

FOCUS

The Crisis of Global Capital

by FILOMENO STA ANA III

When the financial crisis exploded in East and Southeast Asia, most analysts and policy makers--mainly the economists--described it as a regional phenomenon; an Asian financial crisis brought about by the weaknesses and vulnerabilities of the national economies. Adopting the view that this was a regional crisis, many policy-makers and opinion makers--especially those outside the region--attributed the crisis to the "Asian model" of growth and development, which was char-

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Editorial Board: Antonio B.
Quizon, Roel R. Ravanera,
Nathaniel Don E. Marquez

Editorial consultant: Ma.
Teresa Lingan-Debuque

The Emperor Has No Clothes

In his September 14 address, US President Bill Clinton outlined a plan to rescue the global economy from the current financial crisis. With its emphasis on global safety nets and government-spurred growth, among others, what this plan amounts to, if carried out, is a kind of 1990s New Deal, the biggest turnabout to government activism since the cold war's conclusion made open markets the orthodoxy. Equally significant, this plan is, by implication, an indictment of the IMF formula; an admission, in other words, that the policies that guided the last five development decades have been wrongheaded, and the pain they inflicted, all for naught.

Finally, the truth is out. And it took a man, desperate to banish memories of him with his pants down, to successfully undress it.

For years, NGO activists and other critics of the IMF's austerity program have been pointing out that development was much harder than the IMF made it sound; that unregulated financial flows were destabilizing the economies of developing countries; that, instead of bringing about shared prosperity, decades of painful economic restructuring have led to greater income inequality than ever before. In turn, the IMF, which believes only what it can count, has always said, "Let's look at the numbers."

Never mind that those double-digit growth rates represent little more than a bubble bound to burst; never mind that those impressive financial flows are made up mostly of "hot money" which quickly come and quickly go; never mind that profits made by foreign capitalists are repatriated abroad and hence make no dent on poverty in the country where the money was made. As long as the numbers in-

dicated growth of the kind the IMF is interested in, all was well.

And so when sectors of society that have not benefited from this so-called growth say they are starving, the IMF looks at the numbers and, finding them in order, insists the people can't be hungry, but have merely been duped into thinking so by troublemakers (read: its critics). When the poor complain that despite taking their pills, they have not gotten better, the IMF consults its records and assures them they have never been healthier. When the people say the promised prosperity is an illusion, the IMF parades the figures from which the illusion was woven, and chides the doubters for their lack of financial sophistication.

Just before the crisis hit in 1997, Wall Street was proclaiming the death of inflation, the end of the boom-bust cycle, the beginning of endless growth. The IMF, which credits itself partly for these developments, loudly congratulated itself. Then the "impossible" happened.

While Asia's emerging economies began first to bleed, then to hemorrhage, the IMF could do little to staunch the panicked outflow of capital, which had been their lifeblood.

The delicately woven illusion began to unravel in full sight of the world. The parade came to a screeching halt. The Emperor has no clothes.--*Teresa L. Debuque*

Crisis as challenge

The crisis presents an opportunity for the Asian Development Bank (ADB) to thoroughly reexamine its vision, goals, and strategies.

In relation to intervening in the crisis, the ADB must not hesitate to

criticize other multilateral and bilateral institutions, especially the IMF, for giving unsound advice and imposing restrictive conditions to the crisis-ridden economies. The ADB must likewise see to it that their intervention and assistance will be directed at stimulating the economic recovery at the soonest possible time and providing social safety nets for the most vulnerable sectors. In the same vein, the ADB must concentrate its resources on human development (basic health and education) and social infrastructure.

Further, the ADB should welcome the Japanese proposal to set aside US\$30 billion in emergency loans. The ADB should contribute to the fund and even push for a bigger amount. A bigger fund coming from Japan and the rest of Asia can neutralize the aggressiveness of the IMF, which has lorded it over the different Asian economies.

In the area of policy, the ADB must support the calls for better regional exchange-rate coordination and for a region-wide regulation of short-term capital. A tax on short-term portfolio flows has become all the more relevant, and this can be effectively done at the regional level, to prevent specific countries from resorting to beggar-thy-neighbor practices.

The ADB must likewise take the lead in exploring other innovative options to restore confidence in the regional economies and stem the speculative attacks. The ADB should consider as part of the menu of options the use of currency controls.

The regional crisis requires regional solutions. The ADB, as a way of making up for previous shortcomings, should not renege on the role of providing dynamic leadership to the region.--*Filomeno Sta. Ana III*

acterized by heavy government intervention and regulation.

Many also thought that the crisis would soon bottom out, arguing that IMF-guided reforms and external assistance would nurture the economies of Thailand, Korea, Indonesia, Malaysia, and the Philippines. These economies, they would say, have the capacity to weather the crisis and bounce back. After all, these economies were characterized by low inflation, high saving rates, and conservative fiscal policies (having low budget deficits or even posting budget surpluses). The formula for recovery was anchored on adopting and implementing the IMF reforms—essentially, the promotion of the free market (liberalization, deregulation, and privatization).

A year has passed, but the Asian crisis has not shown any sign of tapering. In fact, the affected national economies are arguably going through the worst part of the crisis. Indonesia's gross domestic product (GDP), for example, would fall by a whopping 15.1 percent this year. Before this crisis struck, the worst recession in the region occurred in the Philippines at the height of the political and economic crisis that beset the Marcos dictatorship in its twilight years (1984-86). But the fall in Philippine economic growth then—the worst not exceeding 7 percent—would definitely pale in comparison with what is now happening in Indonesia and the other economies in the region. The Philippines, likewise affected by the present crisis though not as stark as what struck its neighbors, is also going through recession though earlier, authorities believed the economy could still register positive growth despite the slowdown.

Further, the crisis has affected even the healthy economies in the region. The economy of Hong Kong, for example, has shrunk, registering its worst growth performance since World War II. But more than that, it is by now clear that the crisis can no longer be called an Asian crisis. The crisis is now threatening the global economy. Latin America is no longer insulated from the crisis, exemplified by the fall of markets in Brazil, which in turn sent shock waves throughout the region. Even the biggest economies, namely the US and Europe, are not spared from the jitters, as their financial and equity markets have become volatile.

To quote Krugman (1998), "Never in the course of economic events—not even in the early years of the Depression—has so large a part of the world economy experienced so devastating a fall from grace."

In this light, while it must be acknowledged that the crisis was sparked by the collapse of economies in East and Southeast Asia (arising from internal weaknesses), still the crisis could not simply have been a product of a specific Asian model or a specific set of Asian characteristics. It is valid to describe the Asian crisis insofar as a number of economies in the region have been hit by the crisis. But even within the region, several economies have been spared from the crisis, namely China, Taiwan, and Singapore. The contagion has not seriously affected the South Asia region, either.

Be that as it may, the so-called Asian crisis is not simply a regional phenomenon. It is in fact a symptom of a bigger crisis—the crisis of global capital.

The Internal Problems—Not Purely Asian

Much analysis has been done on the Asian crisis, and this paper merely consolidates and summarizes the basic points. The tendency, however, is to blame the Asian crisis on the Asian model, on Asian characteristics, and on Asian leadership. But aside from having a racist overtone, this kind of conclusion lacks objectivity and suffers from a distortion of facts.

That said, it cannot be denied that internal problems and weaknesses caused the crisis. But these weaknesses are not inherently Asian. In the words of Krugman, "at least in part, the region's downfall was a punishment for its sins." Note Krugman's formulation, "at least in part."

A mortal sin was that the different regimes tolerated, if not encouraged, crony capitalism. In Indonesia, Suharto and family controlled some of the most profitable industries. Policies were shaped to favor the Suharto family's economic interests at the same time that Suharto used public money to accumulate private wealth. In Malaysia, Mahathir rewarded loyal friends and supporters with public projects and liberal incentives. In Korea, officials accepted monetary gifts from the mighty industrial conglomerates maintained (the *chaebols*) and maintained a cozy, personal relationship with the captains of industry. In the Philippines, the government officials may have avoided the blatant forms of crony capitalism displayed during the Marcos era, but they have remained captive to the vested interests of the oligarchy.

Going hand in hand with crony capitalism is graft and corruption. To be sure, Indonesia, Philippines, Malaysia, Thailand, Korea, and even Japan are afflicted with chronic graft and corruption. Cases of bribery and financial irregularities have hounded these countries since time immemorial. But that is

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precisely the point: graft and corruption has been a fixture, so to speak, in these countries, even during the long period in which these countries (with the exception of the Philippines) posted rapid, high growth. These economies became the toast of the world, and they became known collectively as the “East Asian miracle.” Despite graft and corruption, despite crony capitalism, these economies were able to sustain high growth, dramatically increase per capita income, and substantially improve the well-being (especially in health and education) of their peoples. In short, crony capitalism and graft and corruption, even as we denounce these practices, could not have been the primary factors that explain the crisis.

Besides, crony capitalism and graft and corruption are not an endemic problem; they thrive not only in Asia but also in the rest of the world. Even in the most honest societies, “crony capitalism” likewise exists, albeit in a different subtler form. For instance, generous subsidies to some economic sectors and bailouts of failed corporations, even if they may not benefit the friends or relatives of those in power, still mean using (or wasting) taxpayers’ money to favor a few.

And as the highly performing economies continued to grow, business and government officials became more overconfident and arrogant. Hubris led to financial excesses. Malaysia went ahead with an ambitious infrastructure project patterned after the Silicon valley. It undertook the construction of the Petronas towers, considered to be among the tallest buildings in the world. In Thailand, financial capital poured but was mainly used to finance skyscrapers, shopping malls, golf courses and other nontradeables. However, the real sector of the economy fell behind. Dornbusch (1998) said it eloquently: The Asian economies “all helped themselves to build money temples, commodity businesses like chips and automobiles, or just enjoy plain consumption from Gucci to BMW. Frenetically, Asia’s skyline changed to reveal the great banking temples of Bangkok and Jakarta or any other city. Asia was pigging out.”

But again, financial excesses are not peculiar to Asia. And the financial excesses by themselves would not have caused the collapse of the East and Southeast Asian economies.

Lack of Transparency and Information

To be sure, the lack of transparency and the inadequacy of information masked the weaknesses of the economies in the region. In the same vein, crony capitalism continued unabated because of the re-

strictions of rights and freedoms in several countries. In Indonesia and Malaysia, the free press was muzzled, and internal security laws prevented the people from exercising their full democratic rights. In these countries, the economic crisis accelerated the political unrest, leading to the downfall of Suharto and the weakening of Mahathir’s grip.

However, the restrictive political system is not a common feature of the different countries hit by the crisis. Thailand, Korea, and the Philippines have open democratic systems. On the other hand, politically restrictive countries—Singapore and China—have so far been spared from the crisis.

But the problems relating to transparency and information apply to both the open and closed political systems. It is worth quoting Stiglitz (1998):

Because information is the lifeblood of every economy, traditional or modern, information failures can have profound effects. Consider, for example, the economic crisis in East Asia. It highlights how vulnerable financial markets are to wrong or defective information.

The scale and breadth of capital outflows in East Asia reflected the pervasive lack of information that could have helped investors gauge risk. The scarcity of relevant information panicked lenders into fleeing from all banks and all firms in the region, thereby deepening the crisis. With greater transparency and better information, investors might have been able to choose between high- and low-risk investments, and might even have encouraged corrective action before the crisis worsened.

To a significant extent, the lack of transparency and information is linked to weak prudential regulations. The weakness of bank monitoring and supervision plus implicit guarantees given by the regulators to the private banks created bigger moral hazard problems. In light of the loose supervision and the implicit guarantees, the commercial banks did not mind taking bigger risks, including the use of dollar-denominated instruments for aggressive lending to many unhedged corporations.

Be that as it may, the weakness of banking monitoring and regulation in the East Asian model is also understandable in a particular context. Note that the NICs (in this case, Korea and Japan) allowed—in fact, welcomed—critical state intervention in different areas of the economy. State intervention was also found in the banking sector, wherein the state “fixed” interest rates and allocated credit. In this institutional arrangement, finance capital served the needs of the real economy.

In many other economies, finance capital has been dominant over industrial capital. But in the

Asian NICs, it was the other way around. Financial capital was subordinate to industrial capital. The implication is that strong prudential regulations are not absolutely necessary in a situation where the state intervenes heavily in the banking sector. To paraphrase Dean Raul Fabella (University of the Philippines School of Economics), the immaturity of prudential regulations in the NICs such as Japan and Korea should be treated as an endogenous factor.

The Danger of Short-Term Capital Flows

Where then lies the principal problem?

Economic liberals have argued that liberalization is the answer to the Asian crisis. They claim that economic liberalization is the antidote to the lack of transparency and information, the growth of crony capitalism, and the heavy economic intervention of the state.

This view, however, is deeply flawed. In the first place, as already explained, the common reasons cited for the collapse of some East and Southeast Asian economies could not rigorously and fully explain the depth and intensity of the crisis. Moreover, the problems relating to information, transparency, and state intervention were manageable before the onset of the liberalization of foreign capital. (Of course, this is not to condone the weaknesses.) In other words, if not for the opening up of the capital account, the problems cited above would have been less pronounced.

Let us take the case of Korea. Korea liberalized its capital account in the 1990s. Before that, Korea relied more on its current account (exports) to obtain the foreign exchange necessary to sustain the growth momentum. Korea however had a dilemma--it could have continued relying on exports to finance growth, but that would have meant devaluing the won to gain competitiveness. By that time, devaluation was tantamount to political suicide, for it would have been opposed by a rapidly expanding middle class (the middle class invariably has a strong appetite for imports) and an increasingly militant labor movement agitating for higher wages. Hence, Korea opted to take the easy path to get the much-needed foreign exchange--the liberalization of the capital account. Lo and behold, foreign investments invaded Korea.

Before the explosion of the Asian financial crisis, foreign capital was seen as a necessary ingredient to sustain the high growth rates of the East and Southeast Asian economies. The ongoing crisis, however, has shown that foreign capital also has its ugly side. In this light, the liberalization of the capital ac-

counts in the crisis-stricken countries has been put into question. Neoclassical economists, including those from the World Bank, concede that foreign capital liberalization in the region was premature. Without abandoning the strategy of liberalization, they point out the need for pacing capital account liberalization. In the sequencing of reforms, capital account liberalization would have come only after other structural reforms have been put in place.

Furthermore, there is a growing trend among mainstream economists to advocate the regulation of capital flows, especially the short-term investments. Krugman, for example, has batted for temporary capital controls, in aid of deeper reforms, to stem the continuing slide of the economies in crisis.

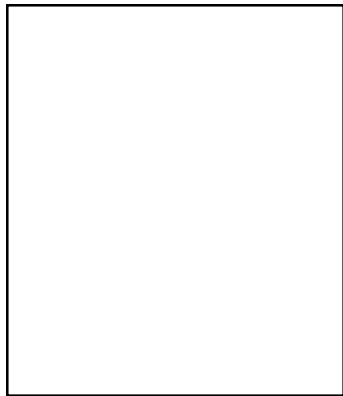
Foreign capital is divided into foreign direct investments (FDIs) and portfolio investments. FDIs are long-term in nature and are used to set up plants or factories, expand capacity, and hence lead to job creation. On the other hand, portfolio flows are short-term, mainly invested in treasury bills and in the equity markets. Unlike FDIs which cannot be easily and immediately pulled out, portfolio flows are fickle and volatile. The portfolio investments can at an instance move out of the country. While both FDIs and portfolio flows are driven by economic fundamentals, portfolio flows are more sensitive to short-term developments such as market sentiments. Hence, when markets panic because of negative news or developments, portfolio flows behave irrationally.

