technically designed projects. Their staff has little time for the thoughtful reflection, intensive interaction with counterparts, and careful adjustment in response to error and opportunity which are the heart of effective social learning.

Finally, there is a fundamental conceptual problem. The large donor organizations were founded on the premise that financial resource transfers are the key to stimulating development. This is the purpose to which they are dedicated and to which their structures and operating procedures are geared. The logic of a people-centered development approach dictates an emphasis on more effective use of those physical and financial resources that already are available, by changing the ways they are controlled and managed. Organizations that premise their existence on financial transfers commonly pay lip service to this concept, but to act on it means calling into question the basic reason for their existence. More promising are organizations with modest financial resources that must necessarily look to people as the critical development resource, characteristics common to most NGOs.

(d) *NGO potentials*

A number of NGOs have a natural interest in micro-policy reforms supportive of people-centered development, view development as primarily a people-to-people process, and lack the inherent structural constraints faced by the large donors.[22] Yet, though the trends are promising, the full potentials of the private voluntary development community to assume third generation roles in support of self-sustaining broadly-based development remain only partially realized.[23] Although development donors are looking increasingly to NGOs for a variety of project implementation roles, the idea that there might be a significant role for development oriented NGOs in advancing needed policy reforms is only beginning to gain attention.

There are opportunities for donor/NGO collaboration that have yet to be fully appreciated by either. To the extent that donors appreciate the distinctive requirements of micro-policy reforms they have the option of directing resources to NGOs to play the catalytic roles in which they have important advantages. At the same time the donors can include supportive provisions in their major loans and grants to government. For example a World Bank loan might include as a condition the formal acceptance by the recipient government that it convert so many thousand hectares of forest lands to community management under its social forestry programs. Even though development of the capability to accomplish such conversion may depend more on the work of an interested NGO than on the Bank loan, the Bank's convenant may direct increased attention to the problem and strengthen the hand of the NGO in its work with the Forestry Ministry.

As awareness of the potential for NGOs to assume greater development leadership grows, there will be a need for increased attention to strengthening the capacities of selected NGOs to undertaken third generation strategies. This poses a challenging agenda for both donors and NGOs.

7. NEW TYPES AND LEVELS OF COMPETENCE

During the late 1970s many NGOs with predominantly first generation orientations and experience sought to realign their organizations and staffing to meet the requirements of second generation program strategies. It was often a difficult — even traumatic — experience. The development of the capacities required by third generation strategies is likely to prove even more challenging. Many of the new capacity-building requirements are common to both northern and southern NGOs. Northern NGOs, however, face additional challenges as a consequence of growing demands from southern partners that they: (1) develop the capacities of southern partner organizations to replace them in their in-country operational roles; and (2) direct attention to educating northern constituencies about the complex nature of the forces that impede poverty alleviation in the South — including those forces influenced by policies of northern nations.

While the required new capacities can be developed only through experience, there is considerable danger that many NGOs may find themselves pressed too quickly into roles for which they are yet inadequately prepared, or that they may accept public funding under arrangements

that may undermine their essential independence.

Most NGOs have developed primarily in response to the altruistic desires of one or more individuals to contribute toward making a better world. They have relied on high moral purpose, good will, hard work, and common sense to make them successful. Until recently the application of effective professional management techniques, and in some instances even the acquisition of technical competence, has not been seen as relevant to their purposes. These particular NGOs are best described as being at a pre-bureaucratic stage, lacking adequate development of basic management systems and procedures.[24] Increased budgets, geographical spread, and growth in staff are in themselves forcing many NGOs to come to terms with such deficiencies, but often with considerable reluctance.

One reason that some NGOs have resisted dealing with their own internal development is a fear that in responding to calls for professionalization they would become more like the conventional bureaucracies of government that they commonly believe to be ineffective. There is some basis for this fear if, in so doing, they were to embrace the values and methods of what Robert Chambers labels *normal* development professionalism.[25] According to Chambers, normal professionalism favors the powerful over the weak, rich over poor, urban over rural, industrial over agricultural, things over people, standardization over diversity, the controlled over the uncontrolled, quantitative over qualitative, precise measurement over visual assessment, project blueprints over adaptive learning, large scale over small scale, market-oriented producers over subsistence producers, modern technology over traditional, and laboratory studies over field experience. It favors control-oriented organizations and assumes decisionmaking should be left to technocrats. In short it is a denial of the values to which most development-oriented NGOs are appropriately committed.

