Future Challenges to NGOs and Development Workers

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Economic Cooperation and Development

Presently about 1.2 billion people of the world live below the poverty line of dollar one a day. Majority of them are women and children. Almost every conference, meeting and forum on development has poverty eradication/reduction as an agenda point and vow to address it. Recently, the United Nations (UN) organised the International Conference on Financing for Development (FfD), which was held from March 18-22 2002 in Monterrey, Mexico. The signal achievement of the Conference was the adoption by acclamation Monterrey Consensus, which asserts the international community's resolve to eradicate poverty, achieve sustained economic growth and promote sustainable development in the context of a fully inclusive and equitable global economic system.

Speakers during the Conference called for increased international aid in the form of ODA, foreign direct investment (FDI), and other arrangements, to assist countries in reducing poverty and furthering development. The speakers noted that poverty and inequalities could lead to despair and provide a breeding ground for violence, crime, corruption and terrorism. The need for strong follow-up action to ensure implementation of the goals of the Consensus was emphasized by many. Thus, Monterrey conference had become the trigger for a new movement designed to combat marginalization and underdevelopment.

There are several financial institutions, which are apparently determined to address poverty since last 5 decades. The poverty monster however has been flourishing substantially rather than vanishing. Therefore, there is a need to understand that how much serious effort is being made to eradicate or reduce poverty from the world over --- and by whom. There is also need to take stock that why after injecting tremendous financial and human resources, the world's think tanks are evidently failed to even stagnant it, forget the reduction or eradication.

In 1964, the developed nations formed an organisation called 'Organisation for Economic Cooperation and Development (OECD)'. The organisation's member countries promised the United Nations (UN) to provide 0.7% of their Gross National Product (GNP), a target set by them, as development assistance to the world. This commitment however has never been fulfilled as average percentage of the committed share has never crossed 0.48% of their GNP. Moreover, this 0.48% of their GNP was provided only in first two years of their commitment. This development assistance commitment though has been increased in terms of volume but has decreased in terms of percentage. In 1999, it was about 0.22% of their aggregate GNP commitments. This implies that the development funds have been shrinking in terms of percentage and per capita albeit the world population has also been increased to two folds since 1964.

In 1999, the United States, the largest economy of the world (GDP US$ 8,083 billion[1]), provided the least percentage (0.08%) of its commitment for the development assistance whereas the Netherlands (stand 22nd in terms of GDP: US$ 343.9 billion[2]) extended the largest share (0.7%) for the development cooperation. At present Japan (the second largest economy of the world) stands at number one in terms of amount and supply of development cooperation funds and US positions at 3rd, however.

In Year 2000 world's total GNP was US$ 29 trillion where as the population was over 6 billion. It means the world per capita GNP was US$ 4,833, which gives a romantic picture to the poor. However, as the GNP is increasing the poverty does also thus there seem a positive relationship between the two.

In year 2000-2001 the total estimated[3] funds available for 'development' was about US$ 542 billion. This includes multilateral, bilateral, international and private funds available for all sort of development including the defence assistance for the underdeveloped nations of the world. This fund is not extended as grant to the recipient countries rather only about 2% is provided as grant in aid. The rest development assistance funds are provided either as soft or hard loans to the recipient countries. An interesting part of this development assistance is that about one fifth of these funds are gone for the administrative purposes. Nearly a fifth (17.7% of development assistance cooperation (DAC) bilateral is given on the condition that it will be used only to purchase goods and services from the donor country (excluding technical cooperation). About 22.4% of this

[1] The World Almanac 2000

[2] Pakistan stands 21st in terms of GDP (US$ 344 billion) in year 2000

[3] The Reality of Aid (Poverty Reduction and Development Assistance) 2000-2001 published by Earthscan

development assistance are spent on basic education (1.2%); education, health and population (15.6%) and water supply and sanitation (5.6%). It may be noted that in year 1999 the total amount available for development assistance was 1.4% of the combined government expenditures of the OECD countries.

