

# Can NGOs Make a Difference?

*The Challenge of Development Alternatives*

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**edited by Anthony J. Bebbington,  
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PART IV

Being Alternative



## Reinventing International NGOs: A View from the Dutch Co-financing System

**Harry Derksen and Pim Verhallen**

The international aid chain has been successfully integrated into the neo-liberal development paradigm. Despite lip service to 'ownership', bottom-up and rights-based approaches to poverty alleviation, policies, instruments and outcomes are almost exclusively determined outside the domain of the poor and excluded themselves. Macroeconomics are dominant, outcomes only valid if quantifiable, and structural causes of poverty and exclusion are left intact. For international ODA-funded NGOs, pressure to align with the mainstream agenda is such that they and their local partners risk losing any claim to an 'alternative' development agenda.

In such a context, it is time to reinvent the system. In this chapter, we will show how our organization, ICCO (Interchurch Organization for Development Cooperation), a Dutch co-funding organization working with more than one thousand local partners in eighty countries, is trying to do just that. The chapter first gives a brief description of developments in international debates on development. We draw attention to the depoliticization of development thought and practice, as well as the introduction of neoliberal policies of privatization and market instruments in the development architecture both in general and more specifically in the Dutch co-funding programme. We will try to identify the most important implications of these changes, for the work of Dutch international NGOs (INGOs), for the activities of their non-governmental partners overseas and for their joint ability to contribute effectively to the fight against exclusion and poverty. Lastly, we will describe how in the face of these different pressures, our own organization in introducing substantial changes to its strategies and ways of working, changes that aim to ensure our possibilities for making a difference for the poor and excluded.



### **The Development Context of the 1980s and 1990s**

Successive so-called development decades have brought about much less in terms of economic growth of poor countries (and even less in diminishing the gap between rich and poor within those countries) than had been expected. In itself, this perception was less important for policy development than the debt crisis and near collapse of the international economic system at the beginning of the 1980s. One direct consequence of the Mexican default was the strengthening of the role of the World Bank and the IMF: the 'Washington consensus' became the leading development paradigm and neo-liberal policies the standard recipe. Many donor countries followed this lead, and aligned themselves with this process, which included a widespread use of standardized policies that favoured a focus on macroeconomic management, the liberalization and broadening of markets and the imposition of various conditionalities on debtor countries. Meanwhile in many debtor countries, 'structural adjustment' became a byword for social hardship and deterioration in the already grave position of the traditionally poor and excluded.

Many (but certainly not all) non-governmental development organizations in Africa, Asia and Latin America, with their roots in the politically effervescent 1960s, defined their programmes and the ideals that drove them in terms that were either alternative to, or in direct opposition to, state policies. Societal transformation, human rights and social justice were key elements in their projects. Dutch co-funding organizations, with roots also in the 1960s, favoured working relations with local NGOs that strove to identify and combat the structural causes of poverty rather than merely the symptoms of it. This self-definition made for difficult and sometimes problematic relationships with governments and the state. However, on the whole, the international donor organizations generally regarded NGOs as marginal actors in development processes. They were seen as useful in providing services and emergency aid (where states could not or would not) and as a political nuisance when denouncing human rights abuses.

The first experiments with 'structural adjustment' came with a new recognition among policymakers of the practical advantages of development-oriented NGOs. A prime consideration in the neoliberal adjustment agenda was to diminish the role of the state in favour of the market. Investment in education, health and other services was cut to the bone. However, the need for 'social safety nets' was recognized, particularly after the first symptoms of social unrest endangering political stability – for instance, in Venezuela in 1991. As it was necessary to avoid bringing the state back in, the local NGO sector was seen as a useful alternative to deliver basic social services, especially to those sectors of the population hardest hit by 'adjustment' measures. Over the years, many of the established NGOs – sometimes

after heated debates on the risks of 'co-optation' – accepted the new roles assigned to them. They assumed these new roles would offer opportunities to influence social policies, but also accepted them for practical reasons, in particular the access to increasing levels of funding. Furthermore, where NGOs did not agree to assume these roles, international donors did not hesitate to establish their own NGOs, as was the case, for example, in El Salvador after the peace agreements of Esquipulas. New arrivals on the scene also included NGOs founded by civil servants who had lost their jobs in the downsizing of the state.

The international donor community assigned quite large amounts of finance to this 'sector'. Some did this directly, as in the case of the Interamerican Development Bank's very substantial programme for micro-credit channelled to local NGOs. Others donors, such as many European bilateral agencies, channelled resources indirectly through their own national non-governmental co-funding organizations.

