

Foreign Aid NGOs: The New Merchants of Poverty

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Foreign aid has long been propelled by steady series of theories and practices, which while sounding reasonable, failed miserably. When the evidence rejected one theory, another took its place. Each new approach invariably has had a new set of proponents and a new explanation for underdevelopment and a promise to rectify the failures of the past.

So arose the latest fad - perhaps best known as capacity-building approach to development. This new fad, like its predecessors, is based on a seemingly reasonable set of hypotheses and is clothed in apparently good intentions and nice sounding language. Like its predecessors, it is fundamentally flawed – in application, if not theory.

As a result it is allowing the foreign aid industry to be captured by the new left of the West and used to fund and pursue their anti-growth, anti-modernity and anti-capitalist agenda. Indeed, foreign aid has now become the central source of funding and influence for the new left world-wide. The process is doing great damage to the prospects of peoples of the Third World, and to the world as a whole.

Case Study: Zambia And GM Food

The recent ‘happening’ in Zambia most comprehensively shows the characteristics and perversity of the civil society path to development. Zambia is a poor, agricultural based African country whose staple food is maize. It has also developed a heavy dependence on foreign aid, with aid inflows representing around 24 per cent of national income. As with aid generally, its foreign aid receipts are now heavily influenced by international foreign aid non-government organisations (NGOs).

Last year, the country’s maize crops failed due to a combination of drought, low levels of agricultural productivity and poor storage and transportation systems. The country faced mass hunger and some starvation. The World Food Organisation responded in the usual manner with the dispatch of 40,000 tonnes of maize. NGOs and the European Union (EU) urged the Government of Zambia to reject the food because of the prospect that it may contain genetically modified seed. The shipment arrived, was unloaded but was sent back by the government in response to the demands and pressure of the NGOs and the EU.

In short, the democratically elected government of Zambia decided to let its people go hungry rather than eat the food. This food is perfectly safe. It has been consumed by more than 300 million people in North America on a daily basis for the last eight years without any sign of harm. It has been approved after extensive testing by every major food authority, and the Food and Agricultural Organisation, the World Bank, and most other agricultural experts support its use. Indeed the South African Government, a major supplier of maize to Zambia, had recently approved the commercial growing of GM maize. The Zambian Government’s decision was not

driven by the desires and needs of its people. The only protests by locals were against the government's decision not to release the food and its decision to re-export. Instead, the pressure came for the NGOs their local agents and their financiers in Europe.

Who applied the pressure? Two of the most prominent lobbyists against the shipment were Friends of the Earth (FOE) and Greenpeace. These well known Western watermelons (green on the outside but red to the core) have pursued their campaign against GM food to Zambia under the guise of foreign aid. Another prominent lobbyist against the food was Consumers International (CI). CI has set itself up as the peak body of consumer activist organisations. While based in London it has a branch office in Zimbabwe. Largely Western governments, including the US State Department, fund it. It also receives substantial funding from the EU (around \$1 million in 2002) for its anti-agricultural biotechnology campaign in developing countries including Zambia.

Another vocal and influential opponent of the food was ActionAid, a British based aid agency and a major supplier of aid to Zambia. Oxfam started ActionAid in the 1980s as a vehicle for Oxfam to pursue 'political action' without jeopardising its charity status and aid funding. ActionAid continues to function as such. Oxfam, of course, is the mega-foreign aid agency with a world-wide budget of \$500 million, which receives funding from virtually every major aid donor – government, international agency and private. Oxfam itself has been a vocal opponent of GM food and to the shipment of such food to Zambia.

The most influential opponents of the food aid to Zambia were NGOs associated with the Catholic Church. Catholic Aid and Caritas, both aid agencies funded by Catholics in the West and by official aid agencies, lobbied the Zambian government not to take the food. Third World NGOs also got into the act, indeed these were the most vocal in demanding that the food be rejected even if it meant starvation. Most prominent amongst these was the Third World Network (TWN). Mr Natsios the director of USAID - large aid donors to Zambia and to NGOs - was publicly very critical of the Zambian Governments decision and the actions aid agencies. His complaint and status had little effect.

How did the NGOs convince the Zambian Government to withdraw food from hungry, indeed starving people? Hungry people generally pose a threat to governments, particularly democratically elected governments such as in Zambia. In short, they did so with the power of money and political influence. In Zambia, as in many aid-dependent countries, the NGOs disburse a sizeable proportion of aid funding. They are major contractors to official aid agencies and they receive sizeable funding directly from individuals. Moreover, Zambia is clearly confident that if the US Government cuts its funding to NGOs, they can make up any loses with funding from elsewhere, in particular the EU. The Zambian Government needs the NGOs as they not only deliver many essential services but also are the main lobby for the continuation of foreign aid and for forgiveness of the mountain of debt it has built-up over the past decades. The NGOs also provide a lucrative career path for ambitious Zambian elites.