Poverty eradication is affordable if aid is stayed at just 0.33% of 21 OECD member countries GNP – its level in 1992. The question arises that are the OECD countries serious in eradicating the poverty from the world? It seems that they are not … as serious as they should be. For instance, during the Far East Asia recession period the OECD countries pledged US$ 57 billion just in a week of time to bail out South Korea where they had their vested interests. In fiscal year 1999-2000, about US$ 218 billion[4] was spent on community services/development alone in USA. Therefore if they are serious in poverty eradication from the least developed nations they can also generate US$20 billion a year to bring out more than a billion people from the absolute poverty.

Problems attached to Development Assistance

Corruption is the most horrifying thing that is attached to the development assistance and another major international concern and topic of international conferences and policy forums' speeches. It should also be a target issue for non-governmental efforts. The report, "*Exporting Corruption - Privatisation, Multinationals and Bribery*[5]" estimates that western businesses pay bribes to the tune of $80 billion a year - roughly the amount that the United Nations believes is needed to eradicate global poverty.

A new report[6] claim that the growth of corruption across the globe is largely the result of rapid privatization of public enterprises, along with reforms to downsize and undervalue civil services, pushed on developing countries by the World Bank, the IMF and western governments supporting their transnational corporations. The report pointed out that corruption practiced by multinationals in the South not only undermines 'good governance', but also development and exacerbates poverty and inequality.

> *"If corruption is growing throughout the world, it is largely a result of the rapid privatisation (and associated practices of contracting-out and concessions) of public enterprises worldwide. This process has been pushed by western creditors and governments and carried out in such as way as to allow multinational companies to operate with increased impunity. Thus multinationals, supported by western governments and their agencies, are engaging in corruption on a vast scale in North and South alike. Donor governments and multilateral agencies such as the World Bank and International Monetary Fund frequently put forward anti-poverty and "good governance" agendas, but their actions send a different signal about where their priorities lie."*

Efficient, accountable, adequately paid and well-motivated civil services are essential for combating corruption, and civil service reform has been a major component of structural adjustment lending since the 1980s. "Yet for the World Bank and IMF, reform primarily means 'downsizing'. Although, the Bank itself has discovered, these cuts have produced neither greater efficiency nor increased revenue.

Most commentators on corruption - and on the 'good governance' initiatives instigated to combat it - dwell on developing countries, not industrialized ones. "Most scrutinize politically-lax cultures in the South, not the North. Most call attention to the petty corruption of low-paid civil servants, not to the grand corruption of wealthy multinationals. Most focus on symptoms such as missing resources, not causes such as deregulation of state enterprises. Most talk about bribe-takers, not bribe-givers."

Corruption is increasingly cited as a reason for withholding foreign aid or debt relief. If a country's inability to pay interest on its loans is due to its leaders siphoning off national earnings into their own bank accounts, the reasoning goes, surely extending aid or canceling the debt will merely sanction further graft. For multinationals, **bribery** enables companies to gain contracts (particularly for public works and military equipments) or concessions, which they would not otherwise have won, or to do so on more favourable terms. In 1999, the US Commerce Department reported that, in the preceding five years, bribery was believed to have been a factor in 294 commercial contracts worth $145 billion.

[4] Point of Lights: An American NGO
[5] Sue Hawley, published by a UK-based research and solidarity NGO The Corner House that brings out briefing notes on major international development issues
[6] Someshwar Singh : Swiss Journal, Geneva July 2001

Many instances of western multinational firms being implicated in charges of corruption, action against corruption has to involve effective sanctions by developing countries against multinationals which engage in corrupt practices; greater political transparency to remove the secrecy under which corruption flourishes; and resistance to the uncritical extension of privatization and neo-liberal economic policies. The effectiveness of sanctions is that in Singapore, a middleman was convicted in 1996 of paying bribes totaling $9.8 million on behalf of Siemens, Pirelli, BICC, Tomen and Marubeni. Not only did the government ban all five companies from bidding for any government contracts for five years. It also banned "firms associated with the five companies, any new company that the firms nay jointly set up, and firms that share the same directors as the five." Many western companies do not dirty their own hands. Instead, they pay local agents, who get a 10% or so 'success fee' if a contract goes through and who have access to the necessary 'slush-funds' to ensure that it does.