The 1990s can be described as a high point in the involvement of development NGOs in executing (but not designing) national social policies, such as they were. Political sensitivity in relation to local NGOs had lessened: their numbers had multiplied, the sector was much more heterogeneous and many had become cautious and pragmatic in their public statements of intent. With the collapse of the Soviet Union, the disappearance of any political alternative to liberal market-oriented democracies strengthened a tendency to assume apolitical and practical social tasks. For many development NGOs (especially in Latin America and Asia) increased resources and access to new generations of well-trained professionals (who no longer looked to the 'downsized' state for employment) meant growth and professionalization. To consolidate their place in the system, these NGOs also tended to dedicate time and resources not only to strengthening their own organizations, but also to creating national – and sometimes international – networks and other structures to improve coordination, strengthen advocacy and learning abilities, and to defend their specific interests as a sector.

At the end of that decade, dominant thinking about the state changed again. The Washington Consensus came under increasing attack from respectable critics such as Joseph Stiglitz – former chief economist of the World Bank. It had become clear that markets either could not or would not solve many underlying social and economic problems in developing countries and that political instability resulting from an increase in the numbers of people excluded from any gain in economic growth was a real threat in many countries. It had also become clear that markets needed certain guarantees that only a functioning state could provide. 'Good governance' became an important – if only vaguely defined – concept, but attention was also growing for the role of civil society as an autonomous

actor and as a countervailing power. Participation by civil society organizations in, and contribution to, various international conferences organized by the UN (e.g. Cairo, Copenhagen and later others) further heightened this public profile.

All this said, counter-currents were also at work. The high visibility of NGOs in developing countries now in many cases turned against them. While in earlier years, critical debates had centred on their political identity and agenda, public criticism now concentrated on their management of the resources channelled through them, the lack of evidence regarding their effectiveness, and their own questionable transparency and accountability. By accepting a role of substituting for state responsibilities, many NGOs had subsumed some of their original ideals and aspirations in the process of elaborating their own pragmatic responses to the changes in their societies and in the development debate. It became clear that many of them, as a consequence, faced a serious identity crisis.

We may therefore conclude that the position, tasks and responsibilities of non-governmental development organizations have changed substantially over the years. From being a marginal actor with a distinctive analysis of poverty and exclusion, mainly in opposition to the state in the 1960s and 1970s, they now represent a significant sector in terms of resources and service responsibilities. For many of them, the cost of this evolution has been high in terms of dependence and dependence-generated pragmatism, and a weakening of their relationships with their target groups. For many, this evolution is problematic and represents a challenge to define their *raison d'être* anew.

### **The Dutch Co-funding Programme between 1965 and 2000**

Until a few years ago, the ministry in charge of Dutch development cooperation and four development organizations (CORDAID, HIVOS, ICCO, NOVIB) shared responsibility for the Dutch co-funding programme. The co-funding programme, now in existence for forty years, started out as a partnership, based on an agreement reached in 1965. This recognized that combating international poverty was a moral responsibility for state and civil society organizations alike. These four organizations were recognized as representing the main sectors of Dutch society – CORDAID was Catholic, ICCO Protestant, HIVOS humanist and NOVIB 'secular'. This societal representation and support was understood to be a mainstay of a system that depended on public – taxpayer – support.

In the mid-1960s, the Netherlands was at last emerging from a post-war reconstruction phase in the aftermath of occupation and the destruction of

the productive infrastructure that had occurred during the Second World War. In response to international debates on poverty in the first UN 'development decade' of the 1960s, nearly all political parties supported a decision to assign – initially modest – budgets to the newly created post of Minister for International Cooperation. Dutch development aid was to aim at fostering economic independence and eradicating extreme poverty. The start-up of a bilateral aid initiative was slow, but the government moved to involve a broad segment of Dutch society in the endeavour. In this vein, one of the first programmes to be launched was the co-funding programme.

In the mid-1970s the picture changed quite rapidly. The four development organizations had shown success in building partnerships with local organizations to deliver aid, especially in the fields of health and education, in a variety of flexible and effective ways. They had assumed as their target group the 'poorest of the poor' and defined interventions aimed at 'structural' poverty eradication. Their central strategy was to support local initiatives and work in partnership with local organizations. Although this approach sometimes caused political tensions, government also came to see the advantages of a non-official aid channel in the rapidly growing number of countries under authoritarian rule (making bilateral relationships politically undesirable or impossible). Funding for the programme grew and the mandate was broadened.