Why did NGOs lobby against providing food to starving people? This is indeed odd, given that they profess a humanitarian purpose and focused on empowering the poor and the disenfranchised. Yet they induced a policy that violated the most basic human right and threatened the poorest of the poor. The answer is that they are not what they claim to be. They are part of the new left of the

wealthy West, using aid foreign funds to wage proxy war in the Third World against their Western enemies.

The Beginning

The contracting-out of foreign aid to NGOs had a logical beginning. It was ostensibly an extension of the neo-liberal agenda. There have long been NGOs from the West - hereafter called INGOs - which focused on providing aid to the peoples of developing countries. Many, such as Caritas and World Vision, started with religious affiliations and used their religious networks to develop long-term relations with communities in the Third World. Others had no religious affiliation, but were driven by compassion and the desire to help their fellow man. A mixture of private donations and moneys from the affiliated institutions initially funded most of these organisations. While compassion was the main motivation, most were committed to helping the people of poor nations achieve the standard of living enjoyed in the West and were, at worst, agnostic towards markets.

It became obvious to aid agencies that INGOs were ideal contractors. First, they were low cost. They could deliver programs of a comparable nature more cheaply than public agencies and private contractors. Second, they were partly self-funded. They received often sizeable funding from individuals and non-official sources which offered aid agencies a chance to get more 'bangs for their buck' by using them. Third, they were often more flexible than the alternatives. They were willing to go where no public servant would dare or should, like into territory controlled by Marxist guerrillas. Fourth, they were willing to work on a short-term contract without superannuation, hazard insurance and private schools. Fifth, they had good reputations and claim to have close links with communities in the Third World.

Over time, INGOs became major contractors in the delivery of official aid. This was particularly the case for humanitarian relief work. Indeed, INGOs have become the main providers of humanitarian relief, and this has helped to create a number of mega INGOs, including Oxfam, Save the Children, Red Cross, World Vision, Caritas, and Care. This trend has parallels in the West, or at least in the English-speaking world. For decades welfare programs have increasingly been contracted out to non-profit organisations for the very same reason as was done in foreign aid. In the mid to late 1980s a new 'approach to development' began to gain ground (though this approach had been in vogue in Europe for decades) commonly referred to as the 'capacity-building approach to development.'

It became obvious, even to their supporters that current approaches to foreign aid were not working and that governments were often the source of the problem. Mega projects often failed due to corruption, incomplete information, delays, grass roots resistance and perverse incentives. The structural adjustment approach, where the World Bank and the IMF used loans tied to macro-economic reforms and targets to induce good behaviour, also failed for the same reasons. There was also a growing concern that the desired adjustments, even if successfully carried out, would have a deleterious impact on the provisions of basic services and in particularly on the poor and that there is a need for programs to supplement structural adjustment loans and act as a safety-net for the poor.

Development theorists hit on the idea of circumventing governments, particularly in corrupt countries, and giving the funds directly to the poor. Of course, official parties do not easily achieve this. It would undermine state-to-state relations and be seen as new form of imperialism. Instead, they decided that NGOs, particularly from developing countries were the appropriate agent. The idea is that local NGOs often have direct links with the poor and are motivated by an ideology of advancing and empowering the poor and the disenfranchised and thus are less corrupt and better conduits to the poor than governments. It was also believed that NGOs, being representative of the grass roots, could provide better information about the needs of people and the impacts on people of foreign aid projects and policies.

Donors also began to focus more on the institutional prerequisites for development, in particular for the rule of law, democracy, governance, and the participation and empowering of disenfranchised groups. They concluded that these were best achieved by strengthening local NGOs. The rationale is succinctly explained by USAID.

Citizens organizing to accomplish shared objectives constitute a vital force for the circulation of information and the representation of interests. The collective nature of civic action helps ensure that the interests of citizens, including women, disadvantaged minorities, and the poor, are weighed by public institutions that make policy and allocate resources. Civil society organizations (CSOs), which include free, independent, and democratic trade unions, can monitor government performance and demand leadership accountability both at national centers and in various localities. CSOs can inculcate democratic values, give people practice with democratic principles, and create opportunities for new leaders to arise. The following results contribute to the achievement of this Agency objective.¹

With end of the cold war, donor governments became less willing to prop-up corrupt governments, and more committed the rule of law and democracy. As such, capacity-building was increasingly built into most types of foreign aid projects, promoted with targeted projects, and funding. Again, a parallel policy trend was unfolding in the West. In response to declining trust in large institutions and top-down planning and demands for greater public participation, Western governments developed closer links with NGOs and funded capacity-building amongst local NGOs. Because of these forces - contacting-out of service delivery to INGOs and capacity-building programs - official aid funding to NGOs has grown rapidly.