For Krugman (1998), "the unique aspect of Asia's comeuppance is not the awfulness of the crime but the severity of the punishment." The financial crisis was worsened by the "self-reinforcing panic." There was a massive reversal of capital flows. Before the onset of the crisis, capital flows into the region amounted to US\$100 billion yearly. By the second semester of 1997, capital flew out at almost the same rate.

The strategy of attracting heavy capital inflows had a trade-off. It meant accepting the appreciation of domestic currencies vis-a-vis the US dollar, resulting in an overvaluation of the currencies. In turn, this led to huge trade and current account deficits, as the strong domestic currencies (read: cheap exchange rates) led to an explosion in the demand for imports. At the same time, exports, which should have been the NIC's main engine of growth, were penalized. The appreciation of the domestic currencies eroded the price competitiveness of exports. Exports with high domestic content suffered. Export growth, on the whole, became sluggish. The Southeast Asian economies were relying on import-

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The IMF and the local counterparts assumed that high domestic interest rates would induce the people to hold on to local currencies. But this did not happen. There was a grave crisis of confidence on the local economies. So despite the high domestic interest rates, the people still preferred US dollar-denominated instruments to local currencies.

dependent exports such as electronics, but even electronics exports tapered off in light of the global slowdown that began in 1996.

Domestic manufacturing also slowed down as the import-substituting goods were threatened by the cheap imports. The overvaluation of domestic currencies came at a time that the countries were implementing tariff reduction as provided for by the GATT-WTO (General Agreement on Trade and Tariffs-World Trade Organization).

As tradeable goods--both exports and import substitutes--were being hurt by the overvalued currency, investors shifted their resources from the real sector to the nontradeables such as the real estate and financial sectors.

The Asian economies, however, resisted aligning their currencies to the real exchange rate. An alignment (that is having a devaluation) would have contradicted the policy of attracting more capital flows. At the same time, the authorities feared the political repercussions of devaluation and the concomitant rise in prices. Hence, they anchored their strategy on a stable exchange rate. This also meant keeping domestic interest rates higher than the interest rates in the rest of the world.

To be sure, the high interest rates attracted more foreign funds. The higher domestic interest rates also influenced the behavior of domestic corporations--many of them unhedged--to avail themselves of foreign borrowing. At first glance, the choice to borrow abroad was rational, for the high domestic interest rates meant higher cost of doing business. Short-term foreign borrowing was attractive because of the lower interest rates abroad and because of the assurances from monetary authorities that the exchange rate would remain stable.

But all this further strengthened the domestic currencies and further widened the current account deficits. At that point, the vicious cycle was difficult to reverse.

The growth could no longer be sustained, unless the huge current account deficits would be corrected through devaluation. Without resorting to drastic devaluation, the foreign exchange crisis could be avoided as long as foreign investments, including the portfolio flows, continue to pour in. Yet, the surging current account deficits, the slowdown of the real sector, and the increase in short-term foreign borrowing also indicated the vulnerability of the economies. This vulnerability led many investors to move their liquid assets out of the region, and the panic spread. Devaluation--a steep one at that--became de facto. Failing to anticipate the fall of the baht, won, rupiah, peso, and ringgit, many

highly leveraged corporations and the banks that aggressively lent money were threatened with bankruptcy. Not a few had to fold up.

In the end, it was the unregulated flow of capital, resulting in overvalued currencies and worsening current account deficits that brought about the collapse of the Asian economies.

To quote Dornbusch (1998), vulnerability can be avoided by good macroeconomic management that, among other things, "avoids getting a maximum of foreign capital on absurdly short maturity" and that "avoids drawing hard lines in the sand regarding exchange rates."

It is interesting to note that the economies that have been unharmed by the regional crisis--viz, China and Taiwan--have something in common. They enjoy current account surpluses and a high level of international reserves. Furthermore, they have capital controls, which have been put in place long before the Asian crisis erupted. (The Chinese yuan, for example, is non-convertible)

The Role of the IMF

The IMF's prescription of high interest rates and tight fiscal policies has aggravated the crisis. The objective of high interest rates was to stabilize the domestic currencies. The IMF and the local counterparts assumed that high domestic interest rates would induce the people to hold on to local currencies. But this did not happen. There was a grave crisis of confidence on the local economies. So despite the high domestic interest rates, the people still preferred US dollar-denominated instruments to local currencies.

The high interest rates strangled the domestic economies. Investments fell and unemployment shot up. The high interest rates pushed the economies in crisis to a deep recession.

Critics pointed out that the main challenge was to restore confidence in the economies by reviving growth. Certainly, the approach towards immediate recovery is lowering interest rates. Hence, the IMF has failed to contribute to confidence-building measures; moreover, to quote Jeffrey Sachs, the IMF measures "kill the economies and undermined confidence." The critics likewise pointed out that tight fiscal and monetary policies were inappropriate measures for Asia. For one thing, the governments did not have serious budget deficits and exercised fiscal prudence. Hence, the tightening of fiscal policies was off-key. For another thing, the private sector was the main casualty of the crisis.

The IMF thought that if the formula of high interest rates succeeded in Mexico in 1995, then it

could also work in Asia. Mexico indeed was able to recover from the crisis. But it was a painful recovery--its economy for instance contracted by 6.2 percent in the first year of the crisis.

The Mexican crisis in 1995, however, was somewhat different. The US virtually bailed out Mexico, for a prolonged Mexican crisis would have deep repercussions on the US economy. And that makes a whale of a difference. In the case of Asia, Japan--which ideally could have taken the lead in rescuing and rehabilitating the battered economies--is likewise beset by a recession. Japan cannot be part of the solution because it is part of the problem.

A relevant thought-provoking statement comes from Juergen Stark, then Germany's State Secretary for Finance with regard to the IMF's role in the Mexican bailout (cited in *Asiaweek*, 17 July 1998): "The IMF [by bailing out Mexico in 1995] contributed to some extent to causing the next crisis."

It is clear by now that the IMF rescue operation only worsened the crisis. Sharp budget cuts and high interest rates are a surefire formula to prolong and deepen the recession. Related to this, the IMF has shown insensitivity to social demands. The IMF has failed to grasp that it is not only a financial crisis gripping Asia but a social crisis as well.

Furthermore, there was much public opposition to the conditions of the IMF. It did not help any that the IMF also pressed for controversial free-market reforms. In Korea, the crisis is called the "IMF crisis."

Revisiting the East Asian Model

It might be imprecise to assert that the Asian newly industrializing countries (NICs) have one model of development--the so-called East Asian model. After all, the different NICs achieved successes under different historical, political and economic circumstances. Yet, it cannot be denied that the Asian NICs went through similar conditions, and that general lessons, both positive and negative, can be drawn from their experiences.

The collapse of economies in East Asia and South-east Asia has prompted many policy makers and scholars to reassess the East Asian miracle. Some even go to the extent of saying "I told you so"--that the East Asian model has proven to be a failure.

Yet, we just cannot throw out of the window the positive lessons drawn from the Asian miracle. A spectacular achievement is that the East Asian economies were able to bring about modernization and industrialization through rapid growth in a span of a few decades.

Further, such growth was accompanied by eq-

uity goals. In the early years of embarking on the industrialization strategy, the East Asian economies gave high priority to asset redistribution and to a conscious policy of sharing the gains of growth with the poor and discriminated classes. Japan, China, Korea, and Taiwan instituted radical, comprehensive land reform programs. Indonesia fixed prices of fertilizer and rice towards increasing the incomes of the rural poor. Malaysia introduced affirmative action to improve the status of the poorer Malays. Hongkong, and Singapore embarked on public housing programs that mainly benefited the workers and low-income earners.

In addition, these economies invested massively in human capital. They gave priority to basic education, ensuring universal primary education and providing easy access to secondary education. College education was a privilege, but because of the strong foundation at the basic level and the love for knowledge cultivated in the primary years, a significant number of youth pursued tertiary and post-graduate studies.

A basic prerequisite of industrialization is an emphasis given to research and development and science and technology. Such emphasis is reflected in the generous public and private spending for research and development and science and technology.

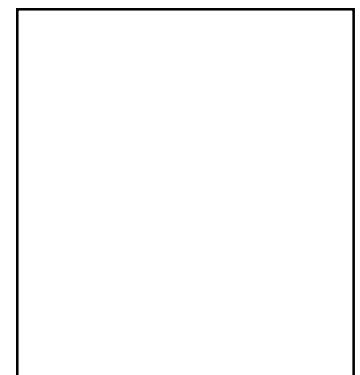
Certainly, direct investments from Japan not only built industries but also promoted technological innovation. In the process, their industries went up the technology ladder. There, however, was a trade-off. As articulated by Bello in *Dragons in Distress*--the Asian NICs became dependent on Japanese technology.

Going up the technology ladder nevertheless created the conditions for having skilled labor and developing human capital formation. This likewise resulted in the dramatic increases in labor productivity and real wages.

A defining feature of the NICs is its outward orientation--that of aggressively promoting exports. At first, the enterprises engaged in exports were labor intensive and small- and medium-scale. This was compatible in harmonizing growth and equity objectives, for exports created jobs. The export strategy entailed critical state intervention through credit subsidies, engineered depreciation of the currency, and obtaining foreign technology. Bello defines this as a strategic trade policy, which includes picking export winners and using other industrial-targeting policies

Until the crisis erupted in 1997, the export strategy sustained a virtuous cycle--export-led growth

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translated into higher savings and investment rates, in turn allowing higher capital formation leading to higher growth, and so on.

Despite the significant interventions of the state in the economy, the Asian NICs adopted what the World Bank calls the “market-friendly” framework. World Bank critics, however, would describe the Asian NICs as “state-assisted capitalism.” Be that as it may, everyone agrees that the NICs operated under a market economy, in which the state played a decisive role.

The Asian NICs nevertheless have their own shortcomings and weaknesses. And some of these weaknesses have been validated by the present crisis.

The NICs were fixated with rapid growth. To reiterate, the implication of this was their resort to portfolio flows and short-term foreign borrowing to sustain the growth momentum. To attract the foreign funds, their economies liberalized their capital accounts, which however brought about a new set of complicated problems such as high interest rates, currency overvaluation, widening trade gaps, decline of tradeable and the rise of nontradables, and surge of short-term foreign borrowing. The liberalization of the capital account also exposed the weak regulation and supervision in the financial sector.

In addition, rapid growth had tremendous environmental costs. The main cities in East and Southeast Asia are now heavily polluted, and natural resources in several countries (Indonesia, Thailand, and the Philippines) have been depleted at a very alarming rate.

Furthermore, the initial equity gains of the NICs are being negated. In the Philippines, Thailand and even in socialist China, the periods of prosperity are characterized by a widening of the income distribution gap.

On top of all this, the political systems in most of these countries are restrictive. At first, authoritarian, nondemocratic methods may have worked in instilling discipline and a common agenda. In the long run, however, dictatorial and nondemocratic rule--manifested in the lack of transparency and accountability, covered up the many sins of commission and omission that contributed to the intensification of the crisis.

The Role of ADB

To be sure, the Asian Development Bank (ADB) has no direct role in the collapse of the economies in the region. Yet, it may be culpable to some extent for the crisis.

For one thing, being the premier multilateral financing institution in Asia, it should have been

able to monitor the trends and problems in the region and hence anticipate the problems that are bound to explode. Of course, no one predicted with accuracy the breadth and depth of the crisis. But a number of critical scholars (for example, Krugman, Bello, and NGOs and academics working at the national level) had expressed their fears of a probable decline of the economies in the region way before the crisis exploded in 1997. The ADB, at the very least, could have arrived at the same conclusion, if only it had been more self-critical.

Part of the culpability lies in the ADB's reluctance to criticize the wrong ways of some member countries. More to the point, it lies in ADB's firm belief that its development model and strategies are sound and devoid of serious flaws.

The regional crisis should humble the ADB. The crisis presents an opportunity for the ADB to thoroughly reexamine its vision, goals, and strategies. This is not to say that the ADB's strategies and approaches have failed. But lessons can be learned, and they can only be absorbed if the institution is self-critical and open to comments and criticisms from outside.

In relation to intervening in the crisis, the ADB must not hesitate to criticize other multilateral and bilateral institutions, especially the IMF, for giving unsound advice and imposing restrictive conditions to the crisis-ridden economies. The ADB must likewise see to it that their intervention and assistance will be directed at stimulating the economic recovery at the soonest possible time and providing social safety nets for the most vulnerable sectors. In the same vein, the ADB must concentrate its resources on human development (basic health and education) and social infrastructure.

Further, the ADB should welcome the Japanese proposal to set aside US\$30 billion in emergency loans. The ADB should contribute to the fund and even push for a bigger amount. A bigger fund coming from Japan and the rest of Asia can neutralize the aggressiveness of the IMF, which has lorded it over the different Asian economies.

In the area of policy, the ADB must support the calls for better regional exchange-rate coordination and for a region-wide regulation of short-term capital. A tax on short-term portfolio flows has become all the more relevant, and this can be effectively done at the regional level, to prevent specific countries from resorting to beggar-thy-neighbor practices.

The ADB must likewise take the lead in exploring other innovative options to restore confidence in the regional economies and stem the speculative

attacks. The ADB should consider as part of the menu of options the use of currency controls. This is not a dreadful option. Even Krugman (1998) has batted for temporary exchange controls to revive the Asian economies--what he calls "Plan B." ("Extreme situations demand extreme measures; it's time to talk about Plan B.")

The regional crisis requires regional solutions. The ADB, as a way of making up for previous shortcomings, should not renege on the role of providing dynamic leadership to the region.

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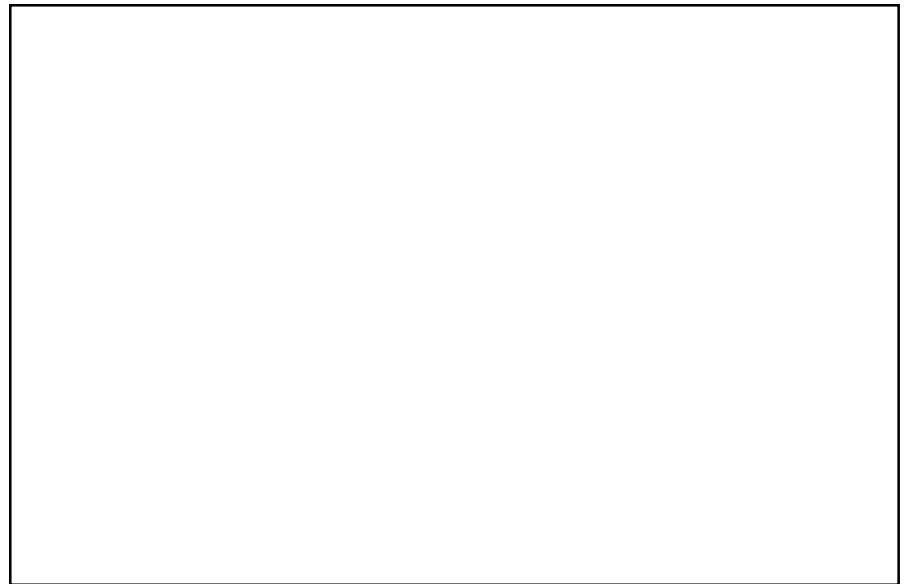
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About the Author
FILOMENO STA. ANA III is

IN DEPTH: NGOs in Asia

Government and NGO relations

Uneasy at best



What follows are excerpts from reports from the Nine-Country *Study of Asian Developing Member Countries* conducted by the International Development Support Services (IDSS) in the first quarter of 1997 under a Regional Technical Assistance Project of the Asian Development Bank.