The framework for this cooperation was called the Programme Funding Agreement: it established a generous level of lump-sum funding over four-year periods (indexed to the country's economic growth rate), delegated responsibilities for policy- and decision-making on projects to the agencies themselves and even left them to decide on exactly how the ODA funding allocated to the programme would be distributed among them. Next to yearly reporting, the main instrument for oversight was a system of programme evaluations, in which joint teams (from the ministry and the agencies) would study the development of the programme, its instruments and policies and the interaction between the parties. It was accepted – not always with good grace by either side – that the evaluations would also look at official government policies in their relationship to INGO policies. When introducing this new working relationship in 1980, the then Minister for Development encouraged the four main agencies to actively seek the same sharing of responsibilities for the programme with their local partners overseas.

The rapid growth of ODA funding assigned to the INGOs can be illustrated in the case of ICCO: in 1973, total ODA assigned to ICCO was Nfl.22 million, while in 1990 this had grown to nearly Nfl.120 million. This growth also reflected public perception of the work of non-governmental

organizations. Parliament and the press were largely uncritical, and the press reserved most of its attention for the bilateral programmes of the ministry.

This situation changed markedly at the end of the 1980s. A spate of very critical analyses appeared in the media, not only on the effectiveness of aid in general, but also specifically questioning the results of the NGOs' efforts. The Dutch agencies were relatively unprepared for this critical debate on their activities, accustomed as they were to being seen as dependable, committed and legitimized both by their constituencies and their local, Southern partners. The level of public debate obliged the four co-funding agencies to launch a wide-ranging independent review of their own performance. The report of this review, the *Impact Study*, presented in 1991, constituted a substantial let-down compared to the claims and ambitions that the agencies had formulated for themselves and their constituencies. The central conclusion was 'there are no complete failures nor complete successes'. The study recommended, among other things, more cost-consciousness, more research and evaluation of results and more inter-agency cooperation.

This review led to substantial changes in all four agencies, not only in their policies (which became more focused and explicit in terms of aims and outcomes) but especially within the organizations themselves. Ambitious reorganizations were launched, internal work processes were standardized, evaluation and measurement instruments developed (which entailed defining in much more detail targets and goals), and professionalization became the catchword. To a large degree, these measures helped in regaining lost ground. The Ministry for Development Cooperation adopted a policy paper on civil society which defined it as an autonomous actor with which the state needed to interact. Cooperation between the ministry and the main INGOs was still quite intensive, especially in relation to the bilateral regional programmes, most of whose content was actually devised in cooperation with the main agencies. This level of interaction lessened substantially (without immediate consequences for the co-funding programme) when in the mid-1990s the ministry decided to decentralize most regional policy and decision-making to the Dutch embassies in the main partner countries.

The collapse of the Soviet bloc brought about substantial changes in public perceptions of development cooperation. Although (in the Netherlands) it was never very explicit, the East-West divide was an important element driving the debate on international commitment to continuing development aid. With the East-West confrontation now apparently out of the way, the international debate of the beginning of the 1990s on the effectiveness of aid constituted the political springboard to review existing development policy and arrangements. A contributing factor was also the widespread perception that development aid was, on the whole, not delivering on its promises.

With neoliberal, free-market thinking dominating the political spectrum in the Netherlands, right-of-centre politicians sought to reformulate the aims of Dutch development in order to align them with the Netherlands' own political and economic interests and lobbied for more private-sector involvement. In other cases they simply proposed abolishing development aid altogether. Many other commentators also questioned the need for the level of commitment that had, from the beginning of the 1970s, constituted a political consensus bordering on dogma – namely that the country would adhere to the UN standard of making available 0.7 per cent of net national income for development aid.

Dutch government had rewarded the agencies for their efforts to implement the recommendations of the Impact Study with an increase in funding available to them (to 10 per cent of ODA, up from the previous 7 per cent). However, public debate on their role and functions did not diminish. New objections were raised, among them that the four original co-funding agencies constituted a privileged and exclusive cartel and that they represented 'special interests'. In 1999 a new government coalition decided to launch an inter-ministerial review (under the direct oversight of the prime minister's office) of the state's relationship with the co-funding agencies. This study concluded that the co-funding system needed to be opened up to more competition (with funds being allocated on the basis of results), that ODA-funded NGO programmes needed to be more aligned with official Dutch development policies, and that agencies should be obliged to coordinate wherever possible with existing bilateral programmes. It also recommended much more direct ministerial control of the co-funding programme as such.

In a parallel development, the Dutch public, traditionally quite generous in their voluntary contributions to a host of good causes, now developed a more 'do it yourself' approach to development: a wide variety of local groups no longer limited themselves to fund-raising, but also tended increasingly to insist on delivering aid directly. This trend can be seen as both part of a general loss of trust in existing institutions (visible in Dutch society at the end of the 1990s) and as a sign of continuing social commitment.