The growth in official aid funding to NGOs was also driven by a number of more disconcerting forces. Foreign aid has always struggled for domestic constituencies in the West, farmers seeking markets for subsidies crops, industrialist seeking assistance for their factories; military strategists seeking means of paying-off friendly but corrupt governments, tended to come first. INGOs in contrast truly believe in foreign aid as a vocation. They are good at mobilising public support for their causes, and they are co-opted relatively cheaply. Accordingly, aid agencies around the world have embraced INGOs as partners. In exchange for a growing proportion of aid budgets, INGOs have become the most effective proponents of foreign spending. This partnership has also done wonders for the careers of aid administrators and NGO specialists by providing new, lucrative

¹ USAID

career opportunities. Indeed there is now extensive movement between the INGOs and the aid agencies, which in turn has solidified support for the INGO path to development.

Arguably, the closest partnership has been forged between the United Nations and the INGO sector. The UN-INGO partnership has been central both to the promulgation of the 'capacity-building approach' and to promotion of INGOs as central players in foreign aid and international affairs more generally. The UN has actively courted INGOs and offered them access, and advisory roles, and in some circumstances, decision-making roles with its agencies. Indeed, in some UN forums INGOs are increasingly being given roles on a par with nation-states. The UN also provides INGOs a venue to 'scold, advise, lobby and mingle with world leaders'. In exchange for excess, influence and money the INGOs promote the UN and its values - indeed in order to be registered with the UN an INGO must agree to promote the UN, its values and policies.

The UN's role with the INGOs goes beyond money and access. It has played a central role in both radicalising and catalysing the NGO sector and the 'capacity-building approach'. By the late 1980s, aside from humanitarian relief, the UN had been largely sidelined from the economic development process. Its anti-market policies had failed. Socialism, which it had long promoted in various guises, was discredited. It also had funding problems. Support for its views were waning amongst its constituent member states and it was increasingly being viewed as an incompetent, monolithic, self-perpetuating bureaucracy. It was in need of a new approach, new sources of funds, and new partners. It found these in partnership with the INGOs through the series of world summits and conferences. As the former UN Secretary General Boutros Boutros-Ghali described it, the NGOs were 'a guarantee of the UN's political legitimacy.'²

Starting with the UN Earth Summit in Rio de Janeiro in 1992, followed by conferences on human rights (Vienna, 1993), small islands states (Barbados, 1994), population (Cairo, 1994), human settlement (Istanbul, 1996) and Summits on social development (Copenhagen, 1995) women (Beijing, 1995), climate change (Berlin, 1995 and Kyoto, 1997) and sustainable development (Johannesburg, 2002) the UN and its INGO allies created and promulgated the new agendas. The UN has also mobilised, indeed created, many thousands of INGOs in support of its agenda. Largely through the political assistance of INGOs and the funding of the World Bank, it has developed the agenda of the 'new internationalists'.

In exchange for excess to, and influence in, the UN system and polices, NGOs are obliged under UN Resolution 1296 to 'undertake to support the work of the UN and to promote knowledge of its principles and activities.' The World Bank was initially a reluctant participant in the capacity-building push. Because of an aggressive campaign by Western NGOs, it is now a strong supporter and major funder of civil society and the capacity-building approach. The World Bank's initial reluctance was understandable and prescient. It was concerned that the approach would undermine the role of nation-states, provide money and power to unaccountable INGOs which did not share the values and interest of the poor of Third World, corrupt civil society, and be used to undermine economic development and growth.

The Bank knew the INGOs well. As outlined by James Sheehan in *Global Greens*, the INGOs began a concerted campaign against the Bank in the 1990s targeting its funding, reputation and

² United Nations Department of Public Information. DPI/1438/Rev.1-07508-October 1995.

policies. The Bank initially reacted to the campaign by attempting to develop closer links directly with NGO (in the Third World) but did so carefully in an attempt to avoid the ‘carpetbaggers.’ It also responded to demands for great environmental and human rights focus. With the ascension of Wolfensohn to the Presidency of the Bank in 1995, the Bank’s approach changed. It steadily adopted the capacity-building approach, providing increased funding, access and influence to INGOs and NGOs, including its most prominent and aggressive critics. It also entered into partnership with INGOs, covering the choice, design, carriage and evaluation of projects.³ From the perspective of stopping the NGO campaign, Wolfensohn’s policy appears to have worked. The critics have taken the money and influence, many of became supporters of the bank, and focused their critical effort elsewhere.⁴