Although the Study was commissioned to inform future Bank strategy in dealing with NGOs, BANKWATCH focused on items that are of interest to NGOs, e.g. a survey of the NGO community in each of the nine countries; government policy towards NGOs and government-NGO relations.

BANGLADESH

Excerpts from the country report prepared by Dr. Ahmed Kamal for the Asian Development Bank, June 1997

Origins and growth of NGOs

Colonial period. Private charity, religious trust and social reformist groups were engaged in philanthropic activities.

1970 - 1971. The wake of the cyclone of 1970 and the War of Independence in 1971 provided an impetus to the birth of development NGOs. Initially the NGOs were oriented to relief and reconstruction. They worked on an area basis and tried to help communities recover from the war, cyclones and the floods by bringing supplies into affected areas and distributing them. Some were influenced by the Comilla experiment of the 1960s and looked to provide a way in which peasant farmers could improve their prospects through village level cooperatives.

End of the 70s. The realization that the community approach was failing to channel resources to the poorer members of the class-based village society led to the adoption of the target approach whereby assistance was targeted to the poorest members of the community exclusively. The target groups were identified by various criteria, like landlessness, lack of assets, or hiring out labor for more than a certain number of days in a year.

1980s. The class based approach was refined and developed. Many NGOs felt that the poor were best served by encouraging them to mobilize around issues. They worked through a conscientization approach following the practice of Latin American NGOs who had been inspired by the work of Paulo Freire.*

At present, many smaller NGOs are engaged in copying models developed and tested by the larger NGOs. Only a few NGOs continue to experiment and innovate. In addition, the following trends can be observed: organizational expansion of a few NGOs with donor funds; regularization of programs; large, well-funded NGOs entering into contracts with government (mostly

as part of foreign aided projects) for training and implementation in specific geographical areas.

Overview of the NGO sector

Operational areas. NGO activities are concentrated in microcredit, employment and income generating activities, formal and informal education of children and adults, health, nutrition and family planning, establishment of effective democratic process at the grassroots, women's rights and environment, forestry and fisheries, poultry and livestock, water supply and sanitation, human rights and legal aid.

NGOs are also becoming increasingly significant in their public policy advocacy roles. Major issues that have been taken up are drug policy, breastfeeding campaign, reproductive rights, land reform, rights of tribal populations, campaign for primary education and Flood Action Plan.

Funding for NGO. There are now more than 20,000 NGOs of various types registered in the country. Registration is not mandatory unless the NGO wishes to engage in any transactions with the government.

As of March 1997, the number of foreign funded NGOs registered with the NGO Affairs Bureau is 1,151. Over the past six years the number of NGOs has increased substantially. It is estimated that NGOs currently work in about 78% of the villages in Bangladesh.

There is no data on the amount of money handled by NGOs. However, the most commonly cited figures suggest that NGOs receive about 15% of the aid provided to Bangladesh each year.

NGO coordination. Links and coordination among NGOs occur through a variety of issue based NGO fora. The largest coordination body for NGOs in Bangladesh is the Association of Development Agencies in Bangladesh.

Government-NGO relations

Policy environment for NGOs. Government and NGOs have collaborated in education; environment; fisheries and livestock.

In the implementation and monitoring of NGO programs, the Government follows these principles: 1) Participation of NGOs in development activities will be encouraged, provided their

* Brazilian educationist who advocated mental liberation through self-consciousness, a view that became influential in the 1960s and '70s throughout Latin America where political dictatorship prevailed at the time.

activities do not go against government policy or undermine national security; 2) NGOs should not undertake any program that offends religious sensitivities or has any adverse effect on the country's cultural life; 3) NGOs should work within the national legal framework and government policies; 4) projects included in the national development plan of the government or specific parts thereof may be implemented through the NGO; 5) NGOs should confine their activities to projects approved by the government.

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CAMBODIA

Excerpts from the country report prepared by Ly Sareoun, Men Sineoun & Leng Bunlong (based on the report of John Vighen) for the Asian Development Bank, July 1997

ARE THE VDCS NGOS?

Not in the strict sense.

Village Development Committees (VDCs) were formed in the early '90s. Some of them were put up by International NGOs (INGOs) to assist in their programs. The first large-scale establishment of such committees was in 1992 to 1993 when VDCs were formed to assist in the World Food Programme's Vulnerable Group Assistance project. The VDCs functioned rather well until the start of the campaign for the 1993 elections when they suddenly ceased to exist. The most likely reason for their demise was fear of being targeted. Said one informant, "[He] Who sticks his head out will have it cut off."

Following the elections, agencies formed their own kind of VDC. The government was largely uninvolved in these committees except at the local level, and so until recently remained unaware of their "potential". With the upsurge in debate among the coalition partners about a fairer (*i.e.* towards the royalist party FUNCINPEC) sharing of power in the districts, and following the appointment of party affiliated chiefs at the local level, the VDCs were "discovered" as a potential grassroots powerbase.

So the question that begs to be asked is, how much autonomy do the VDCs actually enjoy? And who do they truly represent? Representatives of local NGOs in several provinces have been told by local government officials, "Now we have VDCs, we don't need you anymore".
[We rest our case.--Ed.]

Origins and growth of NGOs

The history of NGOs in Cambodia may be divided into six periods: Independence, War, Khmer Rouge, Emergency, Reconstruction and Liberalization.

1954 to 1970 - "Independence". Only a few NGOs operated in the country, most of them focusing on religious activities.

1970 to 1975 - "War". Bilateral assistance came to an end. INGO assistance increased and was targeted to the provision of emergency relief, especially to victims of conflict.

1975 to 1979 - "Khmer Rouge". All international humanitarian aid was prohibited.

1979 to 1982 - "Emergency Aid". NGOs in small numbers reestablished their presence and implemented emergency relief programs in the country. Others continued to work with the refugee population at the Thai-Cambodian borders. Several consortia, representing donor agencies (such as CIDSE, COERR and OXFAM), were formed to facilitate the delivery of humanitarian assistance. This was intended to get around the aid embargo of Cambodia. On the other hand, the "isolation" of the country encouraged cooperation and sharing of limited information and resources among the few NGOs and UN agencies still able to work in Cambodia. All NGO effort during this period was aimed at providing relief assistance.

1982-1990 - "Reconstruction". NGOs working both inside the country and along the Thai-Cambodian border suffered from the highly polarized situation. The West rejected the Cambodian socialist government put in place by the Vietnamese and NGOs working with the government risked being accused of collaborating with a communist regime. The less than 15 INGOs and WFP, UNICEF, ICRC and UNHCR encountered much difficulty because of government restrictions. NGOs continued to provide reconstruction assistance but with fewer resources than before.

1981-present - "Liberalization". The arrival of UN personnel to prepare the country for its elections

in 1993 softened relations between Cambodia and the international aid community. Following the elections, more than 250 local NGOs were formed, while over 170 new INGOs plus the full array of UN agencies and bi/multilateral agencies arrived in Cambodia.

Overview of the NGO sector

Role of NGOs. The role of NGOs in the country's recent history was unprecedented in its scope and magnitude. For a large part of the 1980s NGOs had taken over the traditional role of UN agencies and provided relief and reconstruction assistance on a scale unequalled in other countries. In the first three years of the Khmer Rouge regime (1979 to 1982) INGOs responded to the emergency situation in unusual ways. They provided material support to meet rehabilitation needs in virtually all sectors of the Cambodian economy and society. The health and agriculture sectors got particular attention and NGOs assisted with physical infrastructure, water supply, agricultural input, industrial spare parts, transport equipment and hospital supplies. While emergency efforts were hampered by the lack of transport and communications, the isolationist policy of the West encouraged coordination between INGOs and multilateral agencies.

In 1982, after the UN declared the emergency over, the West imposed an aid embargo to force an end to Vietnamese presence in the country. It succeeded at the expense of the poor. In 1986 the NGO Forum was established in Europe to develop strategies to address international issues which hinder humanitarian aid and development efforts. INGOs became active advocates for a change in international policy towards Cambodia.

Two years before the signing of the Paris Peace Accords in 1991, the country began to move towards liberalization and this enhanced the effectiveness of NGO work. NGOs could now employ staff in the provinces, train counterparts and implement projects with less interference from authorities. NGOs began to initiate community development activities at the village level and some bilateral donors began to implement programs through INGOs.

1992 to 1995 witnessed large aid infusions to the country. The repatriation of border refugees and the election process which cost US\$1.72 bil-

☞ Continued on next page

lion had an enormous effect on the country and the role of NGOs. A large portion of the funds was channeled through INGOs and NGOs rapidly increased in number; some 200 of them were formed in a few years' time.

Today, the full range of bi/multilateral and UN agencies have established themselves in the country, and INGOs have returned to their more traditional role of working at the grassroots level. Meanwhile an increasing number of LNGOs are becoming directly involved in development activities funded by bi/multilateral agencies.

Types of NGO. There are more than 250 local NGOs (LNGOs) and over 200 international NGOs (INGOs) in the country.

LNGOs are a relatively new phenomenon in Cambodian society, emerging only in 1990 as a result of the more liberal policy of the then State of Cambodia government. The great majority of them are small, sometimes even one-person operations, and operate in one area. Their agenda is donor driven and hence they can usually be found working in the same areas as INGOs. The contribution of LNGOs to development is gradually increasing but is hampered by lack of skills and professionalism.

"Local" development NGOs in Cambodia are either *Independent* or *Adopted*.

Independent LNGOs are registered as local, are initiated in the country and independent from "mother" agencies, have no headquarters abroad, and make decisions (e.g. on programming, staffing, and finances) without intervention from donors or supervising agencies.

Adopted LNGOs are developed by or grow out of international organizations, enjoy their "mother" organizations' support, and can not therefore be considered fully independent.

Opinions about the two differ but the generally held view is that *adopted* NGOs are more likely to accept Western models of development while *independent* NGOs hew more closely to Cambodian culture and society and thus tend to question Western models.

INGOs, on the other hand, have been working in the country for decades, except for the lull imposed by the war and the Pol Pot regime. The majority of them are small, often with less than 10 national staff and some expatriate personnel, and frequently operate in only one province or area. Their programs are usually targeted to only one sector (e.g. health) even though they espouse the concept of "integrated programming".

A number of them are trying to localize or "Cambodianize" their operations but are held back by the lack of skilled and professional managers who could take over from them. Another reason seems to be the absence of a tradition of volunteerism among Cambodians, or a lack of concern for those who do not fall under one's patronage. INGOs' expatriate staff are often bewildered by their counterparts (either government or NGO)' apparent lack of commitment.

Funding for NGOs. Funds totalling over US\$75 million are annually channeled through NGOs. These come from bilateral and multilateral sources, includ-

ing the United Nations agencies and the European Union, and private funders.

Government-NGO relations

Legal framework. The Constitution mentions only "associations" in defining civil organizations free to operate in the Kingdom. NGOs are not covered by the definition. As such some ministry departments regard NGOs as associations while other sections think NGOs are a different kind of agency.

Legal environment. The Draft Law on Associations and NGOs is widely regarded as liberal. It includes articles to protect the right to establish organizations; to ensure that non-profit organizations serve the public and are not becoming commercial or aimed at individual profit; to ensure a legal entity.

One point where government and NGOs differ is over reporting requirements. The draft law states only that "the report shall contain: a) a summary of activities; b) a financial balance sheet showing income and expenses for the year by categories; c) a list of donors." However, the MOI reportedly has plans to demand specific and detailed budget information about funds spent not only in the country but abroad, and detailed information about Cambodian employees. This unconfirmed plan has been widely opposed by NGOs who fear that it would be the first step towards stricter control than the draft law proposes.

Policy environment. The government recognizes the important role of NGOs. The Ministry of Social Affairs reports that in 1995 NGOs absorbed all the operational costs of programs and services for disabled people. Ministry staff are also dependent on NGOs to supplement their meager incomes with allowances and per diem.

The government also acknowledges that NGOs have developed a niche in implementing rural development programs.

Mechanisms for GO-NGO dialogue. At the central level there are no formal structures of cooperation between the government and NGOs. Consultations take place on an adhoc basis between sections of the government and certain NGOs or groups of NGOs.

Cooperation between government and NGOs. Cooperation is limited, due partly to the attitude of some INGOs. Several INGOs have had negative experiences with government partners in their projects and so have decided to focus efforts on the non-government sector. Other NGOs believe that only they and their Cambodian partner organizations can effectively help the people. They do not trust the government to meet the goals set in development plans and projects.

The majority of development NGOs, however, try to cooperate with government but encounter numerous problems due to the poor state of development. In most cases, the lack of cooperation is due to a weak government structure, unable to match the development efforts of NGOs.

INDONESIA

Excerpts from the country report prepared by Prof. Loekman Soetrisno for the Asian Development Bank, July 1997

There are about 8,000 NGOs in Indonesia.

Why so many? There are two main reasons. One, the number of NGOs has increased together with the growing number of development issues in the country, and as the pace of development accelerated, new problems and issues surfaced.

Two, Philip J. Eldridge attributes this growth to "divorce", where a new, smaller NGO breaks away from an established NGO that has lost its old idealism and eventually its staff. There is a third reason, which is the tendency to put up NGOs to take advantage of available foreign funding. NGOs formed for this reason usually have a very short life span. In the 1980s there were some 60 to 70 functioning NGOs. Today, half of them are inactive, the major reason being lack of funding.

Origins and growth of NGOs

Dutch colonial period. Organizations, most of them charitable in nature, were established by Indonesians to address social-economic problems.

Two organizations, the *Taman Siswa* (the Pupils Arena) and the *Muhammadiyah* (Islamic Organization) concentrated their activities on noncharitable activities. The *Taman Siswa* established schools for low and middle class Indonesians barred by the Dutch from entering schools they established.

Muhammadiyah were established by Islamic leaders to provide educational facilities to Islamic children then disqualified by the colonial government from entering the formal school system.

Late 70s. Non-government organizations were established by Indonesians concerned with the poor socio-economic conditions of the people. These NGOs focused on development projects using community development methodology to implement their programs.

The emergence of NGOs at this time is attributed to encouragement from donor countries that were disappointed with Third World governments' unsuccessful attempts to deliver the benefits of development to the people.

Overview of the NGO sector

Types of NGO

Eldridge (1995) divides Indonesian NGOs into four categories:

"High-level Cooperation-Grassroots Development". Are not interested in changing or intervening in the political process, although they advocate greater participation by the people in the development process

"High-level Politics-Grassroots Mobilization". Consists of NGOs which are openly critical of the New Order development philosophy and practice. Advocate both the need to raise community consciousness and build people's capacity for self-management. Also seek legal status and protection for these people by developing contacts with high-ranking national and local officials.

"Empowerment from below". Focus on local rather than national concerns, and emphasize rights awareness more than policy change.

Indonesian NGOs can also be classified according to size:

-*Big NGO (BINGO)*-exemplified by *Bina Swadaya* and *Dian Desa*

-*Local or small NGO (LINGO)*

-*Red plate NGO*-NGO established by a government department or an individual with close connections to high-ranking officials. The term "red plate" comes from the red color of the registration plate of government vehicles.