Although the then Minister for Development Cooperation, the social democrat Evelien Herfkens, was hesitant to accept all the recommendations of the inter-ministerial review immediately, she did decide to open up the co-funding programme partially by including two additional organizations in the system. She also advised the agencies that, for the new funding period starting in 2002, they would need to present much more detailed work plans as a condition for funding.

Meanwhile, ministry personnel were already preparing for a more comprehensive overhaul of the system, in line with the recommendations

of the inter-ministerial review. ODA funding for the programme was to be based on the results of a tendering procedure which would be open to a wide range of (Dutch) organizations. Entry criteria were defined and a very ambitious and demanding format was prepared for presenting work plans. Systems were developed to determine the merits of proposals and measurement of outcomes – again, exclusively quantifiable – and, especially, to enable the ministry to monitor the work of the organizations receiving grants. This new system was officially launched by the new Christian Democrat minister Agnes van Aardenne. For the period starting in 2007, tenders were to be presented by mid-2006.

In 2006, our organization, together with 115 other Dutch organizations, tendered for access to government development funding. On average, each organization submitted some *two kilogrammes* of written material detailing, among others, what the results of their work would be in 2010. Of these, 58 applications were accepted for funding for a total of 11 per cent of the Dutch ODA budget (increasing tenfold the number of participants in the programme). For the fiscal year 2007, these organizations were to receive a total of €500 million (US\$650 million).

The co-funding programme had started out as a partnership between state and civil society based on shared objectives and trust. Today, in the wake of a wave of social and economic changes in the country following the introduction of free-market liberalization since the 1990s, the programme can best be described as a system of governmental subcontracting of extraordinary bureaucratic complexity and high transaction costs, with accountability rules stipulating outcomes that are only acceptable if quantifiable.

## **What Has Happened to Us?**

### **Distortions**

Proponents of the dominant development model point to the fact that, over the last decade, many developing countries have experienced respectable economic growth. Yet, despite the substantial changes in the international development architecture, aid instruments, alignment, commitment to development goals and substantially increased research on aid effectiveness, the disheartening reality is that economic growth is rarely benefiting the poor. Recent research by the IMF's own Independent Evaluation Office for sub-Saharan Africa once again confirmed this situation (IMF/IEO, 2007). The explanation for the general ineffectiveness of measures to eradicate poverty resides at least partly in the fact that the international donor community does not acknowledge that poverty and exclusion are rooted in complex societal and political realities that official aid policies do not

address. Many of these structural causes have, over the years, been well documented in the UNDP *Human Development Reports*. Examples of this include the 2005 *HDR* chapter on inequality and the 2006 report describing the problems of politics behind access to water (UNDP, 2005, 2006). Similarly, there is a wide range of studies – including research done in Northern countries (Rupasingha and Goetz, 2003) – that refer to the social and political determinants of structural poverty, and there are some hopeful signs that the neglect of these political dimensions could be changing (for example, the IMF has recently designated as its chief economist professor Simon Johnson, who at MIT has explored the political roots of poverty; *The Economist*, 2007).

Development NGOs that in the past worked to identify, understand and combat these ‘structural’ causes in their own societies have in many cases been effectively marginalized or have opted for mainstream programmes that provide them with institutional stability. For their Northern non-governmental donors, the increasing demands that their back-donors make on their policies and working practices have lessened their willingness to venture into disputed areas of intervention. These back donor demands are increasingly passed on to the NGOs’ local partner organizations. This effectively limits the scope of their programmes to the policies of their donor.

System demands, centring on accountability and originating from back donors, absorb an ever greater portion of Southern partner resources. Especially in Africa, where in many countries substantial percentages of social service delivery is NGO-based and well-trained human resources are scarce, these demands are clearly distorting and disproportionate.

Insistence, within the system, on ‘results’ (and accepting by and large as results only ‘what can be counted’) is a powerful distorting factor, in that it leads organizations to ‘safe’ areas of intervention and sometimes to abandon their primary target groups where no significant material gain is to be expected. A case in point would be those organizations that, joining the apparently successful trend for micro-credit schemes (for which a vast amount of development funding is available), choose target groups with more chances of success (i.e. not the poorest segments of society).