Bribery is also increasingly subtle. It often takes the form of semi-legal fees or 'commissions', and inflated or marked-up prices. In contracts guaranteed by export credit agencies, such 'commissions' are included in the costs and thus in the total contract value covered by the guarantee --practices which Transparency International says is "an indirect encouragement to bribe which, in future, brings it close to complicity with a criminal offence." Until recently, many countries including France, Germany and the UK treated bribes as legitimate business expenses which could be claimed for tax deduction purposes.

Multinational corporations' corrupt practices affect the South in many ways. In addition to undermining development and increasing inequality and poverty, they disadvantage smaller domestic firms. They transfer money that could be put towards poverty eradication into the hand of the rich. They distort decision-making in favour of projects that benefit the few rather the many. They also increase debt; benefit the company, not the country; bypass local democratic processes; damage the environment; circumvent legislation and promote weapons sales.

As western governments and the World Bank and IMF shout ever more loudly about corruption, their own policies are making it worse in both North and South. In a section called "The World Bank's Corrupt Auditors," an NGO report noted that the independent accounting firm appointed by the World Bank to investigate corruption in Bank projects has itself been caught paying bribes in one of the countries it was asked to investigate.

The Societá Generale de Surveillance (SGS) of Switzerland - hired in September 1996 by World Bank President James Wolfensohn to conduct spot audits and uncover corruption in Bank-funded projects in Poland, Kenya and Pakistan -- admitted in December 1997 to having paid a "substantial commission" in 1992 to obtain a government contract for inspection services in Pakistan. In August 1999, SGS was banned from operation for five years in Ethiopia for illegal activities including tax evasion and working without proper work licenses.

Another firm, Price Waterhouse Coopers, which helps the World Bank's internal Audit Department was found guilty in January 2000 by the US Securities and Exchange Commission of "not only a lack of sufficient global safeguards, but also a systematic failure by professionals" to adhere to even their own firm's existing controls." SEC found thousands of instances of Price Waterhouse Coopers' staff and partners holding shares in companies they audited. While 55% of the $25 billion that the World Bank lends each year is disbursed locally, the other 45% is dispersed directly to foreign companies through "International Competitive Bidding." The majority of these contracts go to companies from the OECD countries, mainly in the G-7. The US and Germany each get 6% of contracts and the UK 3 percent. "Britain, in fact, gets more back in contracts for its companies than it contributes to the Bank", the NGO report pointed out.

The consultancy contracts to Bank-financed projects -- which absorb 10% of the bank's $25 billion loans -- are particularly prone to corruption since they are not subject to international advertisements and competitive bidding. A host of specialized lobbying firms have grown up to help companies win these deals. Many were started by former World Bank staff and representatives themselves. For instance, International Business Consultants was set up by the World Bank procurement chief Donald Strombom, when he left the Bank in 1997.

The private banking services and offshore financial centres are the major conduits and repositories for bribes and corrupt gains. "An estimated $40 billion from poor and former communist economies finds it way into US or European banks every year, much of it illegitimately gained". Some $30 billion of western aid "used as part of the Cold War game of winning friends" has ended up in Swiss bank accounts alone. "Leaders from some African countries have collectively had up to $20 billion on deposit in Swiss banks."

Today, private banking – increasingly used for confidential services to international elites, is believed to be worth as much as $17 trillion worldwide, and is experiencing phenomenal growth. The private banking boom has its origin in the debt crisis and is major reason for the continued indebtedness of many poor countries.

"Because of the debt crisis in the late 1980s onwards, western banks had fewer opportunities to lend to Third World countries and thus started to pursue wealthy individuals in the Third World to encourage them to place their wealth in private bank accounts. International loans to developing countries were creamed off by those in power and "transferred into banks -- ironically often to 'private banking' branches of the very same international banks that had issued the international loan -- in the first place."