Funding And Influence

It is impossible to obtain detailed data on NGO funding – indeed lack of transparency and data is a reoccurring theme on all aspects of the NGO sector. Nonetheless, it is clear that the funding stream is wide, deep, diverse, and fast running. NGOs and INGOs have been estimated to have received around US \$7.2 billion from all official foreign aid sources in 1995/96, which represented 13 per cent of total official aid disbursements⁵. Since that date, virtually all donors claim to have substantially increased funding to and through civil society.

While there is no published assessment of the overall level of funding for capacity-building, the data, sparse and partial as it is, indicates that it is at least \$3.5 billion per annum and growing. While this might not go far in Washington DC, it is really big money to NGOS in the Third World. While capacity-building came into vogue relatively recently in the English speaking world, it has been established policy in Europe for decades. The Netherlands, which is the most generous aid donor on a per capita basis, spent \$3 billion on net foreign aid in 1998. At least 10 per cent, or \$300 million, of these funds are allocated for capacity-building of NGOs in the developing world.⁶ The capacity-building funds are not allocated directly to NGOs but in the first instance, to four Dutch INGOs including, Hivos a human rights organisation, and Novib the Dutch affiliate of Oxfam. The four Dutch INGOs in turn allocate the funds to NGOs and for purposes of their choosing.

Germany had a total aid budget of \$5.6 billion in 1998 and has had a long established capacity-building program. The Germans provide an agreed proportion (usually between 7-8 percent) of the aid budget to German INGOs, which in turn allocate the funds according to their preferences and policies to NGOs in developing countries.⁷ The EU, which is increasingly assuming responsibility for foreign aid programs on behalf of its member states, had a foreign aid budget of around \$4 billion in 2000, of which \$700 million was provided to INGOs and NGOs and for capacity-building assistance. This is up from \$300 million in 1990. The EU is expected to increase

³ See Sheehan, J. 1998. *Global Greens: Inside the International Environmental Establishment*. Washington: Capital Research Centre, Chap 8 ‘Seeing Green at the World Bank.’

⁴ Sheehan, 1998, Chapter 8.

⁵ Pearce, J. 1997. ‘Between Co-operation and Irrelevance?: Latin American NGOs in the 1990s.’ in Hume, D. and M. Edwards, ed. *NGOs, States and Donors: Too Close for Comfort?* New York: St Martin’s Press.

⁶ Pinter, F. 2001. ‘Funding Global Civil Society Organisations,’ in *Global Civil Society Yearbook 2002*. Eds. Auhien, H., Glasius, M. and M Kaldor, Oxford: Oxford University Press, 201-202.

⁷ Pinter, 2001, 201.

substantially its capacity-building funding in the coming years.⁸ The northern non-EU European countries have a particularly close partnership with NGOs. Sweden for example had a foreign aid budget of \$1.7 billion of which \$500 million or 29 per cent was to, or through, INGOs or NGOs. Norway, which had a foreign aid budget of \$1306 million in 1998, paid \$330 million or 24 per cent to, or through, INGOs or NGOs.⁹

The US Government, which had a total foreign aid budget of \$8,786 billion, aims to spend around 40 per cent of its bilateral, project based funding through NGOs. It has also significantly increased its commitment to capacity-building in recent years. In 1999 USAID allocated \$637 million to various capacity-building projects, which represent an increase of 350 per cent on 1991 levels.¹⁰ In addition to direct funding, governments are increasingly providing other sources of funding to NGOs. The USAID for example has established endowment funds with the proceeds of debt swaps to assist the development and activities of NGOs. Aid agencies are 'leaning on' recipient governments to hire NGOs to advise, implement and monitor aid funded projects. Aid agencies also use their influence with private firms and foundations to focus funding on NGOs.

The World Bank has arguably become the largest financiers of INGOs and NGOs. In 1999 the Bank channelled 52 per cent of its project funding was through INGOs and NGOs and had INGO/NGO involved in some capacity in nearly 80 per cent of its projects. The Bank has also established a range of funding sources for capacity-building. For example, over the past fifteen years the Bank has funded over 100 social funds in 60 countries, to nearly US\$4 billion. These funds provide grants to NGOs 'to help build communities, provide social services, and carry out community development projects'. In addition, many large World Bank loans, managed by federal or state governments, have small-grants mechanisms geared to funding civil society initiatives, which complement larger government programs.¹¹ The Bank has established a special grants program with an allocation of \$4 billion, which allocates grants to INGOs and NGOs to participate in the 'development processes'. Monies from this program have been crucial to mobilising NGOs for the various UN conferences and Summits.