Another distorting effect of these NGO funding policies is that they stimulate competition among agencies, generating the desire (and perhaps the need) to be the best performer in delivering quantifiable results. This leads agencies to emphasize their own public relations and ‘plant the flag’, maintain project-type interventions specifying concrete outcomes (and sometimes overstating them afterwards), and to steer away from multi-actor initiatives and innovations where they will be less visible and where outcomes are more uncertain – this despite recognition of the need for more cooperation to upscale successful strategies and stimulate innovation.



### Paradoxes

Many of the changes described above come together to define a 'development chain' involving civil society organizations that, in size, organization, strategies and working practices, is quite different from the chain that existed at the end of the 1970s. At one glance, it would seem that the chain has evolved in ways that are positive for NGOs, both North and South. If they were once considered to be marginal actors, now there is public recognition of the importance of civil society; if once deemed a political nuisance when they talked about human rights issues, now they are the object of extensive cooperation and transfers of resources. However, these changes have been accompanied by a series of paradoxes over the last twenty-five years.

Although certain basic original concepts such as 'cooperation' (not 'aid'), 'partnership' and 'participation' (by the target groups) are still common currency, the reality is that the aid chain is dominated by top-down blue-print approaches, donor micro-management of development initiatives and 'upward accountability'. Despite much use (and the proven validity) of the concept of local 'ownership' as a precondition for the relevance and sustainability of development initiatives, there is in fact ever less 'local ownership' to be found. Another and related casualty has been partnership. Indeed, in the field of international NGO cooperation, partnership was a central concept: the notion that both parties, sharing values and ideals, worked together as autonomous entities within their own societies to bring about change. While of course true equality was seldom achieved, the notion of partnership at least defined a common horizon for which to strive. Under the present rules of the game, it is clear that this is no longer the case, as ever more detailed back-donor requirements are simply transmitted to local organizations, and agencies tend to treat their local counterparts as subcontractors to implement work which the agencies have already committed themselves to implement as part of their agreements with their back donors. Donors willing to be accountable to their local partners and their target groups (on their policies and mechanisms, for example) are few and far between.

The second paradox resulting from these trends is that, despite a general consensus existing in most democracies on the intrinsic value of an active civil society, over the past years, most governments and multilateral institutions have been doing much to bring development NGOs under control, either to pacify civil tensions and neutralize potential political opposition or to consolidate a system of outsourcing and quasi-privatization. In many developing countries, this has led governments to pass legislation on the sector, often combining access to resources from national budgets with limits on the freedom of movement of NGOs and attempts to bring them

under fiscal control. (Such legislation is also sometimes blatantly designed to enable governments to skim off percentages of resource flows.) This tendency has been strengthened within many countries, using the 'war on terror' to introduce legislation limiting NGO freedom to engage in human rights issues (and sometimes without even the pretence of legislation to that end – see Alan Fowler's chapter in this volume).

In the case of the Netherlands, this trend also holds true, despite official policy recognizing the autonomous nature of civil society organizations in development and accepting that one of the central goals of the co-funding programme is 'strengthening civil society'. Government demands that NGOs align their work with official Dutch aid policy, pressure on upward accountability and the trend to stimulate competition between non-governmental organizations in their access to ODA funding are together redefining this sector as an additional aid channel. The relationship is defined by government as one in which the Dutch government is effectively subcontracting NGOs to perform services that the government itself is unable to undertake, and to do this on terms wholly defined by the state. (In effect, the ministry recognizes this utilitarian approach to the whole chain by stating that, in its view, the co-funding agencies work 'through' their local counterparts, instead of 'with' them.)

A third paradox can be found in the market-driven introduction of competition in the system. It is widely accepted that one of the weaknesses of the NGO sector is the dispersion of scarce resources, leading to many small-scale and usually ineffective and/or unsustainable interventions. Project-type interventions, limited in time and scope, and planned and executed by individual organizations, still constitute the majority of INGO funding decisions. *At the same time in the Dutch system, the number of NGOs with access to ODA funding has multiplied tenfold, and the assignation system more or less actively discourages them from working together or even sharing information.*

Finally, we have the problem of knowledge and learning in development practice. It is useful to point to the contradictory effects, in the present system, of the increased emphasis on accountability. Assignation of funding in the Dutch system is based largely on the prediction of outcomes and results and accompanied by a formalized and demanding protocol for monitoring on these and other aspects. Two important consequences are being disregarded. First, the tension that already exists between research for accountability and research for learning (leading to evident distortions) will now be increased as short-term rewards for coming up with success stories will be greater than for critical analyses. Second, no rational basis has been devised to understand, much less to manage the costs and benefits of, this very heavy accountability burden, especially at a local level.

