

Building Democracy from the Grassroots

Presentations from the forum held in the Hall of the Americas

Organization of American States, Washington, D.C.

July 16, 2001



**The Unit for the Promotion of Democracy,
General Secretariat of the
Organization of American States**

and

The Inter-American Foundation

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Building Democracy from the Grassroots

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Introduction

In the past two decades of resurgent democracy throughout the Americas, modernization and reform have led to decentralization of decision-making; the transfer of functions, responsibilities and resources to sub national entities; and increased autonomy at the local level. Striking among the changes sweeping the hemisphere has been the direct election of local authorities, a practice that implicitly identifies villages, towns and cities as vital spaces for democratic expression and initiatives leading to a better quality of life.

On July 16, 2001, the Unit for the Promotion of Democracy (UPD) of the General Secretariat of the Organization of American States (OAS) and the Inter-American Foundation (IAF) jointly hosted an intensive one-day forum on *Building Democracy from the Grassroots*. Forum participants, including policy-makers, scholars, representatives of international agencies and development practitioners from throughout the hemisphere, examined the critical role of decentralization in consolidating democracy, promoting citizen participation and reducing poverty.

The forum's underlying assumption was that the success of decentralized governance depends on an enabling environment created by appropriate and flexible policies. It falls to central governments to design, innovate, support, coordinate and adjust the institutional framework for local autonomy, while lending cohesion and sustainability to the processes on the national level. Given a long history of centrist tradition, and very different national contexts, it is not surprising that progress in decentralizing the state and fostering local governance has been uneven in the hemisphere, and, in general, slow.

Nonetheless, leaders have clearly reaffirmed the commitment to empowering local governments and promoting increased involvement by civil society in public policy. The unambiguous support articulated at the Summit of the Americas in Quebec City this year, including for the UPD's Program of Cooperation in Decentralization and Local Government, led to the Meeting of Ministers and High Level Authorities Responsible for Policies on Decentralization, Local Government and Citizen Participation in Municipal Government in the hemisphere. Held in La Paz, Bolivia, from July 29 to 31, this dialogue culminated in the Inter-American High Level Network on Decentralization, Local Government and Citizen Participation, a mechanism for cooperation among those most directly involved in the consolidation of local government as the cornerstone of democracy and, over time, of development.

Building Democracy from the Grassroots aimed to focus attention on the themes of the ministerial meeting and to contribute to the reference material

available for implementing the decisions that resulted. Specifically, the forum was designed to achieve the following:

- highlight the policy challenges for decentralization and local government strengthening;
- analyze experiences from a range of policy frameworks and the complex interplay and alliances formed among central and local government and civil society;
- examine the context and achievements of an award-winning best practice in local governance and extract lessons learned;
- identify implications for policy formulation and design, including how governments can facilitate, promote and consolidate democracy from the most basic level.

The OAS is an inter-governmental forum for political dialogue and cooperation on the hemispheric agenda. The Inter-American Foundation, an agency of a member state, the United States, works to promote equitable, responsive and participatory self-help in the local context. This publication represents a joint effort by both institutions to make available to a wider audience the issues debated and information shared at the *Building Democracy from the Grassroots* forum. We hope it will benefit all of you interested in strengthening democracy as a means to better conditions in communities throughout this hemisphere.

Elizabeth Spehar

Executive Coordinator

Unit for the Promotion of Democracy

David Valenzuela

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Summary of the Proceedings

An invited audience of more than 250 international affairs professionals heard experts from throughout the hemisphere explore the challenges and opportunities of decentralization at the all-day forum *Building Democracy from the Grassroots*, sponsored by the Inter-American Foundation and the Unit for the Promotion of Democracy, General Secretariat of the Organization of American States on July 16 in the Hall of the Americas at OAS headquarters.

Context

Four panels discussed the sweeping changes throughout the Caribbean and Central and South America that had prompted the forum. In recent years, the region's democracies have taken deliberate steps to transfer public resources and functions from overloaded, often distant central bureaucracies to more flexible municipal units. For example, according to Minister of Sustainable Development and Planning Ronald MacLean-Abaroa, who participated in the final panel of the day, Bolivia's fiscal allocation to the country's municipalities has grown to 3 percent of the gross domestic product and an increase to 12 percent is projected.