The World Bank established the Global Environment Facility in 1992, which it jointly manages with the UN. The GEF, which was established to fund programs in support of the UN's Climate Change, Biodiversity, and Persistent Organic Pollutants (POPs) conventions, has received \$8.75 billion to date from 37 countries, including the US and Australia. The GEF funds NGOs through a variety of large and medium projects and small grants. It has also funded a range of NGO/World Bank Partnerships. One such partnership is the World Bank/WWF Forestry Alliance launched in 1998. Under the alliance, WWF and the Bank jointly established a project to increase the area of protected forests and to promote WWF and its NGO partners as adjudicator of sustainable forest management. The project was funded with an initial tranche of \$137 million from the GEF.¹²

⁸ EU-Philippines Development Cooperation, EU Directorate Page

⁹ Pinter, 2001, 201-202.

¹⁰ Pinter, 2001, 201.

¹¹ <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/CSO/0,,contentMDK:20094255~menuPK:220440~pagePK:220503~piPK:220476~theSitePK:228717,00.html>

¹² Sheehan, 1998, 155, Appendix 2.

While there is no published data on UN funds provided to NGOs, the level of funding is clearly large. Though much of the funding for these talk-fests undoubtedly comes from non-UN sources, there were nearly 40,000 NGO representatives attending the UN's Sustainable Development Conference in Johannesburg in 2002. In addition to official sources, NGOs received around \$2.5 billion from private foundations in 2000 for international purposes (defined as non-North American). Most of this funding came from US based foundations, which increased their grants to overseas organisations by 57 per cent over the 1990s.¹³ US foundations have also focused their grants on capacity-building. While there have not been any comprehensive studies of this funding, a recent study in Malaysia found that 75 per cent of US foundation grants were given to NGOs for capacity-building and networking activities.¹⁴ Multinational corporations have also become significant financial supporters of INGOs and NGOs either through their foundations or directly from company sources.

The data undoubtedly understates the volume of monies provide to NGOs for activities in the Third World. It does not include monies provided to INGOs by Western governments and foundations for international purposes from other than the foreign aid budgets. For example, in 1999 the US State Department provided around \$100 million in capacity-building funding, outside the aid budget, to Third World NGOs.¹⁵ The EU funding to Consumers International for its anti-biotechnology campaign in Zambia and elsewhere came, not from the aid budget, but from consumer's affairs vote.¹⁶ Indeed the EU provides around euro 6 billion per year to European NGOs from outside its foreign aid vote for a variety of purposes many of which have an international dimension.¹⁷ Individual Governments in Europe, North America and Australia provide similar type of assistance to local NGOs.

The sums do not include funding to Western NGOs from governments and foundations that are employed domestically but used for international campaigns. For example, it does not include the moneys paid to US NGOs seeking to influence the aid policies of the US Government and US based international agencies. Nor does it include funding for domestic campaigns that unfolded on an international scale such the anti-biotechnology campaign in Zambia. Capacity-building is fundamentally aimed at giving INGOs and NGOs more influence over society – government, the market and the local community. This is clearly happening.

INGOs and NGOs have not only gained influence over the foreign aid flows and policy, but have become decision-makers in the environment, health, trade, economic policy, labour regulation, population, gender, legal, education, investment policy process. They advise governments and international bodies; they are included in official parties;¹⁸ they advise regulators; they represent the poor and virtually every other 'harmed party'; they help draft legislation; they lead protests and they are the first port of call for the media. Importantly, they frame the policies and priorities of the countries of the Third World as well as the West. They are the new power elites.

¹³ Pinter, 2001, 204-205.

¹⁴ Nahan, M. 2002. 'Us Foundation Funding In Malaysia,' *Institute of Public Affairs*
<http://www.ipa.org.au/Units/NGOWatch/ngowatch.html>

¹⁵ Pinter, 2001, 201.

¹⁶ http://europa.eu.int/comm/dgs/health_consumer/general_info/budget2001/budget19_en.html

¹⁷ europa, page 204, Table 8.6.