"An estimated 80% of the loans made by commercial banks during the 1980s never reached their destined countries, remaining instead in Northern bank accounts. In Latin America, two-thirds of total debt is thought to have been deposited in Northern banks," another report says. The report suggests that more sweeping attempts to recover stolen money will require both promulgating an international convention and closing loopholes that allow ill-gotten gains to leave countries in the first place. Unlike the war on illicit drugs, which lobbies feverishly against producing regions in the developing world but turns soft on rich consumers in the developed world, the tirade on "good governance" against the developing countries can be turned around in their favour - for there is much to uncover about good governance in the very quarters that are so eloquently preaching their sanctity.

Role of Non-Governmental organisations (NGOs)

Non-Governmental organisations (NGOs[7]) manifest a new political reality in the global realm. Traditionally, NGOs have come to mobilize, articulate and represent people's interests or concerns at different levels of decision-making: locally, nationally and internationally. NGO Sector is the fastest emerging sector in the world that addresses the poverty alleviation through non-conventional ways and strategies and therefore NGOs are supposed to help government efforts to reduce the agony of the marginalised communities in a country where they work. In the past twenty-five years or so, the role of NGOs and community based organisations (CBOs) has met discernible success in assuring the incorporation of social consideration in the development process. In most of the recent development projects funded by Development Financial Institutions (DFIs), the role of NGOs has been incorporated in the nexus to articulate peoples' interest and promote peoples' participation in development process. The international DFIs especially, the World Bank (WB), with recent tilt towards greening the Bank[8] works closely with the national governments in addressing the concerns of the civil society with a top down approach. The similar policy shift is also observed with Asian Development Bank (ADB).[9]

Therefore, over the past three decades, the NGO sector in both developed and developing countries has experienced exponential growth. From 1970 to 1985 total development aid disbursed by international NGOs increased ten-fold. In 1992 international NGOs channeled over $7.6 billion of aid to developing countries. It is now estimated that over 15 percent of total overseas development aid is channeled through NGOs.

Worldwide the role of NGOs is contestant. The political responsibility and role of NGOs are to act as an intermediary[10] between different groups aspiring different perceived goals, the DFIs generally define them as deliverers of social services and recognize their role as operational intermediary. In effect the NGOs' role in the development process is seen as more of a mechanism of service delivery in line with top-down objectives. Therefore, the duality of role in terms of combining the functions of advocacy and participatory development or given agenda may lead to conflict of interest. The danger is that NGOs once sucked into an intermediary role, with a given mandate and finances, may distance themselves from the grassroots and draw themselves more closer to the role of pseudo-government or donor.

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[7] The World Bank Operational Manual Statement, Publication no. 5.30, Washington, August 1988, Page-1

[8] The Struggle for Accountability: The World Bank, NGOs and Grassroots Movements; Edited by Jonathan A. Fox and David Brown. MIT Press, September 1998

[9] Review of National Resettlement Policies and Experience with Involuntary Resettlement Project -- On-going Country Resettlement Policy Project (a regional TA No.5781 funded by ADB).

[10] Jordan, Lisa and Peter van Tuijl; Political responsibility in NGO advocacy - Exploring Emerging Shapes of Global Democracy, Euforic Page; April 1998

Situation of Pakistan and Challenges to Pakistani NGOs

Pakistan is home to over 142.6 million[11] people with an annual population growth rate 2.11% and diversified culture and norms. A majority (about 65%) of the population lives in rural areas. The local power structure under the feudal and *Sardari* social system is intact since long and they are the major power sharers with history of brutality and suppression to the underprivileged.