Throughout the hemisphere, municipalities will be expected not only to deliver basic services but also to initiate and coordinate development projects. Decentralization means municipal officials are elected locally, rather than appointed by the central government, thereby re-aligning political accountability. Constituents potentially have a greater voice in their communities and more opportunity for self-help. These developments have far-reaching implications not only for socioeconomic development but also for democratic consolidation in the region.

Welcome by Representatives of the IAF and the OAS

The conference opened with a joint welcome by representatives of the co-hosts, IAF President David Valenzuela and Elizabeth Spehar, executive coordinator of the OAS' Unit for the Promotion of Democracy. In his address, Mr. Valenzuela expressed the hope that increased local autonomy and popular participation would "help national democracies become fully functional," emphasizing that "good local government is the cornerstone of good national government." He also pointed out that "sustainable poverty reduction and the exercise of democracy go hand in hand." Local development, he said, is most effective when its intended beneficiaries are actively involved in the projects designed to alleviate poverty and better conditions.

Ms. Spehar also focused on “the importance of citizens organized in the service of development.” She cautioned that decentralization is “not a panacea” and pointed out it had been analyzed more in terms of its economic than its political consequences. She hoped the forum would help improve the “design of integral policies for decentralization, our knowledge of its effects and the variables affecting them.”

Keynote Speaker: Lester M. Salamon

Professor Lester Salamon, director of the Center for Civil Society Studies at Johns Hopkins University, addressed “*The Third Sector in Global Perspectives*.” He defined this sector, whose various names include “civil society,” as neither the state nor the market but the organized, private, nonprofit, self-governing, voluntary entities that work on their own initiative and out of a sense of community, for the public good. A salient feature of the 20th century, he said, has been the proliferation of these nongovernmental organizations (NGOs). This “massive upsurge in voluntary activities” has occurred in response to the failure of the state and the market to provide essential services and resources; it has been catalyzed by the communications revolution and economic growth.

The funds it administers and work force it employs make the Third Sector the world’s eighth largest economy. Nonetheless, its legitimacy, effectiveness and its sustainability, both financial and in terms of human capital, continue to be questioned. To overcome its vulnerability to such challenges, the third sector must collaborate in three arenas: First, its own ranks must join forces to advocate for, *inter alia*, legal status, tax incentives for philanthropy, and its multiple causes and communities; they must pool resources to provide infrastructure, training and administrative services. Second, the third sector must collaborate with the business sector. Finally, while preserving its independence, it should collaborate with the state which can confer legitimacy and provide substantial financial support.

In the future, Professor Salamon concluded, public problems will be addressed through the application of the combined resources of all three sectors: the state, the market and the third sector. “The appropriate paradigm for the 21st century,” Professor Salamon said, “is a paradigm of partnership and a politics of collaboration.”

Panel Presentations

In her summary of the conference discussions on how decentralization can lead to local development, final panelist Darcy Ashman noted the perspectives ranged “from the macro policy environment to micro experience.” The first panel concentrated on policy issues; the second on conclusions drawn from studies of local alliances between and among the public, private and third sectors; the third on successful partnership initiatives to better conditions in Nejapa, El Salvador.

Panel 1—Democracy, Decentralization and Local Government

Carlos Hugo Molina, President, Center for Participation and Sustainable Development, Bolivia

Jaime Torres Lara, Executive Secretary, Latin American Chapter of the International Union of Local Authorities; Executive Director, Latin American Center for Training and Development of Local Government (CELCADEL), headquartered in Ecuador

Neville Duncan, Director, Consortium of Graduate Schools of the University of the West Indies (UWI); Director, Sir Arthur Lewis Institute of Social and Economic Studies (SALISES), UWI, Jamaica

Moderator: Elizabeth Spehar, Executive Coordinator, UPD/OAS

This panel discussed the appropriate policy framework to facilitate decentralization, strengthen local government and promote citizen participation at the local and community level.