Chambers calls attention to the emergence of a *new* development professionalism based on alternative values and offering a variety of alternative technologies, organizational forms, and management and research methods appropriate to a people-centered development.[26] These are not necessarily less sophisticated, less effective, or less disciplined. To the contrary, in many respects they represent advances over normal professionalism based on a more sophisticated understanding of the nature of social and developmental processes. They are well suited to the purposes of most development-oriented NGOs.

(a) *Technical competence*

NGOs working on a small scale in a few villages with people who have few options may not be questioned regarding their technical competence, and their technical failures will attract little publicity beyond the village that suffers the consequences. But when NGOs position themselves to be systems catalysts, their technical weaknesses become more apparent. Some of the most important of the organizations with which they work will be large, influential, and staffed by highly credentialed professionals. Needless to say, the NGO that presumes to help such organizations become more effective must be guided by more than good intentions. Having the technical capacity to obtain the respect of those who control the relevant technologies — whether they be doctors, engineers, lawyers, politicians, administrators, or village leaders — is basic. Not being able to buy access to key officials purely on the basis of the financial resources they can offer, they must win access through the perception that they offer a useful technical and political resource.

This is not to argue for the staffing of NGOs with narrow disciplinary specialists steeped in normal professionalism. The technical competence of NGO staff must be balanced with appropriate social, political, and managerial skills and should be grounded in the methods, approaches, and values of the new development professionalism.

(b) *Strategic competence*

Strategic competence is a measure of the organization's ability to position its resources to achieve its objectives within a complex and dynamic setting. First and second generation strategies have demanded little in the way of strategic competence. Positioning the organization's resources for a first generation intervention requires mainly the ability to identify a population of people who lack the goods or services the NGO is prepared to offer — not a particularly difficult or sophisticated task in many countries. The rest is primarily logistics. Similarly, positioning an NGO for a second generation intervention requires mainly the identification of a number of villages which are interested in collaborating. If donor funds are involved, there may be a demand to satisfy donor requirements with regard to project planning, monitoring, and evaluation.[27] Third generation strategies are quite another matter. Here the NGO's ability to position its resources to achieve leverage on larger systems becomes one of the central concerns

of its staff and leadership — at all levels. A highly developed strategic competence becomes essential.[28]

Some NGOs actively espouse an ideological disdain for management of any kind, identifying it with the values and practices of normal professionalism, and placing it in a class with exploitation, oppression, and racism. In part this results from a limited awareness of alternative management approaches associated with the new development professionalism and their contributions to releasing creative human potentials. Often the distrust of management comes from associating it with centralized control-oriented bureaucratic forms of organization. Many NGO staffers have chosen careers in the private voluntary sector specifically to avoid working in such organizations. They correctly observe that bureaucratic structures stifle the innovation and learning that are central to a people-centered development process.

The preferred organizational forms and management methods of the new development professionalism that fit the needs of development-oriented NGOs are *post-bureaucratic*, or *strategic*, in nature. Rather than supporting central control they support self-assessment and self-correction driven by a strong orientation to client service and a well-defined sense of mission. Highly developed management systems provide rich flows of information to facilitate these self-management processes.[29]

Third generation strategies normally seek change in complex and dynamic institutional systems. Adequate understanding of such systems is developed only over time through experience. The original problem definition must be continually tested and refined as experience is accumulated, and adjustments made accordingly in the positioning of the NGOs' resources. To accomplish this, basic skills in social analysis are needed throughout the organization at all levels. These must be backed by comparable skills in process facilitation and coalition building.

Many voices must be heard in shaping the directions of a nation's development, and NGOs have every right — indeed the obligation — to give voice to their values and experience. It is also significant that NGOs are often among the most active of a society's institutions in helping the poor to achieve a voice of their own.