### Summary

These trends would be acceptable if the aid chain could, under these arrangements, deliver on its original intentions – namely, to produce results showing a structural improvement in the position of the poor. However, studies of aid policies and practices, including those of the Dutch government, demonstrate that they are not. In one recent study by the official Policy Review Unit (IOB), implementation in bilateral programmes of the so-called sector-wide approach is criticized for its exclusive attention to national sectoral policies of the receiving country and for disregarding outcomes at the local level: ‘Target groups have literally disappeared from view’, the report concludes. The same study concludes that monitoring of development programmes is mainly for management purposes rather than for learning (IOB, 2006).

We have shown that changes in the dominant system are quickly transferred to ODA-funded non-governmental organizations. If organizations such as ICCO want to maintain their original ambitions to contribute to structural change in society and in the conditions that generate poverty and exclusion, that part of the system which they still control clearly needs to be reinvented.

### Reinventing the System in ICCO: Aiming for Change

Reinventing the system and making it work for ICCO and its partners essentially means reinventing ICCO itself. It necessitates that ICCO rethink its vision on the relationship with ‘the South’: who are our partners in the South and how are they really involved in policymaking and priority setting within ICCO? This ‘reinvention’ of ICCO centres around two main areas of change:

1. By 2010 ICCO will have changed from a Dutch co-financing organization working in fifty countries in the South into an international network organization.
2. Changing the *dynamics* of North–South cooperation for it to become relevant to grassroots communities, in addressing the structural causes of poverty, involving new actors and being legitimate in Southern countries and in the Netherlands.

Both areas of change require a change in present power relations.

The challenges to our policies and working practices became progressively clearer between 2003 and 2004. Exchanges with key partners in our network as well as with independent researchers confirmed that answers needed to be found if the credibility of our intentions was to be maintained.

A series of intensive consultations was organized in Africa, Asia and Latin America. These involved both important local partners and independent local experts. Local experiences with and expectations of international development policies were examined. Participants were presented with and invited to comment on an analysis prepared by ICCO on the European context. Certain basic elements of consensus were identified in that process. It was obvious that, to increase relevance and sustainability, decision-making on policies needed to be much more rooted in local contexts (to offset a trend towards 'one-size-fits-all' policies) and also needed to increase the involvement of (organizations of) the target groups themselves. At the same time, it was necessary to find responses to fragmentation of resources (increasingly characteristic of NGO initiatives both in the North and in the South), and the existing disincentives to collaboration that derive from competition for access to resources. There was also clear consensus on the need to adapt to a globalizing environment.

To respond to all this, it was also clear that we had to redefine our role and functions. It had become evident that working practices and instruments were largely determined by ICCO in its role as funder (while availability of monetary resources was not always the key problem it may have been in the past). At the same time, demands from our partners for other services (such as support for their lobby and advocacy efforts, for brokering new partnerships with other actors, or for increasing investment in learning and capacity-strengthening) could not always be met.

Before starting the preparations for a new programme submission to the Dutch government, a small internal working group developed a first sketch of specific answers to these challenges. In 2006, this sketch was submitted for internal debate within our organization and discussed with a group of independent international experts. In the consultations with partners and staff, the ideas for the future received rather mixed responses; conversely the international experts often concurred with the underlying analysis, though also formulated some important reservations, pointing to, among other things, the existence of vested interests in maintaining the status quo. The results of all these consultations and debates were such that the ICCO board decided to go ahead, subject to certain issues (such as the need for dialogue with Dutch government to ensure that choices to be made would not limit the organization's eligibility to the co-funding programme).

The changes we will be introducing in the system as a result of this process can be divided into two broad categories: our place in the international aid chain and our roles and tasks in that system. We take each in turn. Some aspects of these two areas concern changes that are also under way in various forms and guises in a number of other European NGOs. Truly devolving power (instead of relocating or decentralizing) is, we

feel, a far more significant and radical change than most currently being considered within international aid, and is the one that might make the most persuasive claim to being alternative. To a considerable extent, this decision to devolve power drives our whole programme of renewal.

### **ICCO as an International Network Organization**

In 1977 and in 1979 ICCO organized two consultations (called 'reverse consortia') with partners from the South. The main question at the time was how to reverse the then dominant North–South power relation. Interesting at the time was the conclusion from Southern partners that the time was not yet ripe for such moves. Since then ICCO has 'muddled through' its policy vis-à-vis its southern partners. Key aspects of this partnership policy included an emphasis on institutional and long-term support to provide partners a maximum of freedom within 'the system', consultations with partners on policy changes, and respecting partners' room to manoeuvre and tailor programmes to the specific context in which they work. The latter policy meant that ICCO, contrary to the trend, did not open field offices in Southern countries. It remained at a distance, working from its head office in Utrecht.