Dr. Molina emphasized citizen participation as essential in a decentralized democracy. The state must provide the authority and the technical conditions for citizen participation: a framework of law and regulations; a public body in charge of enforcing the process; concrete goals for transferring power and resources; empowerment of the various levels of government and civil society; access to information; and support for certain weaker, marginalized sectors. Among the challenges to participation in Latin America, Dr. Molina enumerated economic development and the technology gap.

Mr. Torres Lara spoke of citizen participation as beginning with municipalities. ("The world is made of cities," he noted at one point.) Municipal government must be, *inter alia*, democratic, participatory, responsive, transparent and encouraging of economic development. Where municipalities do not enjoy sufficient economic, legislative and political power, he said, the influence of wealth and corporations takes over. He recommended municipalities organize into associations and strengthen the networks formed. In response to a question he observed that this cooperation has an international dimension.

Dr. Duncan said the establishment of a "Third Sector" required "a third economy to finance employment, rather than unemployment" and take people out of poverty. The Caribbean's small-scale, small-scope societies are especially vulnerable to natural and man-made disasters and need special consideration in the region and the hemisphere. Professor Duncan called for a new kind of politics and revitalized, reconstituted organizations that would require people in communities to add value to limited state resources and would facilitate a more equitable distribution of goods and services. "Only democratic interaction and new organizational frameworks would bring about the fullness of the revolution" Dr. Duncan added, referring to Dr. Salamon's address during the question and answer session.

Panel 2—Building Local Alliances

Introduction: Emilia Rodríguez-Stein, Director of Evaluation and Dissemination, Inter-American Foundation

Ramón Daubón, Senior Associate, Kettering Foundation

Beryl Levinger, Director, Center for Organizational Learning and Development, Education Development Center

Moderator: Patrick Breslin, Director of External Affairs, Inter-American Foundation

This panel explored the policy framework and the construction of local alliances bringing together public and private sectors and civil society. Both panelists based their conclusions on studies in several Latin American countries.

In analyzing how governments, corporations, community-based organizations and NGOs partner to support sustainable development in Latin America, Dr. Levinger focused on mechanisms that make the partnerships work. Crucial to success is trust, she said, but also important are flexibility and the absence of a hierarchical structure. To achieve benefits, the "three C's" must be present: Continuity, or continued use of new skills and competencies; comprehensive-

ness, or a range of activities ensuring meaningful benefits; and coordination. Dr. Levinger said partnership arrangements allow partners to “hedge their bets,” or mitigate risks; partners can respond agilely to problems by pooling complementary resources and skills. She recommended central governments encourage municipalities to partner with NGOs and the private sector by, *inter alia*, creating an “enabling environment,” fostering accommodation of informal agreements and procedures; and promoting research, innovation, public information and assessment.

Based on his studies of eight successful partnership projects from the IAF portfolio, Dr. Daubón emphasized the importance of a community’s ability to “concert,” or connect and interact among strangers; the inclusiveness of the discussions; and the sense of ownership, possibility and engagement shared by the individuals. Also crucial to success is the capacity to learn from civic action; to build trusted institutions; to foster leadership that inspire, not expects, followers; to innovate; to dialogue and negotiate. Dr. Daubón’s recommendations to donors included the selection of projects with a civic focus; emphasis on staff and advice rather than on funding; and a long-term commitment.

Synthesizing many of the previous points, Mr. Breslin used the metaphor of jazz, a coordination of each element “doing its own thing,” to describe a successful partnership.

Panel 3—Experiences in Building Democracy from the Grassroots

Introduction: Margarita Escobar, Ambassador, Permanent Representative of El Salvador to the OAS

René Canjura, Mayor, Municipality of Nejapa, El Salvador

Ernesto Barrientos, General Manager of *Embotelladora Salvadoreña (EMBOSALVA)*, S.A.

Antonio Orellana, President, Consortium for the Development of Nejapa

Francisco Mancia, Manager, Salvadoran Foundation for Integral Development

Moderator: Marcos Rodríguez, Chief of Program, National Foundation for Development

This panel examined the context, achievements and “lessons learned” from partnerships the Salvadoran municipality of Nejapa had forged with the central government, local foundations and NGOs.