But consciously working to achieve a restructuring of social institutions is a role that remains unfamiliar to most NGOs. It represents a third generation of NGO strategic orientation, and calls for serious investment in developing the organizational capacities required to be effective in implementing such strategies. Since quick results cannot be anticipated, the NGO undertaking a third generation strategy must have the staying power to remain at the task for 10 or even 20 years if necessary. Capable leaders who combine a long-term vision with well developed skills in strategic management are essential.

NOTES

1. During the brief period from 1980–81 to 1985, the real gross domestic product per capita of 10 major debtor countries fell by an average of 9.8% and three of these — Mexico, Venezuela, and Nigeria — are major oil exporting countries. *World Financial Markets* (1985). In the 1970s Africa experienced a decade-long decline in per capita income and the trend continues. In Latin America regional per capita income in 1986 was down nearly one-tenth from 1980. L. Brown (1987), p. 29.

2. The basis and consequences of these contrasting schools of practice are developed in substantially greater detail in Chambers (1986); D: Korten (1987); and Korten and Klaus (1984). For an excellent authoritative collection placing these ideas in their larger systems theoretical context see *The Science* (1985).

3. This of course is the focus of structural adjustment lending.

4. In becoming the world's leading debtor nation, the United States has itself demonstrated the potential of using international credit to buy the political support of a constituency inclined to live beyond its means,

while diverting potentially productive resources to military use.

5. For further development of this argument see Uphoff (1986); Esman and Uphoff (1984); and Annis (1987).

6. The generational terminology is derived from the human family in which new generations take their place along with the older generations. It should not be confused with the use of the term in the computer field where a new generation normally renders the previous generation obsolete.

7. This realization notwithstanding, Brian Smith (1984, pp. 118–122) observes that the bulk of the resources of US private voluntary organizations (PVOs) is still devoted to delivery of food, clothing, and medicine to alleviate immediate suffering.

8. See Sommer (1977).

9. One of the most serious barriers to expanding the development roles of NGOs may be the difficulties they face in working with one another. Jealousies among

them are often intense, and efforts at collaboration all too often break down into internecine warfare that paralyzes efforts to work together toward the achievement of shared purposes. Ironically, it at times seems easier for NGOs to work with government than with other NGOs.

10.   Some governments have attempted to discourage and/or control NGO efforts directed to the development of local self-reliance, seeing them as competitive with their own public development programs and fearing that independently created local organizations might represent competing political interests. Some NGOs, perceiving government as incompetent and hostile to their efforts, have sought to avoid or bypass it even when claiming that their own activities are intended as models for emulation by public programs. Examples of effective cooperation between governments and NGOs that realize the comparative strengths of each do exist — but are all too rare.

11.   A doctoral dissertation on this experience titled "Private Voluntary Organizations as Catalysts of Policy Reform: A Case Study of IPPF" is being written by Dolores Foley at the University of Southern California.

12.   Specific examples are documented by Ickis (1983), pp. 4–32.

13.   See Korten and Uphoff (1981); Ickis, de Jesus, and Maru (1987); and F. Korten and Siy (forthcoming).

14.   This fit between macro policy and policy analysis, and between micro policy and social learning is elaborated by F. Korten (1986). This analysis builds on John Friedmann's distinction, between four historical schools of planning developed in Freidmann (forthcoming). While often viewed as competing, each may also be viewed as being relevant to its own specific circumstances.

15.   See Friedmann (forthcoming).

16.   For a discussion of the concepts and methods on which these strategies are based see D. Korten (1980). For a comprehensive description, analysis, and evaluation of one of these interventions in the Philippines see F. Korten and Siy (forthcoming); and Bagadion and F. Korten (1985).

17.   For purposes of this discussion it is more useful to view the Ford Foundation as an NGO than as a donor, because it faces few of the constraints that preclude the larger donors from assuming a catalyst role.

18.   For an examination of the working group concept and its application in the Philippine National Irrigation Administration see D. Korten and Carner (1984), pp. 7–24.

19.   F. Korten (1987) is an example of one such contribution. The original analysis was presented at a seminar in which the issues were jointly examined by a number of Indonesian government officials, as well as representatives of private voluntary organizations. This led to a more intensive study of the issues in specific relation to Indonesia by LP3ES, a major Indonesian PVO with extensive experience in irrigation development.