Relations between these three types have not been smooth, the main reason being the imbalance in resource allocation (favoring the BINGOs) and the influence of the Big NGO with donor agencies and high ranking government officials.

Funding for NGOs. BINGOs have greater financial and management capacity because of their sustained access to both government and foreign funding sources.

LINGOs are dependent on external funding and survive from "one proposal to the next".

Efforts to mobilize funds from domestic donors have generally been unsuccessful. Except for those of the Indonesian Environment Network (Wahana Lingkungan Hidup-WALHI).

Potential domestic donors prefer to make their donations to semi-government groups.

Coordination/networking among NGOs. NGOs come together in several sectoral based networks (e.g. Secretariat Bina Desa, WALHI). Despite the existence of sectoral networks and fora, however, there is no national forum which coordinates all Indonesian NGOs, the major reason being the diverse backgrounds and interests of Indonesian NGOs. The only NGO forum which has managed to survive is the International NGO Forum for Indonesian Development, or INFID, a primarily advocacy forum.

Government-NGO relations

Government policy towards NGOs. Two main government regulations which provide the legal basis for the government's policy towards NGOs in Indonesia:

1. Environment Law 1982 (Article 19). Established the right of NGOs to participate in implementing environment policy. Indonesian NGOs

consider this law as the legal basis for their existence.

2. Law of Social Organization, 1985. Aimed at controlling NGOs. This law provides that in order to operate as a legal organization, an NGO must not only register itself as a foundation but acknowledge its acceptance of the *Pancasila* or the Five Principles, the official ideology of Indonesia, as its ideological base and objectives.

Law No. 5, 1979 governing the *Structure of Village Government* is another law which is considered by NGOs as obstructing their activities, particularly at the village level. It stipulates that the village head is the *only* authority in the village and is therefore responsible for the conduct of village development. Any person or organization that wants to conduct development activities in the village must report to the village head and receive his blessing. The village head is empowered by law to refuse access to the village to an NGO. He can monitor NGO activities and stop them if he feels that they endanger the country's political stability. As a result, NGOs can not develop closer relations with their clients in the village for fear of raising suspicions in the village head.

In general, however, government policy towards NGOs is not as rigid as it appears. Although the government has issued laws aimed at controlling NGOs operating in the country, NGOs somehow find a way of circumventing them. Relationships between a Ministry and NGOs depend on the attitude of individual Ministers as far as the role of NGOs in the development process is concerned.

Development of Government-NGO relations. Government and NGO relations must be put within the framework of the dynamics of the development process in the country.

In the *early 1970s* when NGOs began to emerge in the country, development programs were small in terms of funding and scale. Until the end of the 2nd Five-Year Plan, the government's main concern had been to develop basic infrastructure such as health centers and village schools, and to rehabilitate irrigation infrastructure to support the government's rice self-sufficiency program. All these projects were small-scale and did not result in the displacement of people. As a result, relations between government and NGOs were very amiable.

Starting from the third Five-Year Plan relations changed between NGOs and government when, in line with the latter's industrialization program, projects requiring large tracts of land, and frequently socially dislocating and environmentally destructive, were launched.

A new type of NGO, the Advocacy NGO,

emerged to criticize the model for Indonesia's development as well as mobilize people who had been displaced by big projects to demand greater compensation from the government. They also demanded that government pay more attention to basic political issues, such as human rights, the rule of law and other social injustices.

The government thought that the advocacy NGOs had overstepped their boundaries and should confine themselves to community development work. It took offense at NGOs' criticism of the conduct of the country's development which it considers its sole right to define and implement. The NGOs on the other hand thought that the current development strategy failed to consider the needs and aspirations of the people. Government-NGO relations became tense as the government came increasingly to regard NGOs as disloyal to their country.

But despite the uneasy relations between government and NGOs, cooperation does take place between the two. The sectors in which such cooperation takes place are: 1) primary health care; 2) clean water development; 3) rural credit programs; 4) small scale irrigation development; 5) other programs in community development

Mechanisms for GO-NGO cooperation

The Ministry of Planning and Development has formally established a department called the Department of People Participation, with a mandate to seek ways to motivate people, including NGOs, to participate in the country's development processes.

The Ministry of National Planning and Development has also been working closely with an NGO, Bina Swadaya, in the planning and implementation of its strategic program, the Poverty Alleviation program.

Other ministries, such as the Ministry of Forestry, often seek input from NGOs before issuing and implementing new policies.

Some regional governments have established informal fora for dialogue between NGOs and the regional government.

Much ado about the term NGO

The government refers to NGOs as self-reliant institutions (Lembaga Swadaya Masyarakat - LSM). Its reluctance to use the term NGO is due to the fact that the term NGO connotes the idea of an alternative power or organization that might compete with government in claiming success for the country's development. Some government officials consider the term to mean "next government organization".

Reactions from the NGO community are mixed. The BINGOs generally don't mind what they are called so long as the government acknowledges their existence and role in the country's development. The LINGOs on the other hand think that the name assigned to them by the government makes it appear that they are merely partners or supporters of government development programs with no interest in forwarding alternative programs and development strategies. They also feel that the name LSM makes them sound like mere "social workers" rather than an organization promoting development alternatives.

THE INFID INCIDENT

In the late 1980s the International NGO Forum in Indonesia (INGI) emerged as a forum to link major Indonesian NGOs with foreign NGOs so that they can cooperate on an equal basis. To achieve this goal, a Commission on Dialogue was set up with the Netherlands Organization for International Development Cooperation (NOVIB). The cooperation with NOVIB is important as the Dutch government had been the chair of IGGI, a consortium of donors providing foreign aid to Indonesia. The cooperation between INGI and NOVIB was also aimed at strengthening the position of Indonesian NGOs in influencing aid policies towards Indonesia of the individual members of the former INGI forum.

The close cooperation between INGI and the Dutch NGOs was not resented by the government, particularly when in 1989 INGI wrote the world Bank concerning the resettlement of the people whose villages must be vacated because the government was planning to build a huge dam in the area. The letter accused the Indonesian government of forcing the villagers to vacate their land for very little compensation. Angered by the letter, the Indonesian government accused INGI of not having the spirit of "my country, right or wrong". INGI and the government were never on good terms after that, and in 1992 INGI was dissolved.

LAOS

Excerpts from the country report prepared by Minavanb Pholsena (Royds Consulting Laos) for the Asian Development Bank, July 1997

Origins and growth of NGOs

There are no local NGOs in Lao PDR. Between 1975 and 1986 the government allowed only three agencies to operate in the country: the Mennonite Central Committee, the American Friends Services Committee (Quaker Service Lao) and Save the Children UK (United Kingdom). At first their work was a combination of humanitarian assistance activities (post war reconstruction and relief) and long term development. But for security reasons and because of the negative impact of the war, the Government confined efforts mostly to lowland and accessible areas and restricted the hiring of Lao project staff.

NGOs gradually reestablished after 1982 when the government began to broaden the scope of aid activities in remote areas.

By 1997 the number of INGOs had climbed to more than 60. Some have established Representative Offices with their own budgets and projects while some are only attached to the projects of multilateral and bilateral donors. INGOs reach all provinces, often the most remote rural areas.

Assistance from INGOs in Lao PDR has increased more than 10 times from US\$885,000 to US\$1.7 million in 1995. Most operate on budgets ranging from US\$50,000 to US\$1.7 million. Agriculture has been a major recipient for a number of years but is a mere third in priority. Since 1993, area development has been the second biggest recipient after health.

GO-NGO relations

Policy environment. Since there are no local NGOs in Lao PDR, the government sees no need to draft regulations and guidelines for NGO operations. As far as INGOs are concerned, the government assumes that before coming to Laos they had studied and understood the situation in the country.

The INGOs are regarded as foreign non-profit organizations which provide developmental or humanitarian assistance activities without any other purposes contrary to the laws and the security of the country. Before implementing any project, the NGOs have to ask permission from the government. NGOs involved in rural development have to work closely with local authorities in project design, selection of project sites and implementation.

Every NGO in Lao PDR works in collaboration with the government. Many NGOs, especially the agencies tasked to implement projects of bilateral and multilateral donors, have good relations with government.

Some, however, run into some problems because of a lack of understanding of Lao society. Lao PDR is a one-party system country. It is governed by a Central Committee and headed by an executive committee. The Party organization extends downwards to the district and village levels, in parallel with the government structure, and in the senior levels is synonymous with the government administration. Lao PDR is a unitary state so the local government structure extends from provincial through district levels to the villages. Each province is administered by an appointed governor who has significant rank and power in the Part.

NGOs overlook the importance of the Party structure. They think that working and coordinating with technical staff and target villages is enough to ensure the success of the project. However, sometimes the technical staff do not have the ability or capability to explain or express concern about the concept of the project to the political structure which has significant power in making decisions, or the villagers misinterpret the objectives and activities of the NGO. As a result, the government misunderstands the good intention of the NGOs and questions their activities.

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NEPAL

Excerpts from the country report prepared by Prabha Thacker for the Asian Development Bank, July 1997

Origins and growth of NGOs

1960s. The government was entering into the development phase. Few LINGOs existed. Social workers and religious groups provided voluntary services such as roadside shelters for weary travellers and temples for worship.

1970s and 1980s. LINGOs became established as distinct legal entities with a mandate for social development.

1977. The Sangh Samstha Ain of 1977, or the Association Act, defined the modern concept of NGOs: voluntary organizations whose objectives were to enhance the general welfare of the public.

1990. The introduction of democracy ushered in the multi-party system to replace the 35-year-old Panchayat single party system which demanded rigid allegiance to monarchy and party. Criticism of the government and monarchy were then taboo and opposition was considered threatening. This transition to multi-party politics with its fervor for freedom, creativity and development set the stage for an increasingly significant role for NGOs, most of which emerged soon after the transition to democracy.

June 1993. A total of 1,230 NGOs were registered with the Social Welfare Council (constituted by the government upon the dissolution of the former Social Services National Coordination Council), a substantial increase from the 222 registered in May 1990. By June 1994 there were more than 4,000 LINGOs registered with the Social Welfare Council. This was in addition to approximately 7,000 LINGOs registered with the CDOs office in the 75 districts in the country. By 1997 there were 5,040 LINGOs registered.

The definition of an NGO is not yet clear, although NGOs in Nepal have become a symbol of the urgency to alleviate poverty and bring about equality and social justice. The NGO perception of development is that of social transformation and NGOs are therefore committed to espousing a paradigm of development (popularly known as the alternative development model) which rejects the "economistic" or the "economic growth alone" development model.

Overview of the NGO sector

Types of NGO

NGOs in Nepal fall under four general categories:

National NGOs, or LINGOs are either welfare-oriented or professional.

Welfare-oriented LINGOs are well-funded, usually by international donors and run well planned programs focused on service delivery. The executive boards of these LINGOs often consist of volunteers. The headquarters are usually located in Kathmandu, while local level committees at the district or village levels implement the projects under instructions from headquarters.

Professional LINGOs are staffed by paid highly qualified and motivated professionals. The executive body often consists of retired professionals and committed professional development practitioners. Their main activities include research and grassroots interaction. These LINGOs have of late criticized government for allowing International NGOs (INGOs) to compete with LINGOs for donor support.

District/village based NGOs are found mostly in the rural areas where local leaders are the primary catalyst for bringing people together to tackle issues that concern them. Most of their programs are concerned with the management of natural resources. The executive body commonly consists of the local elite. These people wield considerable political influence in the area. It is not unusual for them to also be the chairperson of the Village Development Council, an elected body entrusted with developmental and administrative powers. Project implementation is done by locally hired field workers who are accountable to the NGO located in the district

- Local self-help groups or community based organizations (CBOs)
- International NGOs

Operational areas. Most NGOs operate in the area of community development. Social development programs focus on health; assistance to children, youth and women; care for the handicapped; environmental awareness and HIV/AIDS education and prevention. Youth programs account for a large share of expenditure in these fields. NGO development activities center around agriculture, forestry, agroforestry, drinking water and sanitation, rural energy,

The concept of NGOs as social welfare and non-profit oriented entities can be traced to the Lichhavi period, almost 10,000 years ago, through the practice of *Panchali Pratha*, a self-generated community effort of local governance.

The unification of Nepal by Prithivi Narayan Shah and the subsequent Shah-Rana rule gradually brought about an erosion of this tradition. The *kipat* system, for example, which symbolized the social fabric of ethnic unity was systematically dismantled under state coercion.

In the 19th and 20th centuries, the concept of service through charity and welfare translated to the provision of shelter for the needy, construction of resting places (*chautaris*) for weary travellers, planting of fruit trees to provide both food and shade, construction of simple wooden bridges over mountain streams and building of temples along remote routes to give comfort to travellers.

Tulsi Meher Shrestha introduced the idea of engaging in social welfare work to earn points in the afterlife. In the early 1950s he set up the Ghandi Charkha Pracharok Mahaguthi. The Parapakar is another example of organized philanthropic work started in 1954 to alleviate the suffering of cholera victims in Kathmandu valley. It is now a voluntary movement of medical care for the poor, with 15 centers and a voluntary medical distribution system in the country.

watershed management, micro hydro power plants, small irrigation systems, savings and credit. NGOs also undertake activities in the areas of awareness raising, leadership training, skills development, income generation, education on human rights and women's rights.

Geographically NGOs are concentrated in the Central Development Region, also the most urbanized area of the Kingdom. There are about 100 NGOs in each of the country's 75 districts. Of these most are concentrated in urban districts, such as Kathmandu, Patan, Bhaktapur, Pokhara, and Biratnagar.

Government-NGO relations

Legal and policy environment. The Constitution of Nepal ensures the right of association to all citizens.

LNGOs must register under the Registration of Associations Act (1977). Apart from registration requirements, HMG has little control over the way LNGOs operate.

The most supportive laws for NGOs are the District Development Committee Act (1991), the Village Development Committee Act (1991) and the Municipality Act (1991). All three acts were introduced after the transition to democracy and are part of the Government's efforts to devolve power to local administrative units.

GO-NGO cooperation. Two major problems stand in the way of good relations between NGOs and the government: the increasing politicization of the bureaucracy and the rapid turnover in the civil service. With each change of government, key civil servants in the sectoral ministries and planning bodies at the centre as well as the District level offices are changed. For example, the recent change in government, from the Congress party to a UML dominated coalition has caused havoc. There has been a major shake-up of civil servants, affecting policy decisions and program implementation.

According to key personnel in NGOs, INGOs and multilateral/bilateral donors, there is a lack of communication between government/sectoral ministries and NGOs. Most high level officials are reluctant to recognize NGOs because as NGOs increase in professionalism, they become a greater challenge and threat to Government. The government tends to be cautious of NGOs because of the latter's capacity to influence public opinion, especially about government's poor performance.

The politicization of NGOs is also becoming a barrier to further cooperation. There are many professional NGOs known for the quality of their work that refuse to be subjected to party politics. But the political situation since democracy is marked by rampant political maneuvering

propelled by party politics. As a result NGOs feel compelled to align themselves politically.

GO/NGO conflict. NGOs played an active role in stalling the controversial World Bank Arun III Project on the grounds of environmental sustainability. The Nepal Forum of Environmental Journalists and NGOs concerned with human rights were active in raising public awareness about the environmental and social impact of the dam. As a result, the National Planning Commission issued a directive to IUCN (International Union of Conservation of Nature) to stop supporting the "offending" NGO.