Rene Canjura, Nejapa’s mayor since its first municipal election in 1994, heads a municipality of 30,000 residents. Despite its extreme poverty and other negative socioeconomic indicators, as well as the scars left by the recent conflict, deforestation, pollution and, earlier this year, two earthquakes in one month, Nejapa has, under his leadership, initiated hundreds of development projects that have improved its quality of life. Key to the mayor’s early successes was collaboration with Antonio Orellana’s Consortium for the Development of Nejapa and several NGOs, including Francisco Mancia’s Salvadoran Foundation for Integral Development (FUSAI) which has received an IAF grant for its work in Nejapa and others from European assistance agencies. FUSAI, which originated with the peace accords in 1987, has mobilized resources and acted as a facilitator throughout this process, maintaining focus and monitoring.

The municipality has also struck partnerships with the private sector, including with EMBOSALVA, the company that bottles Coca Cola, which was attracted to Nejapa because of its abundant water supply and its roads. To obtain the necessary permits, “We visited the mayor,” said EMBOSALVA’s general manager Ernesto Barrientos, “and I could see we had completely different ideologies. But after a conversation, I told him we wanted to go to Nejapa, to be there forever,

accepted as a neighbor and friend.” Both Mr. Canjura and Mr. Barrientos acknowledged the importance of mutual trust and a common interest in bettering their community. “Anything that helps us overcome the problems we all face is worthwhile,” said Mr. Canjura of this unexpected alliance.

Marcos Rodríguez concluded Nejapa’s successful experience would have been difficult without a democratic framework and the local government’s encouragement of grassroots organizations.

Panel 4—Challenges and Opportunities

Ronald MacLean Abaroa, Minister of Sustainable Development and Planning , Bolivia

Darcy Ashman, International Governance Consultant

Moderator: Anne Marie Blackman, Senior Specialist, UPD/OAS

The final panel identified the principal themes of the deliberations and pointed out challenges for formulation of future policy to facilitate building democracy from the grassroots.

Minister MacLean looked at Bolivia’s process since the 1930s when the poor became aware of their “ownership” of their country. While the Law of Popular Participation of 1994 was a great advance, a “silent revolution” that has changed the face of the country, decentralization had begun seven years before, although not without resistance from mayors and municipalities themselves. Nonetheless, a result has been the direct involvement of the poor in the poverty reduction strategy referenced in multilateral initiatives. Minister MacLean said most of the funds freed under applicable debt relief provisions would be distributed to the poorest municipalities in his country.

Ms. Ashman began her summary of the deliberations by pointing out the well-acknowledged gap between the rhetoric of decentralization and the reality of participation at the local level. Hypothetically, to bridge the gap, two processes must happen: Power must be transferred from the center and from local elites; and the grassroots level must organize, engage with government and advocate for itself.

The implications for policy-makers wishing to facilitate this transfer vary according to their level. Central governments must enact strong policies, such as Bolivia has done, and follow up with effective strategies, implementation plans, scheduled goals and commitments. They must also formulate a body of policies related to rights and entitlements. Donor governments must formulate policies that encourage partnerships and nurture sound civil society organizations. They must find flexible, innovative methods to support development projects over longer time frames. For grassroots leaders discouraged after decades of combating poverty and disenfranchisement, the policy implications of decentralization present the possibility of “optimistic skepticism” or “skeptical optimism.” The conference deliberations, Dr. Ashley said, specifically citing the case of El Salvador, provided evidence of opportunities to produce concrete benefits disadvantaged communities derive from collaborations with government, civil society and business.

The UPD moderator emphasized this conclusion when she closed her summary with the two messages inferred from the panels: First, democracy can only be strengthened through people; and, second, there is a need for alliances, teamwork and collaborative action.

Presentations

Building Democracy from the Grassroots

By DAVID VALENZUELA

I would like to extend a warm welcome to everyone to this forum, which we have called “Building Democracy from the Grassroots.” The focus of our attention is on Latin America and the Caribbean, but our message and ideas are universal. If democracy is to become a reality, people at all levels must be transformed into empowered citizens with voice and vote. Of all levels of government, the local has the greatest impact on the lives of people, and it is at the local level that democracy and accountability must take root before we can expect national democracies to become fully functional.