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Supply Response: NGOs Are A Booming Business

Money and influence has, as expected, led to a large increase in INGO and NGO numbers, types and sophistication. While data on INGO numbers is limited, there has clearly been a boom in aid related INGOs. According to the UN, there were around 13,000 INGOs¹⁹ in 2002, most of which were active in the foreign aid sector. This represented an increase of 25 per cent in INGO numbers over the previous decade. Employment in INGOs has also grown rapidly and the sector has become more professional. Full-time equivalent employment in the UK, Germany, Spain, Netherlands France and Japan alone was estimated to be in excess of 100,000 in 1999.²⁰ A recent survey of US INGOs found the average salary of senior executives to be in excess of \$250,000 excluding fringe benefits and to have increased in recent years at rate on average of in excess of 9 per cent per annum.

The capacity-building process has also resulted in a substantial increase in INGOs. For example, INGOs number in East Asia and the Pacific are estimated to have increased by 80 per cent over the decade of the 1990s with similar growth in numbers in Latin America, Sub-Saharan Africa and Eastern Europe.²¹ Many of the Third World INGOs function as local contracting agents to aid donors either to provide feed back on donor projects or to act as conduits to the grass roots or community groups. While there is limited data on NGOs numbers, it is clear that there has been rapid growth in NGO numbers in many countries. A USAID report found rapid growth in NGO numbers in Eastern Europe during the 1990s. The Asia Society reports a similar trend in many countries in Asia.²² Indonesia for example which is one of the key targets of capacity-building funding was reported to have over 100,000 NGOs in 2000 with the population increasing by dozens every month.²³ NGOs numbers were also reported to increase to 95,000 in the Philippines.²⁴

The Capture Of The Sector

While capacity-building funding has increased the capacity and influence of NGO sector world-wide, the real question is: has it given the poor and disadvantaged in the Third World a voice in domestic and international issues? Has it helped implement better projects and more sustained growth? Has it helped build a self-sustaining civil society in the Third World? The evidence, while very limited, is on balance negative. More specifically, the evidence indicates that Western INGOs and like minded elites in the Third World have captured the capacity-building approach with limited trickling down to the grass roots

Western INGOs win the lions share foreign aid contracts including those promoting capacity-building and have substantial influence over the choice of local partners and projects. For example, all of the capacity-building funding in the Netherlands and Germany is contracted-out to INGOs of those nationalities. In Australia, 82 per cent of capacity-building funding goes initially to

¹⁹ Anheir, 2001, 4.

²⁰ Pinter, 2001, 201.

²¹ Anheir, 2001, 5.

²² Vacek, L. 1998. 'International Conference on Supporting the Nonprofits Sector in Asia,' *Asia Foundation*, 3.

²³ Vacek, 1998, 3.

²⁴ Vacek, 1998, 11.

Australian INGOs (most of which are branch offices to large European based INGOs). A similar proportion of capacity-building funding goes to INGO in Canada. While the World Bank does not detail its funding relationship with individual INGOs and NGOs, it is clear that it contracts-out a great deal of capacity-building projects to INGOs. For example, the lion's share of the GEF funding has gone to Western INGOs such as WWF and Conservancy International to develop and lead networks of NGOs in various campaigns.

The heavy reliance on Western INGOs is inevitable. Capacity-building is fundamentally political. It entails donor agencies becoming involved in political actions. This means that in many countries and on many issue official donors will not want to be directly involved in political affairs of other countries and will therefore seek to do so through a third party such as an INGO. The Western INGOs have other attributes that make them the natural agents of capacity-building. They have close links with aid agencies, consultants and administrators in the West. They have influence with the media and politicians and therefore can be powerful friends or foes to donor agencies. They have large independent sources of funds and close links with supportive institutions such as private foundations. INGOs also dominate the advisory bodies of aid donors as well as the many research and policy networks upon which the sector depends. They are believed by the public to be the local representative of civil society and therefore the natural link to civil society in the Third World.

While some donors, most notably the World Bank especially pre-Wolfenshon, have tried to limit the influence of Western INGOs and develop ties directly with NGOs, their effort have limited by the actions of INGOs. There three reasons for this. First, many INGOs, such as Friends of the Earth, WWF and Consumers Internationals have established branches in developing countries. This not only allows them to act locally as well as globally but gives them the status of a developing country INGO and a claim to be representatives of Third World. These branch offices are set-up with the same values and priorities as the head office.

Second, many INGOs have set-up networks of partner NGOs which they partly fund and promote as 'representative NGOs.' Their partners are selected in large part because they share the values and priorities of the INGOs. For example, Oxfam has established a partnership network of 3000 NGOs, which it uses to promote its values in the Third World and allocated capacity-building funding. Another example is the Third World Network. Consumers International created the TWN, which is based in Malaysia, and through its local associate, the Consumer Association of Penang remains an active member of the Consumers International network. TWN has also established offices in other Third World regions and is a self-proclaimed representative of Third World values. In reality, the TWN is overwhelmingly funded by Western sources and espouses views, which accord with those of its Western partners and funders.