20.   This need not be limited to money. Other useful resources include ideas, prestige, technical capacity, access, willingness to do staff work, etc. Even where the resource is money, the ease and flexibility with which this money can be applied to take advantage of opportunities as they arise may be more important than the total amount in determining its value to the administrator. For the administrator seeking to facilitate a change in his agency, a $10,000 grant with no strings from a small foundation may be much more valuable than a $10 million pre-programmed project loan from an official donor who imposes so many restrictions that it cannot be used effectively.

21.   Among others, the USAID missions in the Philippines and Thailand have made selective attempts at emulation and the experience has been studied by staff of the World Bank. My own work with AID was for a period of nearly five years focused on assisting interested USAID missions in applying the learning process strategies and the approach was studied seriously by USAID missions throughout Asia under the auspices of AID's Asia Regional Committee on Community Management, which I coordinated. The conclusions presented in this section are based in part on this experience.

22.   There is some controversy regarding the extent to which NGOs are more effective than government in a range of service delivery tasks. According to Judith Tendler's (1982) study of 75 PVO project evaluations in 1981, the claims of PVOs to be more effective than government agencies in reaching the poor with innovative development assistance could not be substantiated with the evidence at hand. Often their programs and services were not qualitatively different from those offered by government. Brian Smith (1984) sums up the data with the conclusion that PVOs are clearly more efficient than government in their use of resources, but their claim to being more innovative and to be setting the program agenda is not substantiated. See also Kramer (1981). A study prepared by AID for the House Appropriations Committee concludes that "PVO projects often are implemented individually, not as part of a broader programming strategy." *Development Effectiveness* (1986). These studies confirm that the failure of PVOs to realize their potentials is all too common. Morss and Morss (1982) question whether this potential exists at all.

23.   This is not to suggest that all NGOs can or should commit themselves to third generation strategies. Important first and second generation needs remain.

24.   Ryan (1986) describes many NGOs as pre-bureaucratic in their almost complete absence of management systems and procedures, and correctly notes that this is an important barrier to improved performance. See also Biddle (1984).

25. Chambers (1986).

26. Chambers (1986).

27. For more than a decade the training of development managers has emphasized concepts and methods of project management that encourage a myopic perspective on the nature of development and an unimaginative control-oriented approach to its management. Partly in response to pressures from donors, who find projects convenient instruments for packaging their funding, some NGOs have become highly project oriented and have slipped into the pattern of assuming that they manage development by managing projects. Where this has occurred, their managers will need to take appropriate steps to achieve an extended vision of the nature of development management and develop skills in a more strategic approach to managing their organizations. And they must be able to withstand the challenges of critics who believe that contributions to development progress are measured only in buildings constructed, immunizations given, and food packages delivered. For a well documented examination of dysfunctional nature of project type assistance in local development initiatives see LeComte (1986).

28. Grayson and Tompkins (1984) observe a current movement in some voluntary agencies away from a reactive tactical and toward a more proactive strategic approach. Wortman (1981), however, observes that not only have few PVOs reached the strategic management stage of development, many have not even reached the strategic planning stages in vogue 20 years ago. Brown and Covey (1985), two leading advocates of strengthening the strategic processes in NGO management, identify four distinctive attributes of development-oriented NGOs that make it particularly difficult for them to engage in strategic planning: (a) missions that require bridging diverse constituencies; (b) strong commitments to democratic values, equity, and social change; (c) conflict at interfaces between their own functional departments and between NGOs and external agencies; and (d) self-inflicted increases in external turbulence and conflict as a consequence of empowering previously quiescent groups. For case studies of aspects of the internal organizational culture of PVOs which inhibit the development of strategic competence see Brown and Brown (1983).

29. See Korten (1984). This article also helps to illuminate the important distinction between strategic planning and strategic management. Strategic planning is commonly undertaken by planning specialists housed in a planning staff unit for the purpose of preparing a document. Normally plan preparation is completely removed from the rest of the organization and the plan itself is resisted or ignored by those whose cooperation is essential to its implementation. Strategic management involves the management of the total organization in such a way that personnel at all levels and across all functions become active participants in an ongoing process of anticipating and acting on new needs and opportunities consistent with the larger purposes of the organization.

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