For 30 years, the Inter-American Foundation has had a unique window on the grassroots or local level by supporting the ideas and self-help efforts of peasants, small farmers, women, youth, urban dwellers, squatters, street vendors, small producers, artisans, indigenous people, Afro-Latin Americans and the poor in general. Marvelous success stories as well as failures fill the annals of the more than 4,300 local organizations the Foundation has funded in 32 countries in Latin America and the Caribbean. From this experience, I would like to offer four observations:

First, poor and marginalized people, when given an opportunity, can be amazingly resourceful, can build strong and sustainable organizations, are capable of enormous generosity and solidarity, and can be successful in improving the quality of life in their communities. They are also able to generate participation and accountability mechanisms and stimulate the emergence of democratic leadership. Grassroots organizations provide the space for building self-esteem and the capacity to negotiate with other sectors of society. Nongovernmental organizations and other civil society organizations that have emerged throughout Latin America and the Caribbean have played a critically important role in helping in the formation of grassroots organizations. In many countries, agencies of the national government have also had a positive influence in this process.

Second, grassroots organizations have remarkable resilience to adversities of all sorts, but they can also flourish in a favorable environment. Over the past decade or so, as most countries in Latin America and the Caribbean began a still very incipient process of decentralization and direct election of municipal authorities, we have witnessed an impressive transformation of the dynamics in many localities. In a growing number of cases, particularly in localities with an infrastructure of strong grassroots and civil society organizations, we are witnessing new forms of participatory governance, where organized citizens are making a difference and are being heard for the first time.

Third, there is great potential for progress when communities are successful in overcoming the barriers that have historically separated the various sectors of society in much of Latin America and the Caribbean. Important improvements in the quality of life of a community can occur when local governments, community and civil society organizations, and private businesses work together to address local issues of common concern. Building partnerships and alliances is key to closing the gap of distrust that has characterized the relationship among the sectors in much of Latin America and the Caribbean.

Fourth, sustainable poverty reduction and the exercise of participatory democracy go hand in hand. One cannot occur without the other. We must focus more attention on governance for clues to find answers to the riddle of why Latin America and the Caribbean remain poor. While we must promote effective governance at all levels, good governance can have the greatest impact on the quality of life of people at the local level. Good local governance is the cornerstone for good national governance.

In this forum, we will focus on several elements that form the basis for democratic practices. First is the role of citizens and civil society in the governance equation. We will then examine the enabling policy environment that helps foster local democratic practice, including decentralization.

Next, we want to share with you the results of two studies that include approximately 20 Inter-American Foundation grantees in eight countries. One study looks at what makes partnerships work, and the other explores the relationship between grassroots organizing and democratic practice.

After lunch, we want you to meet a real partnership and its key representatives from a novel experience in El Salvador. We invited the mayor, a business leader, the head of a community organization and an NGO representative to tell us first hand how they are working together to solve some of the problems of the Municipality of Nejapa.

We will close the forum with some thoughts from Ronald MacLean, the former mayor of La Paz and current minister of sustainable development and planning in Bolivia, and Darcy Ashman whose experience is primarily in other regions of the world, but who should offer valuable insight. We have a tight agenda, but we hope to have some time for your questions and comments.

We at the Foundation are very pleased to join forces with the OAS' Unit for the Promotion of Democracy in sponsoring this forum. Thank you very much for coming. I will now turn the podium over to my colleague Elizabeth Spehar, executive coordinator of the Unit for the Promotion of Democracy.

Introductory Remarks

By ELIZABETH SPEHAR

Y our Excellencies, the Permanent Representatives and Permanent Observer Representatives to the OAS, and distinguished guests: “Civil society,” “social capital,” “citizen participation,” “third sector,” “community empowerment,” “civic engagement”—these are just some of the many terms coined by those concerned with the development of democracy in the world today. These myriad expressions are but a reflection of different perspectives on a common phenomenon, namely the recognition of the importance of citizens organized in the service of development.