Third, INGOs influence has been increased by entry into the aid industry of new organisations promoting environmental, consumer and labour right, such as Greenpeace, Consumers International and Union Aid Abroad (from Australia). These new aid INGOs not only bring additional campaigning skills and influential networks in the West, they have 'expertise' on issues which few NGOs have and which donors want. Of course, the reason for the lack of NGOs focused on these issues is that they are not the priorities of choice of the Third World.

While very limited, the evidence indicates that little of the capacity-building effort has trickled down to the grass roots. The only extensive, independent study of a grass roots capacity-building programs was undertaken of the Dutch program in India. The study found that the Indian NGOs were composed exclusively of urban elites who had very little, if any, contacts with the target groups such as the poor, farmer or ordinary women.²⁵ It also found that most of the capacity-building effort went into building national NGOs rather than grass roots organisation and that the national organisation would not exist without a continuation of foreign funding.

While Western INGOs describe their relationships with NGOs as a 'partnership', the reality is often diametrically different. As Michael Edwards of the Ford Foundation observed 'cooperation between unequals is difficult, and partnership is impossible.'²⁶ While INGOs need NGOs counterparts for contacts and the rationale to access capacity-building funding, as even Oxfam states, 'it is rare to find Northern agencies placing much importance on mutuality.'²⁷ Another report found that 'there are also concerns that the types of issues and questions raised with capacity-building ... are all Northern perceptions of Southern needs. And that 'in many cases the focus of their work appears to be more on capacity-building as a means to secure on-going activities rather than securing more 'ends' orientated objectives.'²⁸

In addition to the INGO dominance, Oxfam identified two other central faults with the current approach to capacity-building. First, the use of NGOs as vehicles for the delivery of aid and services paid for by foreigners accordingly to the wishes of foreigners, as is currently common, may undermine the validity and central purpose of the organisation. It may distort links with the NGO value and grass roots base and turn the organisation into a money-making agency seeking to satisfy foreigners. This is clearly the case in Indonesia where large amounts of funds have been poured into local NGOs under range of competing capacity-building programs resulting in large increase in NGO numbers and fraud. Indeed the situation has led to 'NGO' joking coming to mean 'nothing more than a job.' NGOs are not necessarily accountable to or represent the interests they claim to serve. Indeed, in many cases it is near impossible to ascertain the bona fides of NGOs or monitor their activities. The overall effect of building the capacity of certain NGOs has been to harm the very groups they were to help.

A Question Of Value And Interest

Donor agencies in the English speaking world and the IMF and World Bank have viewed capacity-building as a means of buttressing a neo-liberal approach, or what has been called the Washington Consensus. Capacity-building is part of what Stiglitz called the post - Washington Consensus, where market led growth is bolstered with democracy, the rule of law, poverty alleviation and preserving natural resources.

²⁵ <http://www.antenna.nl/stuurgroepevaluatie/docs/200204091627355312.pdf>

²⁶ Edwards, M. 1997. 'Development Studies and Development Practice: Divorce, Unhappy Marriage and the Perfect Union' keynote address at the Seminar on *The Study and Practice of Development: Current and Prospective Linkage*, Development Studies Centre, Dublin Ireland, 7 February.

²⁷ Eade, D. 1997. *Capacity-Building: An Approach to People-Centered Development*. Oxfam Publication, 48.

²⁸ Bebbington, A. and D. Miltin, 1996. *NGO Capacity and Effectiveness: A Review of Themes in NGO-Related Research Recently Funded by ESCOR*, London: IIED, 16 and 18.

The INGOs have from the start envisaged capacity-building as an alternative to, indeed as a reaction to, the post-Washington consensus and market led growth. In the past INGOs may have been comfortable with the market and saw foreign aid as means of helping people from less developed countries reach the standard of living attained in the West. Few INGOs hold these views today. They generally view the market and Western living, particularly if adopted widely by the Third World, as unsustainable and as threat to the environment. They view the markets as inherently biased against the poor, minority groups and poor countries. They envisage development as a process of empowerment and capacity-building as an opportunity to develop a world wide social movement to advance these views.²⁹

The UN and EU largely share the perspective of the INGOs and reject the post-Washington consensus. Not surprisingly given their influence, their perspective prevails often even in actions if not the policies of USAID and World Bank. The values and views of the UN/EU/INGOs may have a sizeable following in the developing world particular amongst their partner INGOs/NGOs. The capacity-building process is undoubtedly expanding this support base. However, the masses, who in the main want what then West has - affluence, health, freedom of opportunity - are unlikely to choose an approach designed to deny them it. In short, the capacity-building approach has been used to distort the developing process to fund 'anti-development activities.'