The process we started in 2005 opened up once again this discussion with partners on power-sharing and devolution. The main conviction driving this discussion is that Southern civil society has gained strength and is now in a better position to steer its own process of change in the direction it wants to take, while international donor organizations are now lagging behind in adapting their support strategies to this new context. Since 1980, ICCO has worked with three main intervention strategies: direct poverty alleviation, the strengthening of southern civil societies, and lobby and advocacy on policy. These are still valid domains in which to work, but partner organizations in the South now need to be able to share responsibility for policy choices and priority setting with organizations such as ICCO.

A second argument for change in the relations between ICCO and its Southern partners is the certainty that many Southern partners and local communities are integrating rapidly into the contemporary world of information sharing, rapid communications and networking for knowledge and new ideas. ICCO should facilitate this integration by offering its global network of over 800 Southern partners, its international networks such as the World Council of Churches, ACT Development, and Aprovev, as well as its contacts with universities and international institutions such as the European Union.

At present ICCO is developing and testing a new model that is based on the establishment of about twelve regional councils in Latin America,

Africa and Asia, as well as the formation of an international council. In the regional councils, 'representatives' of important sectors of civil society are elected from the region. These representatives are well informed about the regional and local context, and are highly motivated and creative personalities with no vested interests in existing partner organizations or services provided by the system. The main functions of these regional councils – which will be supported by teams of professional staff – will be to develop new and context-specific regional policies, devise strategies, and engage new actors in the development process. Funding decisions will also be made at the level of the councils. Within the international council, representatives of regional councils as well as independent, international members are elected and have similar functions to members of the regional councils. A Dutch supervisory council ensures that there is cohesion and coherence in the system and that decision-making, priority-setting and control over financial resources are conducted in a proper way. Small and effective regional working organizations and an international working organization will implement the policies and priorities.

A major hurdle for ICCO is to achieve this change within the boundaries of present overhead costs (12.5 per cent of total programme funds) and with the active engagement of the present staff in the Netherlands. To clear this hurdle, ICCO has to resolve a paradox. A key factor for success in this process of change is the active support of the present stakeholders, among them the present staff of ICCO. Yet, the model for renewal foresees a much smaller number of staff in Utrecht than there is at present. We are therefore asking some of the present staff to support the process by actively seeking new opportunities outside ICCO. We now foresee a gradual process of more or less natural staff reduction. In the first few years, Dutch ICCO staff may play a role in some of the regional working organizations. Some others will be asked to work on new roles in the international working organization. For a significant number of present staff, however, these changes will mean that they will indeed be requested to pursue their career elsewhere.

An important question for ICCO has been whether this change fits within Dutch government criteria on the co-funding programme. ICCO has received indications from the Ministry of Foreign Affairs that this might be the case, and the ministry does indeed view the relation between Dutch organizations and their Southern counterparts as a major area that requires innovations that will allow Southern civil society organizations a larger say in the way resources should be allocated. The ministry has requested the Radboud University, one of the universities participating in the IS-Academy, to conduct comparative research on examples of such changes in relations between Northern and Southern organizations and ICCO's process of change has been chosen as one of the three or four models to be studied.

At the moment of writing it is unclear whether the recent handover to a new governing coalition will have any implications for ICCO's agenda.

### Changing the Dynamic of North-South Cooperation

The 'marketization of aid', the competition for public and private funding, the need to gain a public profile and the pressure to show concrete results have together led to a situation of atomization and fragmentation, both in the North and in the South. The net result of this is a centralization of power and decision-making in the North or in Northern institutions located in the South.

In an attempt to reverse this trend, ICCO is doing several things. First of all it formed an alliance with five other Dutch organizations and agreed on one joint business plan for the coming four years. Second, ICCO is introducing a programmatic approach to funding in which Southern organizations are encouraged to co-operate and complement each other based on a shared vision and on shared strategies. Together they would work on commonly defined and tangible objectives. An example of such an endeavour is a programme involving some twelve Central American organizations aiming at the creation of a safe environment and development opportunities for young people in that region. The condition that ICCO lays down, however, is that the approach must be *inclusive*, involving partners and non-partners of ICCO, traditional development NGOs, as well as new actors such as the private sector, as well as local governments and others who have the means and influence to achieve a *real* change.