The fact that our language is enriched by these terms is merely a reflection of a new vision of the very concept of democracy. Developments such as the breakdown of old paradigms and the emergence of a new framework of action for public policy have led to a recognition of the importance of collective action, and an understanding of the way in which this contributes to development. This is a worldwide phenomenon whose significance is highlighted in all political spheres. For example, it is explicitly mentioned in the most recent report of the Trilateral Commission on Democracy. (Cited in Putnam et al., *Disaffected Democracies*.)

Here in the Americas, this subject is also highly relevant, even controversial, both in light of Robert Putnam’s views expressed on the decline of social capital in the United States, and the valuable contributions of Professor Salamon, our keynote speaker, whose views on what he terms “the Third Sector” will no doubt enrich our deliberations.

For all working to improve the quality of democracy in Latin America today, this issue provides a tremendous laboratory for ideas and strategies. Working with civil society has led to practical solutions for the numerous problems affecting millions of people in the hemisphere; it has also led to a re-definition and replacement of old models, while at the same time re-shaping the characteristics of sustainable and equitable development. If we look at the panorama in Latin America, we find a set of challenges which we must face in order to consolidate and deepen democracy across the region. In general, we can speak of four main areas for attention: the need to ensure more effective functioning and greater legitimacy of our democratic institutions; the challenge of strengthening civil society and elevating the level of what might be termed our democratic culture; the need to establish a better framework for relations between the actors of the political process, that is, governments, political parties and civil society, in order to ensure the governance necessary for development; and, finally, the guarantee of

more effective action by the state to resolve the problems of poverty and lack of services, which affect a majority of citizens in our hemisphere.

Building a New Paradigm

To meet these challenges, construction of a new paradigm for the functioning of the state and for democratic governance has become necessary. To understand public life in this new schema, it is evident the active participation of citizens in the task of development is a central element. However, for civil society to fulfill this role, it is necessary to have the policy framework which will contribute to this objective. In other words, government can support, impede or retard community empowerment, depending on the adequacy or inadequacy of its public policies. In the context of appropriate policy framework, decentralization and mechanisms for participation have proved to be powerful tools to meet the challenges to which I have just referred.

Decentralization, understood as the effective transfer of power to local communities, can help to improve the action of institutions through a better distribution of state functions. It can empower the community and increase civic culture in the same way that it contributes to establishing a better framework for governance both nationally and locally. And, of course, it has the great potential for facilitating better service provision and more appropriate solutions to the needs of citizens.

This does not mean that decentralization is the panacea for all the problems of democracy, but it is a powerful tool which, if effectively used, can have an impact on improving standards of economic, social and political development.

For decentralization to fulfil its potential, it must have as its objective the genuine empowerment of the community, and not solely the redistribution of functions within the state apparatus. Thus, for the Unit for the Promotion of Democracy, decentralization finds its best justification as a public policy because it is the means through which more space is opened up to consolidate democracy and create social capital. In other words, we consider that decentralization allows us to build democracy from the grassroots.

Decentralization as an Integral Process

In a recent publication on decentralization in Latin America, Professor Al Montero and Professor David Samuels point out that the predominant view has restricted analysis of the issue to the most recent reforms, losing sight of a more historic and long-term vision which would help us understand decentralization in the context of the construction of the countries of Latin America. Similarly, we consider that most studies on decentralization to date have focused on the economic and administrative aspects, rather than on the political aspects.

If we take a quick look at most of the existing literature on decentralization, and, above all, if we look at the body of work aimed at evaluating it, we will see most of these very valuable studies have focused on issues such as the economic effects of income distribution, the macro-economic effects of decentralization or its effect on service provision. These issues are, of course, all extremely significant and important, but the comparison I am making is with their prevalence in contrast to the scant attention paid to evaluating decentralization in terms of its contribution to democracy.

What I want to draw attention to is the need for more analysis of decentralization and democracy in the region. To mention just some of the issues, by way

of example, what information is available on how decentralization has affected the credibility of the democratic system in the eyes of the average citizen? Twenty years ago few countries in the region had direct election of local authorities, whereas today the majority do. What has this meant? What consequences has it had for the legitimacy of democracy? Or for the reconstruction of the political party system?