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PAKISTAN

Excerpts from the country report prepared by Simi Kamal for the Asian Development Bank, July 1997

Origins and growth of NGOs

In the period immediately following the time of Partition (1947), i.e. when British India was divided into two sovereign states, India and Pakistan, voluntary organizations, not then called "NGOs", were set up to provide humanitarian aid to refugees pouring into the country and to help victims of communal riots. Many of these were set up and run by women, many of whom had played an active role in the Pakistan Movement (research?). Some of these voluntary organizations remain active today, although their role may have changed somewhat. Many continue to be led by "begums", the wives of influential people (bureaucrats, politicians, businessmen).

The late 1970s (when the Martial Law government expounded its philosophy of social work and welfare) was marked by an upsurge in the formation and registration of NGOs.

In the party-free polls of 1985, many MNAs and MPAs encouraged the growth of new NGOs to absorb the special fund available to them for the development of their respective constituencies.

In the 1980s many NGOs emerged to avail of funding set aside for the handicapped.

A number of women's NGOs were instituted, coinciding partly with the international women's decade of development and the government's attempts to curtail the rights of women. A large number of these NGOs were registered under the Social Welfare Ordinance, particularly where the population welfare department and women's division made a large part of their support to NGOs conditional upon a social welfare registration.

The early 1990s witnessed another rapid increase in NGOs. New ones were formed to benefit from funding available under the People's Works Programme, particularly in rural Sindh and Punjab.

Overview of the NGO sector

With NGOs registered under five different laws, registration offices in different provinces and a general lack of systematic updating to indicate which NGOs are still in existence, only guess estimates of the number of NGOs in the country are possible at this stage.

UNDP (Pakistan) suggested that they are from

8,000 to 16,000 but these may be simply Social Welfare Organizations (those registered under only one of the five laws). If non-registered NGOs and community based organizations are added to those registered under the five laws, the number of "NGOs" in Pakistan could be between 25,000 and 35,000

Types of NGO

Advocacy and lobbying NGOs. Being interested in mass contact, they know how to use the media well and are therefore well-known even if their impact is low. Include legal rights advocacy and legal literacy organizations, those working on women's rights, rights of children and minorities, human rights, etc.

Many have good contacts with donor agencies, have very articulate founders and managers and espouse causes that are of interest to donors.

They are involved more in training and awareness raising programs, and less in implementation of development initiatives at the community level.

NGOs involved in policy. Aim to participate in and initiate dialogue on policy issues with government, other NGOs and international organizations. Usually involved in international and regional networking, and in national and international conferences and seminars, as well as some publishing and information dissemination. Do not usually get involved in implementation or service delivery.

Emergency, rehabilitation and relief organizations. Comprise the majority of NGOs, including some of the finest and oldest.

NGOs involved in implementation of development programs. Make up only a small number of NGOs in Pakistan. Even fewer are community-based development organizations. Largely service delivery organizations, many of whom are trying to transform themselves into either community based organizations, or community support organizations.

Role and impact of NGOs. Although NGOs are seen as major actors in the development sector, the number of success stories of Pakistani NGOs specifically in the development sector are few. The major-

ity remain poorly developed and require continuous support to exist. Having little exposure to the more organized development sector, the small scale NGOs often look to the established ones for help in initiating their programs. They seek the help of government departments as friends and for patronage.

There are only a handful of national NGOs involved in implementing community-based projects that have extensive credentials, coverage, grassroots linkages, delivery mechanisms and documentation system. However, there are several smaller NGOs that serve parts of provinces or smaller areas but do so efficiently and effectively.

A recent publication of CIDA reports that there are less than 100 effective NGOs while there are thousands of generally weak community based organizations.

There are also some well-established NGOs that work in sectors such as women's development, policy debate and research and publication, but their impact and outreach is rather limited, either because of limited resources or because they address a narrow band of "intellectuals" and are more interested in debate and academic work.

In recent years several new NGOs have been set up that are more properly referred to as support and finding mechanisms for assisting other NGOs. Typically they receive funding from international donors and the Pakistani government to help grassroots and smaller NGOs by channelling some of this funding to them, by networking or by using those funds for capacity building.

NGOs in Pakistan are more numerous and most active in the traditional social sectors; emergency support, rehabilitation, health and education. Other areas include income generation, poverty alleviation, vocational training, nutrition and food security, maternal and child health and reproductive health.

In the past NGOs kept out of sectors considered to be the domain of the government, such as water and sanitation, irrigation and drainage, urban development, environmental issues, roads, etc. Increasingly, however, there is a trend to involve both NGOs and CBOs in these sectors as well.

Recent literature on NGOs suggest that there is evidence that NGOs and CBOs do not perform as effectively as had been assumed in terms of poverty alleviation, cost effectiveness, sustainability, people participation, gender equity and innovation, but that there is evidence the NGOs are able to provide some services more cost effectively than the government. Rhetoric supporting NGOs and exaggerated claims of success have often clouded the very real needs of capacity building within the NGO sector in Pakistan.

NGOs in Pakistan are typically small or medium-size, interested mainly in welfare work. It is often the vehicle for the good intentions and enthusiasm of a founder, who also uses it for self-expression. In order to grow out of these tight confines, such NGOs need education, organization, long-term goals and managerial skills.

NGO coordination. NGO apex bodies, defined as representative bodies of NGOs that modulate the conduct of NGOs and negotiate on behalf of NGOs, have become visible during the last few years. Their formation has been prompted by two processes:

1. The attempt by the USAID in the 1990s to form a single trust for NGOs into which all the bilateral donors would put in their contribution (with funds added by the Pakistani government), and which would then control the grants to NGOs. Pakistani NGOs opposed this tooth and nail and some of the existing NGO networks came into being at this time.
2. Attempts by the government to tighten control of NGOs through the passage of a bill called **Voluntary Social Welfare Agencies Registration and Regulation (Amendment) Act, 1995**. Different versions of this bill have been prepared and the original watered down substantially due to criticisms raised by NGOs and donors. The bill has gone into cold storage and given low priority. But fear of its passage has led Pakistani NGO to come together into apex bodies. It remains to be seen whether these bodies can survive, now that the tightening of controls on NGOs is not an immediate issue.

Funding for NGOs. According to a UNDP publication, more than one third (38%) of NGOs did not collect any kind of donation. More than half (59.8%) had no earned income, particularly NGOs in Balochistan, 88.8 of which fall under this category. More than one-third (35.4%) of the selected NGOs were not recipients of government grants and more than a quarter (27.6%) received less than 10,000 rupees in government grants in their last fiscal year. Slightly more than a third (35.7%) of the NGOs reported their last year's expenditures as ranging from Rs. 10,000 to Rs 15,000. Whereas, a large percentage (40.7%) of voluntary organizations did not have any kind of physical assets.

Relations among NGOs. Pakistani NGOs have a history of infighting and opposition to each other in forums where they should be united. This is one reason why they often fail to present a strong and united position when dealing with government and donors.

Government-NGO relations

Government policies toward NGOs. Historically, the government of Pakistan has maintained a supportive policy framework for NGOs and provided them with a range of financial and technical assistance.

An NGO can apply to any government line department for funding. If the project or activities match with the Annual Development Plan for that year, the NGO will receive support. There may be bureaucratic hitches and delays, but these are a reflection of the way the whole government system

works, and not a way of mistreating NGOs.

However, given that the government spends a major part of its budget on maintaining its defence forces and debt services, there is little left for social development. In the absence of internal resources, bilateral and multilateral aid agencies have become the backbone of social development and support to NGOs.

The interest of the government in NGO and CBO development is prompted at least partially by the realization that the government cannot go on bearing the substantial costs of operating and maintaining infrastructure schemes, and that the beneficiary communities must make a contribution to it.

Pakistan is quite advanced in terms of relations between the government and NGOs, at least in terms of the government's willingness to extend cooperation to NGOs. The experience of NGOs in recent years suggests that at the level of policy planning, government servants already recognize the need to work with NGOs and some even regularly extol the contribution and successes of NGOs. At the grassroots level, operational staff of government departments are also well connected with the communities and like to work with people and CBOs.

A major barrier to improved government-NGO relations is the reluctance and resistance of middle management in the bureaucracy to learn new concepts, new development paradigms and changed ways of working. NGOs are often regarded as a nuisance. The fact that government officers responsible for dealing with NGOs are not trained to work with NGOs and do not have support from their own rules and regulations adds to the problem. Even if a government officer wants to work with an NGO, his rules and regulations do not tell him how to do this. There is little time and budget for exposure visits, and frequent transfers mean that the good work of a key official with an NGO is easily lost.

In terms of attitudes of NGOs towards the government, there are four distinct trends:

1. Many small NGOs look for guidance, grants and membership. They want the government to lead them by the hand. They frequently request the social welfare registration offices for help in organizing themselves and seek support largely from government sources. They want to be meticulous about legal requirements and are often found chasing after skilled and experienced people to help put their house in order.
2. A majority of well established NGOs look to the government as partners, collaborators, facilitators, and for joint ventures and coordination. They have good relations with both government and donors and while being critics of the government on some issues, recognize their own limitations as well.
3. A majority of the "new breed" of NGOs want to prove their "equality" with government, and "expose" the inefficiency and corruption of the government. They often present themselves as the panacea for development problems. They want to replace, rather than work with, government. Their demand for independence is often an euphemism for rejecting regulation.
4. The fourth type of NGO does not care about their relationship with government, because they are

set up largely to absorb donor funding. A good example are the many NGOs that died when USAID funding was withdrawn.

The sum total of the cross currents of part cooperation, part misunderstanding and part adversity makes for at best an uneasy relationship between government and NGOs. At a time when there are accelerated efforts to increase interaction and partnership between government and NGOs, the GO/NGO relationship in Pakistan is at a very low ebb.

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PHILIPPINES

Excerpts from the country report prepared by Antonio B. Quizon for the Asian Development Bank, June 1997

POs vs. NGOs

POs, or people's organizations, refer to those with grassroots membership (unions, community associations, primary cooperatives, etc.) which function as primary groups, coming together largely on a voluntary basis, although full-time secretariats tend to emerge as POs expand in scope and size. On the other hand, NGOs are intermediate agencies or institutions that tend to operate with a full-time staff complement and provide a wide range of services and programs to POs.

The distinction between NGOs and POs is particularly significant, because NGOs see their primary role in building up strong, viable and autonomous POs. NGOs help POs organize for self-reliance by providing various support services, including access to resources (organizational, technical, logistical and managerial), linkages and advocacy. There is a deep NGO tradition in the Philippines of organizing disadvantaged sectors and communities (in its many variant forms) towards developing greater self-reliance and empowerment. Indeed, the life and evolution of development NGOs are inextricably intertwined with POs and people's movements, performing support functions and providing professional services within the context of the assumed primacy of POs.

Origins and growth of NGOs

Pre-1965: Roots of "modern-day" NGOs

The first NGOs emerged from various welfare groups (involved in social work, and relief and rehabilitation), and the first rural cooperatives in the 1950s. Growing agrarian unrest gave rise to social reform initiatives (that were anti-communist) focused on rural reconstruction and community development.

Western-style private foundations also sprouted at this time, induced by laws allowing the formation of foundations and scientific and research organizations. These non-political type organizations would later constitute a distinct stream in NGO history.

1965-72: Deepening social crisis and rising social movements

The deepening social crisis of the early 1960s, combined with a more progressive stance of both Catholic and Protestant churches, gave rise to new social movements.

1972-78: Political repression under Martial Law

With the imposition of Martial Law in 1972, and the clampdown on all forms of social movements and dissent, NGOs became a viable third option for activists who refused to be co-opted by the regime or did not join the underground movement.

Community organizing became more sophisticated. Secular social development agencies carved their own niches outside the institutional church. The first NGO networks were formed to provide a form of collective protection.

1978-86: Rising opposition

The start of the Marcos regime's international isolation (prompted by the fraudulent elections of 1978) marks a turning point in the development of NGOs. NGOs prospered as a sector distinct from (but not completely independent of) churches and political movements. International advocacy (against human rights violations and

wrongheaded environmental policies) gave rise to environmental activism and a new understanding of issues facing indigenous peoples. Church based groups progressive political parties in Europe, and trade unions channeled development funds to the Philippines. Even USAID started funding NGOs. NGO networking increased at national, regional and provincial levels.

The assassination of opposition leader Benigno Aquino in 1983 brought forth the "parliament of the streets". Multi-sectoral coalitions mushroomed. The NGO community was literally swept along in this massive wave of politicization. Organized groups found "space" and protection in numbers, and launched a nationwide civil disobedience campaign.

1986-Present: The Post-EDSA period

NGOs flourished in the newly won democratic space under the administration of Corazon Aquino. The downside was, pseudo-NGOs were set up by traditional politicians, entrepreneurs and government officials to corner funding, and to undercut basic social reforms. Thus, as an initial attempt at self-regulation, 10 national networks founded the Caucus of Development NGO Networks (CODE-NGO) in 1990, and convened the first National Congress of NGOs in December 1991, which was attended by 1,500 NGOs and cooperatives. A "Covenant on Philippine Development" was ratified at this meeting, and a "Code of Ethics" was adopted to define desirable relationships with POs, government, foreign partners and other NGOs.

During the initial years of the new government, NGOs focused on: (1) institutionalizing democratic gains; (2) advocating alternatives and basic social reforms; and (3) constituting and consolidating a "third force" that would prove vital to future peace negotiations.

NGOs underwent a difficult transition

in the unfamiliar political terrain--moving from protest to pro-action, from an anti-dictatorship stance towards defining concrete social legislation and policy alternatives.

NGO distrust of government persisted even in the new forms of collaboration.

Overview of the NGO sector

Number and composition

The Philippines' Securities and Exchange Commission records some 60,000 registered non-stock, non-governmental institutions as of 1995. Of this, 50,000 are NGOs while the rest are POs. There are also some 35,000 cooperatives registered with the Cooperative Development Authority.

Funding for NGOs

NGOs are predominantly dependent on external (mainly foreign) funding. However, no records or estimates are available regarding the aggregate amount of funding coursed to NGOs. Limited studies, however, suggest that most NGOs operate on relatively small budgets of P2 million (US\$80,000) and below. On the other end of the spectrum are the bigger NGOs that operate on annual budgets of P30 million (US\$1.2 million) and above.

The same study noted that grants are the main source of funding, covering 70 to 100 per cent of administrative and program budgets. NGOs may tap about one to five different donors, but most rely on one to two external donors for the bulk of their funding. As donor funding cycles and the assurance of future funding often determine the ability of NGOs to project future activities, most NGOs tend to engage in planning on a yearly basis. Funding tends to be short-term (one to three years) and result-oriented.

Staffing

NGOs tend to vary in size and reach, from less than 10 staff members to over 50. On the average, NGO organizations tend to be small, with the majority employing less than 25 persons.

Key characteristics and attitudes

NGOs tend to be small, flexible, process-oriented, with highly motivated and committed staff. *Operational* NGOs (often referred to as service-delivery NGOs) are often cited for their proximity and direct, face-to-face involvement with poor, marginalized communities. NGOs are of-

ten cited for their innovation and experimentation, and for their capacity for "nuancing", i.e. their ability to adopt programs to local conditions in ways that centrally designed programs cannot. They have also been cited for their capacity for rapid response.

Types and categories of NGOs

Existing literature classifies Philippine NGOs in a number of ways, depending on their *target sectors* (agricultural development, environment, agrarian reform, credit, etc.); *primary target group* (farmers, fisherfolk, women, etc.); *level of operation* (barangay, municipal, provincial, national); and *composition* (servicing intermediaries vs. primary grassroots or self-help organizations).