A survey conducted in February 2001 by the Gallop Pakistan (Chapter of Gallop USA) reveals that over 40% population of Pakistan now lives below the poverty line[12] of that majority are women and children. Wherein, 57% people living below the poverty line are in Balochistan. Thus, as a developing country it has been receiving financial assistance since its independence. United States Agency for International Development (USAID) was the first among those who extended financial support to Pakistan. Later on other development agencies including multilateral agencies, mainly within the UN system, bilateral programs and international non-governmental organisations (INGOs) started funding according to their interests.

Initially most of the development assistance was channeled through the government or its departments till the late 80s, when the NGO sector in Pakistan attained a significant momentum. Since then NGOs are seen as instrumental and therefore the funding agencies decided to promote their involvement in the development policies and projects. Donors also convinced the government to work more closely with the NGOs. Presently much of the development funding is provided through the NGOs or the funding agencies impress upon the government to involve NGOs at the different stages of a development program.

While in countries like India and Bangladesh the NGO sector is demand-driven and majority of them have been initiated and created to respond to the vast needs of poorer communities. In Pakistan most NGOs are donor-driven and have little link to the poorest sections of the population, particularly to the rural poor. It is estimated that now over 30,000 NGOs/CBOs are functional in Pakistan addressing various issues included from traditional service delivery (basic education, health, water & sanitation) to the rights based such as human rights, women issue, peace efforts, etc. Many larger NGOs are city-based and their leaders come from educated urban population, and are well connected, and better informed urbanised elite of the country. Most leaders are people who have been dissatisfied in the government and/or the private sector, and have sized the opportunity of a shifting policy by the international donor community towards development assistance to Pakistan. Having realised that the international community tends to invest its development assistance in the non-governmental sector, many have sized the opportunity to benefit from these policies by establishing their own NGOs, often with little background or understanding of NGO movement world-wide or even in the region.

Often, the beneficiaries are not provided with the detailed information of NGO projects. Although a majority of NGOs claim that the beneficiaries are involved in the process of identification, design and implementation, but the situation on ground is different. Most of the time Pakistani NGOs ends up working through the local power structures and they try to avoid the establishment of information systems, which could reflect how poor are benefited and to what extent local elite hijacks the project investments. The critical aspect of empowering the poor by providing relevant information, training and establishment of institutions at the grassroots level is being ignored. Therefore, a lot of resources, which can be accessed by the poor to address their development needs, are not being properly utilized.

The general impression of communities and common people is that huge amount has been injected in the projects aiming at to reduce the poverty however instead declining, the poverty has been increasing day by day. Though there may be other aspects of the situation such as high population growth and ineffective policy formulations and implementation. However, the critiques also challenge, among other aspects, the accountability systems prevails within Pakistani NGOs.

There is as yet no agreed definition of NGOs' accountability[13]. A majority of these critiques are of the view that inadequate accountability system is the factor that hampers the efforts of foreign donors' (including DFIs) contribution towards poverty reduction. Recent scam of US$ 400 million in the Phase II of the Social Action Programme (SAP-II), a World Bank and other bilateral agencies funded project, is a significant example[14] to

[11] Estimated by the Government of Pakistan in July 2001
[12] Survey conducted in February 2001 by the Gallop Pakistan (Chapter of Gallop USA)
[13] Rajesh Tendon – 'Board Games' Governance and Accountability in NGOs, Beyond the Magic Bullet, 1995
[14] Fraud in World Bank Funded Projects in Pakistan: Complaint (Mar-44), Rana Riaz Saeed, March 2000

mention. Another study 'Social Development in Pakistan' Annual Review 1999[15] reveals that very *LOW* (30%) percentage of project funds reach the ultimate beneficiaries because of higher administrative costs, inappropriate monitoring and evaluation systems for project approvals and implementations. The figure also indicates that how much the donors are accountable for their stewardship of public (taxpayers) money… and realise an obligation to be responsive to the questions and concerns of their respective stakeholders.