The Zambian example is a case in point. The campaign against agricultural biotechnology is motivated in the main by the disdain the INGOs for modern agriculture. They view modern agriculture as a threat to the environment and seek to replace it with small scale, organic systems. Indeed, virtually every capacity-building program in agriculture promotes such systems. Biotechnology is not only a powerful symbol of modern agriculture, but stands to be adopted widely in the developing world. Accordingly, it is demonised by most INGOs. The EU's disdain for GM food is motivated by the fear that the technology might increase yields and therefore the demands for subsidies from domestic producers, but also by the influence of Green parties back home.

Given that member countries of the EU provide around 25 per cent of total foreign aid, they, plus their fellow travellers in the INGOs have a great deal of influence over aid-dependent countries like Zambia. The fact that the GM crops stand to benefit the Third World, particularly poor farmers, is also apparently not their concern. The values and interests of the EU and the INGOs are not those of Zambians.

Another example is mining. Mining is seen by many INGOs as environmentally unsustainable and as threat to the traditional lifestyles of indigenous people. Accordingly, most INGOs from Oxfam to WWF to World Vision campaign against the introduction of mining in developing countries. Their campaigns have contributed to the collapse in mining investment and exploration in Indonesia, Papua New Guinea and the Philippines at the cost of thousands of high paying jobs and 10 of billions of dollars in export earning. Indeed mining is, aside from logging, PNG's only major export industry and the collapse in mining is threatening the countries viability. Foreign aid donors fund most of the INGOs and local NGOs involved in the anti-mining campaigns. Oxfam and WWF who are active in these campaigns are two of the main contractor INGOS. Wahli or Friends of the Earth Indonesia, which is active in just about every anti-mine campaign in the country,

²⁹ Eade, 1997. Chapter 2 and 3, 9-49.

receives capacity-building funding from just about every major donor including USAID, AUSAID, World Bank, Ford Foundation, Dutch Government, and Asian Development Bank.

Another pet hate of the INGOs is the so-called sweatshops. INGOs have been amongst the leaders in, for example, the anti-Nike campaign. In Indonesia, this particular campaign was led by Oxfam, Union Aid Abroad, and Public Interest Advocacy Centre (a small Australian consumer rights organisation) all of whom receive funding from aid donors including AUSAID. Their campaign contributed to the recent decision by Nike to leave Indonesia for Communist Vietnam and China – where NGO are less welcome. The move cost 7000 Indonesians, what was to them, very high paying jobs. Once Nike left, the campaign stopped, despite the continued existence of many local manufacturers of shoes paying lower wages. The anti-sweatshop campaign was not aimed at helping Indonesian workers but rather in reducing the incentive for Western firms to move manufacturing out of the West.

As John Fonte has outlined, INGOs or what he has aptly labelled the translational progressives, 'have altered the definition of democracy from that of a system of majority rules among equal citizens to one of power sharing among ethnic groups.'³⁰ This interpretation of democracy has led them to advocate fragmentation of nations along ever-smaller ethnic and geographic lines. In Indonesia, for example, INGOs campaign in support of independence of West Papua as they did for independence for East Timor. They also demand special rights for the hundreds of different ethnic groups in the country.

This definition of democracy puts them at odds with host nations who, quite correctly see them as part of the part of the problem rather than part of the solution. It also means that they are very unsuitable agents for building the capacity to govern, which is a main aim of the capacity-building approach. Of course, the values and beliefs amongst INGOs and NGOs vary. There are some agnostics. There is also a slowly growing group of free market NGOs, INGOS and networks. However, very few of these organisations are on the capacity-building gravy train. They are also characteristic 'foreign aid sceptics' and therefore not stakeholders to aid agencies. Their views are therefore not being heard or being drowned out by activist whose capacity is being usually unwittingly being built-up by governments.

Appropriate Response

The capacity-building approach has to be at least slowed down or stopped and brought back to basics. A smaller, more closely defined, more balanced and monitored program may work. Though given the power and ability of the translational progressive in the INGOs, UN and EU, there are doubts. At the very least the process and its agents, the INGOs, need to be held up to scrutiny, debate and criticism. The IPA has been working towards this as part of its NGO Project. Pro-market INGOs need to consider playing the aid game, or at least become stakeholders to aid agencies, in doing so, they can induce greater disclosure and perhaps balance to the transnationals progressives.

³⁰ Fonte, J. 2002. 'The Ideological War Within the West.' *IPA Review*, 54(2): 3.