On the other hand, external agencies such as the ADB and the World Bank tend to find it more useful to categorize NGOs in terms of their target sectors, as well as by their primary *orientation* (advocacy-oriented vs. service delivery-oriented). NGOs, however, note that while categories of advocacy and service delivery may be more applicable to NGOs and networks operating at national (sometimes provincial) level, local NGOs are simply "too close to daily realities" that they usually undertake both functions.

Government-NGO relations

Relationships between government and NGOs range from mutual distrust and animosity on one end, to full and active cooperation on the other. NGOs complement government development policies, as well as carry out their own development goals independently. NGOs tend to possess a diverse capacity for involvement, ranging from assisting in the delivery of government services, to promoting alternative models of development with minimal government interaction.

Where Government-NGO interaction takes place, it usually takes the form of dialogue and consultations.

Government policy towards NGOs

Government policy may be gleaned from legislation and a number of official policy documents and pronouncements, as follows:

1. Shortly after being thrust into public office by the EDSA People Power Revolt, then President Aquino called on the citizenry to "institutionalize people's power" and to "establish them where they do not exist". This set the tone for subsequent policies and

Tension Points in Government-NGO cooperation

Cooperation vs. Cooptation. Government funding of NGOs often comes with expectations of a blanket endorsement of government policies, which NGOs feel compromises their autonomy and independence. Tensions also tend to arise when NGOs are forced to fit into rigid, predetermined project roles which undermine their flexibility, and where they have no role in management or policy decision-making.

Political vs. Non-Political NGO Involvement. Because of their organizing work, NGOs are necessarily engaged in a form of political action, which is often construed by politicians and government functionaries as *partisan* political activity.

Fundamental Institutional Differences. NGOs and government exhibit fundamental differences in their development philosophy and approach, which become more pronounced in joint implementation of projects. There are different tendencies in terms of scale, timeframe and project design, value for *process*, and thus of parameters for implementation and success indicators. Thus, while government-led programs tend to focus on measurable output of a project (*i.e.* hectares covered, number of titles transferred, increase in incomes), NGOs tend to look more at qualitative social indicators (*i.e.* strength of people's organizations).

Identifying the Development of NGOs. The proliferation of Philippine NGOs over the past decade has been attributed to be the direct result of two main factors: (1) the increase in foreign and local funding; and (2) the ferment that developed from the anti-dictatorship struggle, the ensuing victory, and the failed promises of EDSA. There was also the surfacing of a whole generation of political activists who had struggled under the Marcos years and who decided to pursue careers within development institutions.

The sudden increase in NGO funding, however, had its

☞ Continued on next page

drawbacks. For it also brought about the proliferation of many "quasi-NGOs", which Karina Constantino-David labels GRINGOs (government inspired or initiated NGOs), BONGOs (business oriented NGOs set up as tax shelters or for public image), and COME 'N GOs (set up by entrepreneurs for one-time projects).

A related issue is that government policies and functionalities often fail to make distinctions between *NGOs* (non-profit) and the *private sector* (for profit); or between *public interest groups* (i.e. consumer and environmental groups) and *business associations* (i.e. producers' associations and local chambers of commerce).

legislation promoting greater public (and NGO) participation in the affairs of government.

2. The *Philippine Constitution of 1987* institutionalized the role of NGOs. Section 23, Article II on State Policies declares: "*The State shall encourage non-governmental organizations, community-based or sectoral organizations that promote the welfare of the nation.*" Also, an entire section (Article XII) is devoted to *The Roles and Rights of People's Organizations*.

3. *NEDA (National Economic Development Authority) Board Resolution No. 2, Series of 1989* (an administrative rather than a legislative act) defined the overall policy framework for Government-NGO relations. The Resolution stipulates that:

- *No umbrella organization* will be formed to accredit NGOs. Instead, implementing agencies at various levels of government will be made responsible for accrediting NGOs.
- *Tax exemptions and duty-free importation* will be provided to NGOs, subject to certain procedures and guidelines.
- *Government will not control*, but rather, *enhance direct funding support to NGOs*.
- *Government-NGO coordinating mechanisms* at various levels of government will be set up, and the respective government departments/agencies/units will be given the authority to collaborate and negotiate with the NGOs.
- *NGOs should be informed of and consulted* on all major policy and program decisions, accreditation policies, and proposed legislative programs/agenda that concern them.

4. Two new features of representative democracy under the 1987 Constitution were the provision for *the appointment by the President of sectoral representatives to the House of Representatives of Congress*, and *the institution of a system for a "people's initiative"*.

5. The *Local Government Code of 1991* further highlighted the role of NGOs in local governance, and provided for NGO/PO participation in the following areas: membership in local bodies, partnership with the government in joint ventures in development projects, participation and sectoral representation in local legislative bodies and processes, and as recipients of funds and other forms of state assistance.

6. The current *Medium-Term Philippine Development Plan (MTPDP: 1993-98)* recognizes the role of NGOs primarily within the Plan's social development objectives--poverty alleviation, environmental protection, delivery of social services, and the promotion of people's participation in governance. The *Social Reform Agenda*, instituted in September 1994 through consultations between government and basic sectors, forms part of the *Updated Plan (1996-98)*.

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SRI LANKA

Excerpts from the country report prepared by Prof. Loekman Soetrisno for the Asian Development Bank, July 1997

Origins and growth of NGOs

Colonial period. Most voluntary organizations devoted to social service were religion bound, with few exceptions.

1906. The Cooperative Credit Society was founded. It stands as a landmark in the history of agencies outside the state apparatus working towards the improvement of the life chances of the rural poor.

1956. The unprecedented electoral victory of the MEP (?) created heightened expectations among the rural populations whose support was critical during the election campaign. State led policies had fallen short of the people's aspirations, and it is in this climate that the search for alternative strategies began in earnest.

SARVODAYA, formed in 1958, led the way.

The Parliamentary Act of 1981 gave further encouragement to the growth of NGOs at the village level. Gramodaya mandalas (GMs) were established to scale up village level organizations and thereby optimize the use of resources and capacities. Thirty-six types of village level organizations of a formal, voluntary and nonpolitical nature were recognized by the government for membership in the GMs. A negative outcome of this, however, was that aspiring local level politicians frequently formed organizations simply to capture power in the GM.

In the *latter part of the 80s* human rights violations, denial of democratic freedoms and the disintegration of civil society caused the country to slip into anarchy, leading to a sharp growth in NGOs concerned with human rights and advocacy issues.

1991. A significant growth in village level or community based organizations (CBOs) was stimulated by the IDA funded Janasaviya Trust Fund (JTF) established by the Government, and its successor the National Development Trust Fund (NDTF). Under these programs NGOs were contracted as "partner organizations" whose task was to promote the formation of CBOs.

Beginning in the early 1990s the government also began to hand over to farmers the vast irrigation

network for them to operate and maintain themselves.

Farmers organizations (FOs) likewise proliferated in other areas, e.g. water supply, where user groups are seen by the government as a means of increasing participation and reducing operation and maintenance costs. Apart from the resultant increase in NGOs (or more precisely CBOs), this policy also involved NGDOs as agents contracted by government to help establish the new groups.

Overview of the NGO sector

Size. There is no reliable record of the total number of NGOs in the country.

The Social Service Department, the principal state institution responsible for the registration and supervision of this sector reports a total of 2,192 organizations registered with them under the Voluntary Social Service Organizations Act of 1980. A more recent estimate from the Social Services Department suggests 50,000 while M.B. Warsakoon in his 1991 monograph estimates 60,000. Using stricter criteria, Fernando 1991 (Fernando, S. 1991. "Preface", in *Development NGOs in Sri Lanka*, IRED. p. iv) estimated 25,000 functioning NGOs.

Funding for NGOs. Seamus Cleary (1995. *The World Bank and Poverty Reduction in Sri Lanka. Reflections on the Bank's Poverty Assessment.* A report to the NGO Forum on Sri Lanka.) quotes an NGO Donor Forum estimate of over US\$25 million in annual transfers to Sri Lankan NGOs.

Geographical coverage. 159 of 293, or almost 50%, of the NGOs described in the IRED Directory of Development NGOs in Sri Lanka claimed islandwide coverage. Over two-thirds of the NGOs that responded to the questionnaire described themselves as being "national" in coverage.

SARVODAYA, one of the earliest development NGOs in the country, is the largest in terms of geographical as well as sectoral coverage with a network of organizations in 11,400 villages, organized around 35 regional centers with 34 district centers.

By definition NGDOs are more concerned with the approach and process of development rather than the specific sector in which it is pursued. There is accordingly a wide range in which NGDOs operate.

From ancient times, social service in Sri Lanka derived from the Buddhist doctrine of compassion and equality irrespective of caste, class and creed. The idea of devoting one's time, energy and resources to the service of others and especially those sections of society in need of such help, derived from the notion of loving kindness or *maithri* and such acts were performed with the objective of accumulating merit, not wealth and power. Thus the idea of *maithri* and the attendant concept of *dana* or donation has formed the core of the doctrine of social service in the Buddhist tradition. These cultural and religious values of social service activity also put great value on the idea of community. The social ethos was symbolically reduced to the tank (reservoir) and the temple, the former representing the economic sphere and embedded with the ideas of self-sufficiency and sustainability, and the latter representing the spiritual realm and containing the religious and cultural values therein.

The corresponding social institutions then were the *wew sabhas* (organizations of farmers benefiting from tanks) and the *dayaka sabhas* (association of laypersons involved in activities of the temple). These however were not welfare organizations but were geared towards the upliftment of the community through collective efforts and as such can be considered as early and successful forms of the modern-day participatory CBO oriented towards sustainable development.

NGO coordination. There appears to be a greater level of coordination among NGOs in certain sectors than in others. For example, those involved in human rights issues and other areas that come under advocacy tend to have a greater degree of cooperation compared to NGOs which appear to be prone to rivalries. In contrast, environmental NGOs have been a more cohesive lot, having among them formed various issue based coalitions over the years.

There have also been some effective networking on a geographical basis.

Examples of NGO networks:

1. NGO Water Supply and Sanitation Decade Service 0 a sectoral consortium established in 1983 under the auspices of the UNDP
2. People's Plan for the 21st century-Sri Lankan affiliate of a larger international network concerned with conceptual problems of "development" and engaged in defining an "alternative".
3. NGO Credit Forum-NGOs active in small villages and credit schemes.

Government-NGO relations

Government policy toward NGOs is characterized by an adhoc approach. There have been various initiatives to prepare comprehensive legislation, indicating a desire on the part of the state to regularize links with the NGO sector. However, the moves for legislation have not always been constructive in character. There have been allegations, for instance, that the 1991 NGO Commission was appointed largely in order to prosecute a particular large NGO which had fallen out of favor with the then president. More recently, there seems to have been a concerted effort on the part of the state to develop a constructive policy framework but this remain in its infancy.

Policy environment. The policy environment for Government/NGO relations has largely been defined by two recent political events: the 1990-91 Presidential NGO Commission and the 1995 Presidential Commission of Inquiry into the activities of the JTF. These two inquiries were established for political reasons by two different presidents but as one observer described it, the Commissions "poisoned the atmosphere" for GO/NGO relations. Over the past decades, the GO/NGO relationship has fluctuated but is still characterized by an underlying feeling of mutual distrust. This political mistrust has seeped into the bureaucracy but in spite of this governments recognize the importance of the NGO sector in

the implementation of development strategies. The specific nature of GO/NGO partnership has never really been negotiated in any detail. From the government perspective, officials frequently insist that NGOs come under the control of relevant government bodies.

Tensions between NGOs and the government. Many of the observed GO/NGO tensions have derived from issues related to the war in the North and the East. At times, even high-profile INGOs have come under fire for alleged involvement in the conflict. The government has at times accused NGOs of being sympathetic to the Tamil Tigers. Tension exists in the fields of resource exploitation and its impact on the environment, human rights.

On the other hand, there is fruitful cooperation in the field of service delivery, such as health and education.

The deterioration in the democratic institutions at the turn of the decade gave rise to an increasingly vocal group of NGOs concerned with human rights issues. This process reached a peak around 1991, about the same time that tension with SARVODAYA was rising. Thus, this period can be characterized as the lowest ebb in government-NGO relations.

Nature of GO/NGO collaboration. GO/NGO relations with respect to development appear to be relatively cordial. In spite of certain complaints from NGOs about government's inclination to adopt a top-down approach in working with NGO "partner organizations", there does seem to be dialogue and some hope for increased GO/NGO collaboration in the future.

When the entire range of activities of any given project where NGOs cooperate with government agencies is considered, it becomes clear that the term "collaboration" does not apply to every phase of the project. As the experience from the IRDP shows, NGOs are typically seen as delivery agents which carry out certain components of the government's development program. The NGOs are not partners in the real sense of the word as they are brought in only at the implementation stage of the project.

The SARVODAYA movement has come into conflict with powerful persons in the political leadership on at least two occasions, before and after 1977. In the mid-70s, the growth of SARVODAYA in terms of size, coverage and visibility, created the impression that SARVODAYA may one day harbor political ambitions. At that time the government had adopted a policy of strict control and the very existence of powerful NGOs caused irritation. Again during the tenure of President Premadasa (1988- 1993) the stated political ambitions of the SARVODAYA leadership led to open conflict with the president and heavy handed moves to curb the activities of SARVODAYA, including ultimately the appointment of an NGO commission in October 1990 to look into alleged malpractices, including fraud, embezzlement and proselytization.

VIETNAM

Excerpts from the country report prepared by Dao Van Hung for the Asian Development Bank, July 1997

Origins and growth of NGOs

The rapid growth of the local NGO community has in part been a result of the regulatory confusion in this non-formal sector. The confusing array of regulations, decrees, laws, decisions and circulars has allowed a range of organizations to flourish and claim some form of quasi-legal status.

Broad policy regulations on mass organizations were promulgated in 1989 and 1990, but the issuance of decree 35/HDBT on January 28, 1992 by the government and an inter-ministry circular No. 195-LB issued on November 13, 1992 by the Government Committee on Organizations and Personnel and the Ministry of Science, Technology and Environment provided the mechanism for a new breed of local NGOs to gain legal status. This regulation allows the formation of private and governmental organizations for scientific research and technological innovation and exchange.

Overview of the NGO sector

Organizational structure and scope of local NGOs. The majority of local NGOs are small, with an average of 5 to 10 staff.

The scope of operation is small with a professional focus such as medical services, agricultural extension and research on aspects of rural development.

The financial scale of NGO projects is about US\$5,000 to US\$10,000 and for a limited period only (less than a year). Hence, their influence in the community is still limited.

The lack of a rural network limits their ability to implement development programs in rural areas. To overcome these limitations, LNGOs usually coordinate with the mass organizations to implement these development programs.

Development activities of local NGOs

Research. Topics are usually determined by the interests and concerns of funding agencies. Usually small-scale (within a district, province or local area). Some research has focused on policy issues and in some cases has influenced policy makers.

Training and capacity building

Consultancy work. Undertaken for development

programs of INGOs and other funding agencies.

Development programs. Only a few NGOs have such programs in the rural areas because most NGOs either do not have a rural network or have no budget for it. Funding agencies are uncertain about the management capacity and the future of local NGOs.