Another survey reveals that most of NGOs are not tax exempted and thus a good percentage of the development funds are gone in to the tax heads such as income tax. This reduces the development funds further, which can be utilized to reduce the poverty. NGOs are not automatically exempted from income tax. However, they can be granted exemption if they meet specified conditions of the Central Board of Revenue (CBR), and certain kinds of income is also exempted. Allowance to tax payers in respect of donations is only possible if the institution is approved by the CBR for this purpose. There are special conditions, rules and procedures for obtaining this approval, which is valid for one year and renewable, if conditions are met. It can also be withdrawn from both the NGOs and taxpayers for non-compliance.

Challenges to Development workers

The situation clearly aspires the development workers to understand and address this growing apprehension of the people about lack of marginalised community participation in their socio-economic development programmes, NGOs functioning & accountability and their systems such as governing in NGOs that prevails in Pakistan.

Therefore there is a need to bring about a positive change in life of the marginalised communities of Pakistan. It also emphases that measure needs to be taken to improve the functioning of CBOs/NGOs to provide the maximum benefits to the target community and optimal utilization of the available financial and human resources for poverty alleviation. Moreover there is also need to initiate programmes for the underprivileged and marginalised communities in the most poverty stricken areas of the country.

What to do?

- **Promote Volunteerism**

About two decades ago there was a trend in the Pakistani society to work for their social development voluntarily. This trend however has been fading-out due to various reasons. The major reason is the ever-deteriorating economic condition of the people since last one decade. Moreover the communities now rely more on other rather then their own potentialities. Therefore NGOs should reactivate and promote the volunteerism.

- **Take step towards financial self -reliance**
- **Initiate discussion in particular issues of local and national importance.**
- **Empower the Communities and ensure their participation in development efforts**
- **Be accountable to the beneficiaries and gain their confidence**
- **Reduce the Corruption from within society including from NGOs**
- **Introduce and improve Monitoring and Evaluation mechanisms,**

I believe that desired results from the programme can only be achieved by very careful planning and monitoring the implementation. Therefore, regular monitor and evaluate the progress should be organized to determine the future direction of the program. Internally, the monitoring and evaluation (M&E) officer of the NGOs should be responsible to carry out M&E of the programme independently on regular basis.

- **Bring the accountability concept and systems in NGOs**

The essence of accountability is to ensure that NGO funds are used in accordance with applicable standards. Accountability transcends financial integrity: "NGOs are also accountable[16] to their immediate beneficiaries for the substantive services that they provide. More broadly, they are accountable to the ultimate beneficiaries, the public-at-large . . .. As a basic condition for ensuring accountability, all NGOs are required to open their accounts to public scrutiny."

[15] 'Social Development in Pakistan' Annual Review 1999, Zaidi, S Akbar, Oxford University Press

[16] ESCAP, Fiscal Incentives, p. 41 (1994)

I believes that an NGO with a community development orientation should have ***legitimacy*****, *credibility* and *accountability***. NGOs derive *legitimacy* to pursue their mission and values and from the support received within the constituency they identify with or intend to serve, so that they can effectively implement their mission and values. NGOs derive *credibility* from the quality of their partnership relationships, their general and specific development experience, relevant to the issue(s), which are central in their analysis of the issue(s) under consideration. In the pursuit of their mission, NGOs are *accountable* to their constituency and to their relevant counter-parts.

One can distinguishes *functional accountability* and *strategic accountability*. Functional accountability arises from the conduct of specific program and project activities, and includes the arrangement of financial transparency and organisational checks and balances under a general umbrella of adherence to the law of the land (as long as national law does not violate international human rights standards). Strategic accountability is understood as the long terms responsibility of an NGO to contribute to democratization and the strengthening of civil society.

In general, the basic tools for achieving accountability and transparency are a variety of reports. But I understand that in addition following are the tools needed among the stakeholders such as:

1. Reporting to and Audit by Licensing Agencies.
2. Reporting to Donors.
3. Disclosure or Availability of Information to the beneficiaries (Public).

I believe that this will help both the NGOs and development workers in generating funds from within the indigenous sources and their function substantially. However, this needs commitment, dedication and hard work from the development workers to the cause they are talking about and working for.

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