The regional councils and regional working organizations will play a major role in the creation of regional and national programmes. First of all they will select which (thematic) areas should take priority and offer the best chances for effective transformation. Second, the regional councils will have the role of ensuring collaboration and promoting value-added or synergy between programmes – for instance, the 'Youth and Violence' programme in Central America mentioned above will be strengthened if and when a job opportunities programme is related to it. A third function of the regional councils will be actively to promote and enable exchange of knowledge and information both within the region as well as with other regions. The object would be to contribute to strengthening capacities at the level of the organizations themselves, but especially at institutional level – that is, building up disposition and abilities necessary for more collaborative programmes.

For the regional councils and the programmatic approach to be successful, present power dynamics must be transformed. Over the years, Southern partner organizations have developed good working relations with ICCO

(or at least with individual ICCO desk officers). For many of them, the shift in ICCO's *modus operandi* will have serious consequences. Their future funding will depend on their willingness and ability to co-operate with others, to discuss and agree with others the direction of change processes in their area of work, to work with new actors and to come up with new and creative ideas that sometimes involve risks. It will no longer be their *power* (based on their strong relation with ICCO and other donors) that is important, but their ability to *influence* other stakeholders in the process for change. This transformation from depending on power to active influencing is a profound change which among some partners is already generating insecurity and resistance. Others, however, see this transformation as an opportunity for real change.

### **Can the System be Reinvented?**

Development aid has come under considerable pressure in recent years. Once, especially during the 1970s, the Netherlands was regarded as a pioneer in various domains of international affairs such as human rights, international law and development aid. It was one of the first countries to comply with the UN target of reserving at least 0.7 per cent of net national income for development efforts. Meanwhile some of our experts and motivated politicians – such as Tinbergen and Pronk – played key roles in the international debate on poverty. Dutch society at large was not only aware but also proud of this record. Nowadays, however, international affairs move into the political agenda only when issues of migration and asylum are at stake. Development aid is even less relevant politically.

Development aid organizations, in particular the larger or more visible of them, have a distinct credibility problem. Several scandals regarding the high salaries of directors of aid organizations and stories in the press about the lack of (tangible) results of development aid have proven sufficient to strengthen doubts about the entire sector. Meanwhile, big development institutions have had little success in reaching out to the public, in particular to young people. In short, development institutions are no longer seen as dynamic, flexible and well-equipped to address the issues at stake.

It should therefore not be surprising that in recent years both the general public and representatives of certain right-of-centre political parties have asked whether development aid is still relevant in today's world. The question as to whether the present aid budget, set at 0.7 per cent of GDP, should be maintained is raised with monotonous regularity.

Responses from the development sector to these criticisms have been largely defensive. Using studies, evaluations and audits, the sector tried to



'prove' that everything was more or less in order and that development aid institutions can in fact be trusted. Meanwhile, no real introspection is taking place, perhaps out of the (not entirely unfounded) fear that this would fuel the critics of development aid or would further erode funding support. Another serious handicap for real public debate is the absence of clear alternatives to present arrangements and policies. Indeed, one significant effort of several organizations to start a serious debate on some of these issues, such as the problems arising from the erosion of trust in the system, quickly fizzled out, as a result, among other things, of discrepancies from within the sector itself and because it was presented while the government was studying the applications for the period starting 2007. The development sector very much looks like a rabbit caught in the glare of the headlamps of an approaching car.

There is a conviction among many *individuals* active in the sector that change is necessary and indeed inevitable. Some people fear that if reform is not undertaken from within the system, sooner or later the sector will be confronted with changes forced upon it from outside. At an *institutional* level, however, it is much more difficult to discuss reform. Vested interests might be harmed. The responses to ICCO's initiative will be diverse and it is quite likely that some organizations will feel that ICCO is opening up a Pandora's box. Given the standard reactions from the right in the political spectrum there are concerns that once the box is opened, the political debate will spiral out of control. However, there are also clear indications, now that the dust raised by the recent tendering procedure begins to settle, that an open and constructive debate *could* now be opened to address the very real distortions that exist within the current aid system.

A major question is, of course, whether ICCO will be able to reinvent itself. In a way, we could compare the effort to Baron von Munchausen's attempt to hoist himself out of the swamp by his own bootstraps. We realize there are no guarantees for success, but we are confident we will be able to change ourselves. In this effort, we have the help and support of an International Advisory Group consisting of respected international and Dutch individuals who know the 'system' well. Above all we are certain that there is no way back if we want to continue our work and stay relevant. It is also time for everybody inside and outside the sector to realize that development aid is an investment in a world full of uncertainties. As in the business sector, starting a new company with new ideas is no guarantee of success. Some 30 per cent of new business initiatives do not survive the first year. Development aid can only stay relevant and successful if it starts to accept risks as the necessary investment for renewal and real innovation.

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