Capacity of local NGOs. The capacity of LNGOs is limited by their small-scale operations, lack of experience, limited information and lack of effective coordination among them. However, the NGOs are financially independent of government

Local NGOs face some problems regarding leadership. Many have been founded by a charismatic individual and the uncertainty surrounding the LNGOs leads many potential leaders to look to the growing private commercial sector for a career.

Funding for NGOs. The key sources of funding for NGOs are bilateral and multilateral agencies such as Swedish International Development Agency and UNICEF, international NGOs such as Ford Foundation, Bread for the World and CARE, and remittances from Vietnamese living abroad. One estimate suggests that some US\$60 million is being remitted from the US alone each year with substantial additions coming from France and Australia. Most of these funds are channeled to private businesses and families, not philanthropic activities, but are nonetheless a potential source of alternative funding for LNGOs.

Technical capacity. Many LNGOs were established by retirees who had previous government experience. However, their ability is limited to certain fields and they are hampered by their difficulty with the English language in their dealings with overseas agencies.

Local NGO staff have limited skills and experience in project identification, design and implementation. As a result, LNGOs have yet to develop long-term action strategies. This is compounded by the absence of institutions or colleges that provide courses on development and development management. Most of the training available to NGOs is held abroad or through

short courses in Vietnam conducted by overseas consultants. This training however is expensive and beyond the reach of local NGOs.

INGOs in Vietnam. There are approximately 300 INGOs in Vietnam. One of the first to set up shop was CIDSE in 1976. Around 100 INGOs have official representative offices in Vietnam, 70 in Hanoi and 30 in Ho Chi Minh city.

In recent years INGO activity in Vietnam has increased at pace with total NGO expenditure. Total aid from INGOs in 1996 was US\$150 million, US\$30 million more than the previous year.

INGOs often choose working partners at the district and commune level and their more common partners are the local authorities and mass organizations at the grassroots level. The INGO Centre reports that "because of the lack of a non-governmental sector, INGOs in Vietnam have tended so far to work through the government at various levels or through mass organizations..."

Government-NGO relations

The majority of LNGOs were established after the first shock of *doi moi*. The reduction of funding for social services such as health and education coincided with the establishment of NGOs who have increasingly filled the vacuum in the social sector. The continuing annual increase in the number of NGOs seems to indicate a favorable working environment for NGOs. However, the government has yet to issue relevant legislation to support and encourage LNGOs. Legislation has been drafted but has yet to be submitted to the National Assembly. The lack of a legal working environment has become a constraint limiting the long-term sustainability of LNGOs.

Several government authorities are responsible for issuing permits and monitoring the activities of LNGOs but there is little coordination between these different agencies or with other government departments cooperating with NGOs.

The government lacks an adequate information system on local NGOs and their activities. It has access to a profile of the LNGO at the time it

was established but no up-to-date information on its activities.

In a range of donor funded projects, such as primary health care, greening of barren wastelands, literacy, job creation, rural clean water supply, poverty alleviation, and credit for the poor, the government has involved mass organizations but there has been no LNGO involvement in the implementation.

Why? (1) because government officials are not aware of the activities of LNGOs in sustainable development; (2) local NGOs work on a limited scale and have no national or provincial networks; and (3) the capacity of LNGOs to implement and manage development programs is still untested..

Besides, the role and function of LNGOs in the community is still unclear and the small scale of their activities to date leaves them invisible beside the mass organizations.

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ARE mass organizations NGOs?

No. The mass organizations were established by the Party and, for all intents and purposes, are government organizations under the guidance and leading of the communist party and the local authority.

The government and government organizations trust the mass organizations more than other NGOs

Mass organizations participate in implementing government development programs such as the Tree Planting Program on Barren Wastelands, Job Promotion schemes, Illiteracy and Primary Health Care Programs. LNGOs have yet to participate in these broad-based activities.

However, the mass organizations are searching for a new, more representative role under *doi moi* and have been building their links with the help of INGOs and donors. The mass organizations are in a unique position, enjoying the trust of both government and the people, and having the opportunity to expand their functions, approaches and contacts.

The *doi moi*, or renovation, campaign was launched by Communist party boss Nguyen Van Linh, who was elected in late 1986 to rescue the country from near-economic ruin and growing political malaise.

NGO Letter to PRESIDENT SATO

28 April 1998
Geneva, Switzerland
ADB 31st Board of Governors' Annual Meeting

Dear President Sato,

We would like to thank you for granting us an audience at the ADB's 31st Annual Board of Governors' Meeting. However, you will notice that there are only a few of us from the Asian NGO Working Group on the ADB meeting you this year. This is due in part to the location of this year's AGM and also to the cost involved in travel expenses.

We as NGOs felt that rather than using our scarce financial resources to travel and attend an AGM in a distant, cold and expensive country, we would rather involve ourselves in different forms of dialogue with the ADB. There is an acknowledged consensus among the Asian NGO Working Group on the ADB to pursue the NGO recommendations presented last year during the NGO Seminar held at the ADB Headquarters. The particular recommendation that we would like to follow-up is the point on the Bank developing mechanisms that would facilitate Bank Staff, including Executive Directors to initiate consultation and dialogues with NGOs not only during the annual meetings. We are open to propose suggestions for specific mechanisms to improve participatory processes in a separate dialogue with you.

However, those of us who are here are very keen to know whether the Bank has formulated any policy to address the Asian crisis.

The ADB has contributed to the Asian crisis particularly because of the development model it has been promoting. NGOs have been questioning this type of development model, which does not target the importance of small-scale people-centered projects. The Bank has promoted programs that pursue the involve-

ment of the private sector and other big businesses without integrating the concerns of the affected communities. The response of the ADB on the Asian crisis seems to be just a part of the bail-out schemes of other international financial institutions. The role the ADB has played in contributing to the bail-out of Asian economies in the last year does not respond the issues of poverty but rather reflect the needs of the donor country investors. The bail-out programs serve to maintain the status quo of financial elite and instill investor confidence. As a direct consequence, poverty has been exacerbated due to the bail-out conditions.

The ADB should not suggest that it is part of the solution, in as far as the international financial system is at stake, particularly with the Bank borrowing heavily on the foreign international financial markets, when it is part of the problem as well.

We recommend that the ADB must critically re-examine the growth and development model of East Asia's newly industrializing economies. The current crisis has exposed the fundamental flaws of the model including: 1) the lack of transparency and accountability, 2) the weakness of prudential regulation and financial supervision, 3) the encouragement of economic favoritism and crony capitalism, 4) the sway of authoritarianism and the suppression of human rights, and 5) the erosion of people's confidence in governance.

Additionally, the ADB must treat the collapse of economies in the region not only as an economic crises but as a political and social crisis as well. Hence, economic reforms can become fully effective only if political and social reforms take root. Democratic governance, people's participation in policy-making, transparency and accountability, and social programs that protect the poor and the unemployed must be on top of the reform agenda. The ADB's financial assistance should not be wasted in bailing out the imprudent bankers and businessmen but should be targeted to restore macroeconomic fundamentals, stimulate employment and productivity, and uplift the living standards of the poor.

Finally, the ADB must lead by example. It must undertake serious soul-searching and be open

to substantive changes in the formulation and implementation of its goals, programs, policies, and projects. We once again call on the ADB to test the policy recommendations put forward by the NGOs and POs engaged in the advocacy for thoroughgoing reforms in the ADB. These policy proposals cover a wide range of issues: financing and assistance, sustainable growth, information and public participation, inspection function, involuntary resettlement, energy, population, women in development, indigenous peoples, forestry, agriculture, fisheries, private sector strategy, and project quality assessments. The proposals of the NGOs and POs, which have been consolidated and submitted to the ADB presidency in the past annual meetings, remain unfulfilled.

We look forward to hearing more positive reports from you during our next dialogue on our above proposals.

In behalf of the Asian NGO Working Group on the ADB,

ASTER SOONG (sgd)
Sahabat Alam Malaysia/FoE-Malaysia

PHILIP GAIN (sgd)
Society for the Environment and Human
Development
SEHD - Bangladesh

MELINDA MAE OCAMPO (sgd)
NORLY GRACE MERCADO (sgd)
Legal Rights and Natural Resources Center,
Inc. -
Kasama sa Kalikasan/Friends of the Earth-
Philippines
(LRC-KsK/FoE-Phils.)

TAKAHIRO NANRI (sgd)
Japan Tropical Forest Action Network/
Japan NGO Working Group on the ADB

ROBERTA COWAN (sgd)
Friends of the Earth - International
The Netherlands

A primer on the MDB campaign

By ANTONIO B. QUIZON

Why are we concerned with MDBs?

- ➔ *They are Public Institutions.*
- ➔ *They are a global financial power.*
- ➔ *They are instruments of the North.*
- ➔ *They impact on poor communities.*
- ➔ *They increase the long-term debt of poor countries.*

Three beginnings of the NGO-MDB Campaign

Rise of environment concerns

1980s: Pollution issues, destruction of rainforests, wildlife conservation, urban decay, nuclear power plants

1990s: Biodiversity conservation, ozone layer depletion

Development work of middle-class NGOs

1970s: Effects of the “Green Revolution” on farmers, MDB funding for repressive governments, rising foreign debt

1980s: Social impacts, cultural rights, gender issues, structural adjustment programs

1990s: Economic impact, market and trade liberalization, development paradigm issues

People's struggles against displacement

1970s: Polonoestre Project, Brazil; Chico River Basin Project

1980s: Transmigration Project, Java; Bakun Dam, Malaysia

1990s: Narmada Dam, India; Arun Dam, Nepal; Mekong River Development Project

Characteristics of MDBs

A closer look at the Asian Development Bank

The beginning: MDBs were created by governments

- UN-ECAFE (ESCAP) created the ADB.
- ADB Charter made it separate from the United Nations (UN) system.
- Public funds provided initial capitalization.
- ADB was meant initially to fund agriculture and rural development, not industry or financial markets.

Legal status of MDBs

- ADB Charter ratified by governments
- Immune from suits and damages
- Exempted from taxes and customs duties
- Hold the status of “international public servants” and hence enjoy diplomatic privileges.

Capital structure

Where do ADB funds come from?

- Ordinary capital resources (OCR): \$54.2 billion
 - ↳ Paid-in capital: \$3.3 billion (10%)
 - ↳ Callable capital: \$35.2 billion (90%)
- Special funds
 - ↳ Asian Development Fund (ADF)
 - ↳ Technical Assistance Fund (TAF)
 - ↳ Japan Special Fund (JSF)

- Co-financing, using private sector and government funds
 - ↳ Ratio: 1:1.5

Governance and voting structure

Who's the real boss?

- ADB is a bank run like a Corporation

- Board of Directors

- ↳ President is usually a banker
- ↳ 90% of staff are economists and engineers
- ↳ 88% of professional staff are men.

- Voting rights are based on subscribed capital shares, not on “one-nation, one-vote”.

- ↳ Japan: 22%, US: 11%
- ↳ 18 developed countries: 59.1%

- How the 15-member Board of Directors is elected:

- ↳ According to voting shares
- ↳ With automatic seats conferred to: Japan, Australia, India, China, Europe (2).
- ↳ Influenced by geo-politics.

Annual Board of Governors Meetings: a meeting of stockholders, attended by finance ministers

The ADB Campaign: Our approach

The five areas of the campaign

- ➊ *NGO participation in ADB Annual Meetings:* bringing stakeholders to confront stockholders
- ➋ *Ongoing dialogue with ADB officials:* intervening in ADB policy
- ➌ *Regular information:* building public awareness
- ➍ *Networking:* building a public constituency
- ➎ *Policy research and case studies:* sharpening the debate

➔ Continued on next page

Who are the MDBs? World Bank Group: the "Five Fingers"

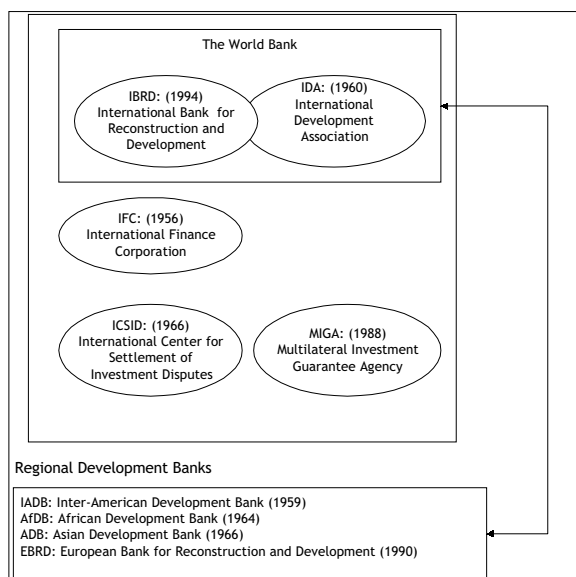


Table 1. Changes in MDBs: A Brief History

1944	Post World War II	Bretton Woods Conference creates the "twin sisters": IBRD for Post-war reconstruction; IMF for global monetary stability. Focus was on re-building Europe.
1950s	Post-war economic boom	Priority shifts from "reconstruction" to "development". Lending shifts to developing countries.
1950s-60s		Regional development banks are formed: Latin America, Africa and Asia
1970s	Rise of OPEC oil cartel; global oil crisis. "Oil money" is invested in US and Europe	Massive lending shifts from "development" towards supporting Third World budget deficits; global rise in Third World debt. Start of Structural Adjustment Programs
1970s-80s	Height of the Cold War. Start of protests against MDBs.	Tied aid: Lending is tied even more to First World foreign policy.
1990	End of the Cold War	The EBRD is created to finance the development of Eastern Europe.
1990s	Rise of market liberalization. Creation of WTO. Nations compete for markets and regional trade blocs.	MDBs impose market-oriented policies, privatization and deregulation. Lending shifts from "government" to supporting "private sector". Start of structural adjustment lending. Focus on safety nets.

Table 2. Concerns raised by NGOs during the Seven-Year Campaign (1989-1995)

	1989	1990 to 1991	1992	1993	1994	1995
MACRO ISSUES	Debt reduction through debt-to-nature swaps	- Structural transformation rather than adjustment - Change economic growth framework	- Equity rather than growth - Gap between ADB rhetoric and practice	Flawed ADB development model	- Destructive impact of ADB policies, programs & projects - Equity & sustainability - Privatization - Critical position on GCI IV - Write off debts through spring cleaning	- ADB reforms - Impact of market-oriented economic growth - Asian Development Fund - Delinking from SAPs - Debt relief & spring cleaning
PARTICIPATION/ TRANSPARENCY/ ACCOUNTABILITY		- Public participation - Access to ADB documents - Independent monitoring & evaluation process	- Timely access to information - Adequate consultation - Accountability of aid funds	- Engage stakeholders in dialogue - Independent review of "bad" ADB projects	- Public accountability - Automatic access to information - Consultations with potentially affected peoples/inspection/appeals mechanism	- Inspection function/ Confidentiality & disclosure of information/ People's participation
SECTORAL ISSUES	- Energy loans for end use efficiency - Forestry issues/ Indigenous Peoples - Sustainable agriculture	- Forest issues/ sustainable livelihoods		- Respect IP, customary and traditional rights - Forest issues	- Community oriented energy generation - Commercialization of forest resources - Chemical free agriculture	- Energy lending towards rural electrification, demand side management, and renewable energy - Incorporate agrarian/aquatic reform program and community based natural resource management/forest issues
SOCIAL/ ENVIRONMENTAL DIMENSIONS	Improved project monitoring	- Integrate social/ environmental factors - Implementation of environmental policies - GEF-like window in ADB - Impact on women and children	- Improved monitoring of projects - Develop Bank strategy in crucial global environmental issues	- Implementation of social/environmental guidelines - Indemnification of affected communities and damaged ecosystems - Meet global imperatives on environment	- Meeting regional/ global imperatives - Failed resettlement cases/IP rights - Population policy - WID goals - Climate change, biodiversity, ozone depletion	- Unacceptable IP draft policy - Bank focus on mitigation measures rather than option for non-resettlement - Support for women and development
BANK/NGO RELATIONS	Cooperation with NGOs	- Create ADB-NGO focal point - NGO room/amenities during ADB Annual Meeting	- More effective ADB-NGO liaison - Discriminatory accreditation of NGOs to Annual Meetings		NGO accreditation to Annual Meeting	Civil society fund for capacity building

Impact of the campaign

- Shifts in Bank-wide lending priorities: "the 50-50 project mix"
- Stronger social and environmental impact assessments, but still weak social assessments framework
- Policy on access to information, but application is weak.
- Policy on participation, but little experience within ADB.
- Creation of an Inspection Panel to investigate Bank projects.
- Bank initiative in "Improving Project Quality"
- Conditionalities attached to the General Capital Increase, 1994 : Seven sectoral policies on women-in-development, energy, agriculture, forestry, involuntary resettlement, indigenous peoples, and population
- Bank-NGO relations

Practical Tips for Negotiations with Bank Officials

By Antonio B. Quizon

Note: Corporate cultures are a world apart from NGOs. And Bank negotiations usually center not only on “ideas” but also on underlying issues of “power” relations. Here are some practical tips which I’ve found useful, based on personal experience. The intention here is not to teach “one-upmanship”, but to help NGOs put their message across, and to get their desired responses in meeting.

Dress Up.

It is part of corporate culture. Dressing up will help you avoid unnecessary hassles like being stopped by security personnel or being denied appointments by over-protective bank staff. Unless this is precisely the point you’d like to raise, access to officials should be the least of your worries.

Set-up Appointments.

Be kind to secretaries. They also serve as gatekeepers and confidants. Leave them your calling card or contact address and phone. The boss will likely forget; but secretaries won’t.

In any case, always be ready for “walk-in” meetings or “corridor-lobbying”. Give room for spontaneity. Small informal meetings over lunch or coffee breaks are best, because you will have the officials’ undivided attention.

Come early for Appointments.

It makes the strongest first impression. While waiting, review your notes. Keep busy.

Talk about the right issue to the right person.

Know who in the Bank is in charge of what, whom you should talk to. No use wasting each other’s time. If the Bank official just sends his junior representative, or if you find out that you are talking to the wrong person, just state your message, cut your meeting short, and then leave.

Be clear about your specific purpose, and plan your message well.

Are you: searching for information? Protesting a Bank project? Proposing an action plan?

Know how much meeting time you have in advance, and the official you are speaking to. If you are in a group, role-play who will speak first, and act-out what each one will say. Better still, prepare a page-written summary of your message, which you can leave behind after the meeting.

Try to emphasize just one central message.

Busy bank officials are likely to forget all the details. Introduce yourself and what/whom you represent. Clearly state your purpose, what your issues are, and what you would like the Bank to do.

Know your facts.

Bank officials are likely to jump on the smallest wrong detail or statistic you give, and to wrestle you to the ground on this. If you make a mistake, quickly get back to your main message.

If you wish to present a set of documents, include a one-paged summary up-front. Try using colored/tinted paper. With so much paper lying around, busy officials have very short attention spans.

Try to start by saying something that the bank would like to hear, capture their attention.

Then proceed to state your issues.

For instance: you may start by acknowledging the Bank’s effort towards reforms. After that, state your issues, and what you expect the Bank to do. Remember that there is always some initial hesitation on the part of the Bank officials to meet with NGOs.

Speak out loud and clear.

Never mind if your English is bad. It is the confi-

dence that counts. Sound convinced and convincing. Do not be intimidated.

Present concrete demands, not just complaints.

Always pin down your demands to specific follow-up actions, i.e. funding questions, target dates and deadlines, and measures of compliance. Explain how it is in the “best interest” of the Bank to act on the issues. If you can translate your issues into monetary terms, then you are likely to be more convincing. Money is the language that the bank understands. You can point out, for instance, how the Bank could have avoided the costs of a failed project if the Bank had only consulted with the affected local community, in the first place. Or else you could mention how a thoroughly-done EIA could save environmental costs and damage in the longer-run.

Know where to sit.

The physical lay-out in a meeting suggests underlying power relations. A desk for instance, is a symbol of power; and so is an official surrounded by his assistants. Try to avoid sitting opposite an official who is positioned behind his desk. If there are options, choose to sit around a neutral table, or place chairs around in a circle.

Never take “no” for an answer.

Often, Bank officials will put the blame on governments, and say that it is governments, not the Bank which decides on projects. Or else, they will say that they will “do their best”. Don’t take these answers at face-value. Always be ready to propose concrete workable solutions. Try not to leave a meeting without a clear next step.

Do not embarrass an official in front of his colleagues or superiors.

Try to keep the broader view that Bank officials who are willing to meet with NGOs are also likely to be the more open ones. Other officials may not want to meet with NGOs at all.

Don’t accept patronizing state-

ments from Bank officials.

Statements that suggests pity for NGOs and locally affected communities have no place in negotiations. You are seeking justice not sympathy.

Put things down in writing.

Take notes of your meeting. Bureaucracies value paperwork. Bank officials invariably respond only to written arrangements, and to ignore verbal

agreements. To them, what is not written does not exist at all. If the commitments are made through meetings or phone calls, take time to write this down, and send back to the official concerned, as proof of reminder that a commitment has been made. If a commitment is deemed very important, furnish a copy to his colleague or superior.

Toward the end of the meeting, briefly summarize your central message, thank the official(s) and shake hands.

This will leave a lasting impression that an agreement has been reached.

** Use of the male pronoun here for Bank officials is deliberate. Most Bank officials are men.*

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ANGOC is secretariat..

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representatives of civil society organizations and World Bank officials in Bangkok, Thailand from 30 June to 3 July 1998.

In the same meeting, the Steering Committee of the new regional grouping chose ANGOC to act as its Secretariat. The Steering Committee is composed of

representatives from NGO Forum of Cambodia, Bina Swadaya (Indonesia), Consortium Laos, Freedom from Debt Coalition (Philippines), NGO Coordination Committee on Development (Thailand), and Oxfam UK-Vietnam. Bina Swadaya's representative is the designated Chair.

200 Food Secure Villages in Asia

The 1996 World Food Summit Commitments

1. We will ensure an enabling political, social and economic environment designed to create the best conditions for the eradication of poverty and for durable peace, based on full and equal participation of women and men, which is most conducive to achieving sustainable food security for all.

2. We will implement policies aimed at eradicating poverty and inequality and improving physical and economic access by all, at all times, to sufficient, nutritional, adequate and safe food and its effective utilization.

3. We will pursue participatory and sustainable food, agriculture, fisheries, forestry and rural development policies and practices in high and low potential areas, which are essential to reliable and adequate food supplies at the household, national, regional and global levels, and combat pests, drought and desertification, considering the multi-functional character of agriculture;

4. We will strive to ensure that food, agricultural trade and overall trade policies are conducive to fostering

One of the recommendations of the World Food Summit (WFS) held in Rome two years ago was to establish mechanisms to monitor and determine the extent to which commitments made during the Summit (See commitment #7) have been achieved by governments and international organizations.

The Asian NGO Coalition (ANGOC) has this year undertaken an initiative to assess what effect such compliance has had at the community level. ANGOC proposes to do this by conducting household food security surveys in 200 Asian villages. *Participatory Research Approaches* will be used to formulate measurable indicators of a community's food security situation. The findings of the survey will be the basis for community-level planning and action and for policy advocacy at the national and regional levels.

Far from being simply a survey, however, this Project aims ultimately to promote and help achieve food security in the selected villages.

At least twenty villages will be selected from 10 Asian countries, preferably where ANGOC members operate: *i.e.* South Asia (Bangladesh, India, Nepal, Pakistan and Sri Lanka); Southeast Asia

(Indonesia, Malaysia, Philippines and Thailand); East Asia (Japan). Three countries in Indochina (Cambodia, Laos, Vietnam) will also be covered.

The villages themselves will be chosen according to a set of criteria. The area must:

- have ongoing initiatives in food security;
- be relatively small (i.e. composed of 200 to 500 households), homogenous and accessible;
- have the capacity to generate demonstrative/multiplier effect;
- (preferably) have been included in the Asian Development Forum series and the ANGOC 1983 Village Survey;
- (preferably) have good rapport and linkages with other non-government organizations (NGOs), agencies and communities.

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A "Country Focal Point" (CFP), in this case, an NGO, will take the lead in project implementation at the national level. The CFPs will in turn select local NGO partners (ANGOC member or not) to help them carry out the project at the community level.

A Project Advisory Committee (PAC) and Technical Working Group (TWG) have been formed to help ANGOC in project implementation. The PAC will oversee national- and regional-level implementation while the TWG will work on the details of operationalizing the project, for instance, research design, methodology, instruments, and other technical assistance that may be required.

The PAC is initially composed of A.Z.M. Obaidullah Khan (former assistant director of the Asia-Pacific regional office of the

Food Agriculture Organization), former ANGOC chairperson Bishop Antonio J. Ledesma, S.J. (now Bishop President, Prelature of Ipil, Zamboanga del Sur, Philippines), and Percy E. Sajise (SEAMEO Regional Center for Graduate Study and Research in Agriculture [SEARCA], Los Banos, Laguna, Philippines). The TWG, on the other hand, is composed of representatives from the Food and Agriculture Organization (FAO), SEARCA, the Institute of Agrarian Reform and Urban Development Studies, College of Public Affairs, University of the Philippines at Los Banos, the Southeast Asia Rural Social Leadership Institute (SEARSOLIN); and ANGOC.

*For inquiries, contact: LYN L. GALANG,
Project officer, 200-Village Project*

food security for all through a fair and market-oriented world trade system;

5. We will endeavor to prevent and be prepared for natural disasters and man-made emergencies and to meet transitory and emergency food requirements in ways that encourage recovery, rehabilitation, development and capacity to satisfy future needs;

6. We will promote optimal allocation and use of public and private investments to foster human resources, sustainable food, agriculture fisheries and forestry systems, and rural development, in high and low potential areas.

7. We will implement, monitor, and follow-up this Plan of Action at all levels in cooperation with the international community.

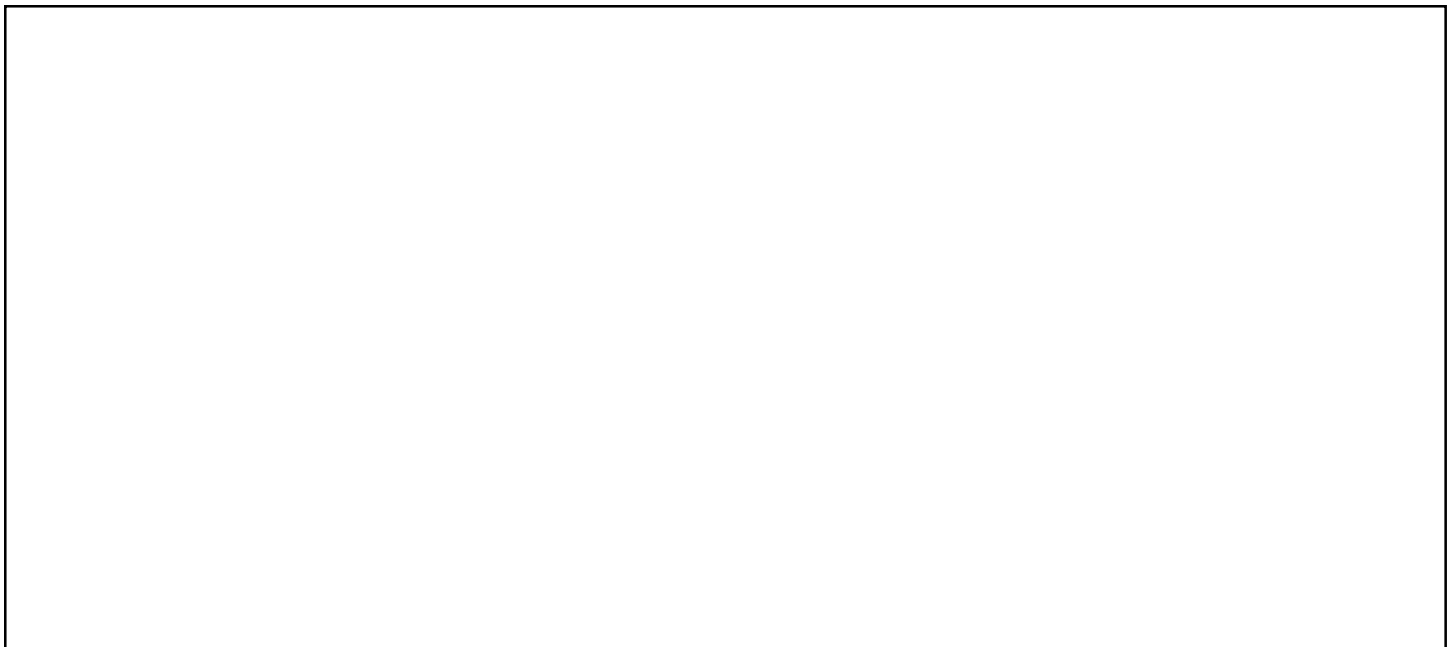


Fig. 1 Conceptual Framework of the 200-Village Project

Law favoring Japanese NGOs

A bill widely seen as favoring non-government organizations and citizens groups in Japan was passed unanimously by the Diet, Japan's Lower House, last March 19.

The Non-Profit Organizations (NPO) Law confers corporate status to volunteer and other citizens' groups by officially recognizing them as non-profit organizations. Such recognition makes it easy for NPOs to set up shop, *i.e.* rent offices, get a phone line, and open bank accounts. It also qualifies them for tax breaks. Previously, NPOs could gain corporate status only by constituting themselves as a foundation (which was extremely difficult to do) or by registering themselves as a corporation (which made them subject to corporate taxes).

The new law can be the turning point for organizations which in the past had been denied concessions because of their "non-incorporated" status. However, NGOs expecting to avail of tax exemptions under the NPO Law will have to wait a while longer. The matter has been shelved for later review.

World Bank honchos get a grip

Whether they like it or not, World Bank (WB) managers will soon get first-hand experience in living in poor communities under the WB's newly formed *Grassroots Immersion Program*, or *GRIP*.

WB managers will be separately deployed to poor communities where they will live for one week, not as a guest, but like every other resident.

GRIP is an offshoot of the Bank's Executive Development Program (EDP), and aims to challenge Bank managers to put their managerial knowledge to the service of the poor.

As EDP head Maurice Sterns puts it, "We want the managers to enter these communities as persons--not as technical experts--just as people. We do not want them to be involved in developing any project or solving any problems or discovering any wonderful new ideas. We want them to be there as students to listen and learn from the community members of all ages. We want them to see and experience poverty as a whole system--not as a sectoral problem for health, education, infrastructure, etc."

The WB is inviting NGOs and other grassroots organizations to help implement GRIP.

ANGOC is Secretariat of Regional NGO

Working Group on the World Bank

The East-Asia Pacific Regional NGO Working Group on the World Bank was formed at a meeting attended by 83

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