In terms of the concerns of today's meeting, it is even necessary to ask ourselves whether, in those countries which have instituted processes of decentralization, there has been a real impulse towards strengthening of civil society. Do we have more social capital as a result of decentralization? Do we have a greater degree of civic culture? Are local governments favorable to the development of the Third Sector?

It is evident there are numerous questions to be answered and a multiplicity of issues to be explored. To embark on this task with adequate empirical documentation represents a challenge for all those interested in progressing along the road to strengthening civil society.

Today there will be presentations on a series of cases which will, I am sure, illustrate the validity of what I have stated. The experience from El Salvador reinforces our belief, however, that we need to identify better methodologies and more effective policy designs, finding common elements and models which can be replicated so that these best practices and successful experiences can be transferred and repeated.

Elements for Policy Design

Convinced of the need for progress in designing better normative frameworks and in creating more effective contexts for political action on these issues, the Organization of American States has convened, on July 29 to 31, 2001, the first Meeting of Ministers and High Level Authorities Responsible for Policies on Decentralization, Local Government and Citizen Participation. This meeting seeks to develop the mandates of the summits of heads of state and government, and to give greater impetus to the design of integral policies for decentralization.

Some of the elements one might consider necessary for an integral approach to decentralization, taking into account its political, economic and administrative aspects, are the following:

- The guarantee of direct popular election of local authorities as a basic element of political accountability. This should be accompanied by regularly applied institutional mechanisms of accountability.
- The promulgation of legislative or regulatory measures to promote social participation as an integral component of decentralization. An example of such measures is the proposed "*ley de diálogo*" or "law of dialogue" currently debated in Bolivia. When such measures are not possible, there should be promulgation of measures complementary to those authorizing the transfer of resources and functions, so as to guarantee citizen oversight.
- The grant of greater autonomy to local government for the provision of services under its responsibility, as well as for the definition of investment priorities and for the allocation of resources. Only when citizens have important issues to resolve will they have the incentive to become involved in deliberations on public policy.

- The design of regulatory frameworks recognizing the heterogeneous make-up of a country, promoting subnational development in its different regions and facilitating flexibility in administration. In this way, there will be a greater opportunity for citizens to develop their initiatives and find solutions appropriate to their specific circumstances.

Strengthening Local Democratic Life

Nonetheless, it is not enough for the regulatory framework to provide for possibilities for community empowerment; it is also essential for local government to be participatory. Otherwise the possibilities for empowerment will remain at the level of the theoretical. This is particularly true if one considers the preponderance of urban issues and the great urban conglomerations which are central features of the current demographics of the region. We need only recall, for example, that in Latin America the level of urbanization has risen from 61.24 percent in 1975 to 73.39 percent in 1995. This trend is expected to continue. By the year 2015 it will reach close to 80 percent and will be on par with levels of urbanization in North America and Europe.

This means that to a large extent, the solution to the problems faced by citizens depends on effective public management at the local level. Without the effective operation of cities and local governments, it will not be possible to resolve many of the problems related to exclusion and marginalization faced by millions in the hemisphere.

Measures which should be taken into account to facilitate local governance and to contribute, from the realm of urban management, to the construction of democracy from the grassroots include the following:

- More effective division of cities into districts or zones for administrative purposes. This would facilitate the organization of citizens for their participation in the solution of problems of which they are acutely aware because these problems are part of their environment.
- The generation of a process of consensus building and strategic planning. This has proved to be a powerful tool not only to commit citizens to a long-term planning process, but also to guarantee the cohesion of government action through successive administrations.
- The identification of consensus solutions for immediate problems. Together with long-term processes, it is essential to find mechanisms for consensus solutions to deal with urgent problems. Local pacts, community contracting and, in particular, civic dialogue, are good examples of instruments for finding concrete solutions to immediate problems.
- Improved access to information and capacity to disseminate public activities. This includes presentation of regular management reports and the institution of mechanisms of direct dialogue between the mayor and the citizens. In this regard, the use of new technologies is emerging as a powerful support tool for the democratization of information.
- Citizen oversight both in decision-making and in follow-up of administration action, and above all in public spending. In the latter case, this should be accompanied by measures to ensure transparency in administration and to facilitate political accountability.
- New mechanisms for participation, such as public hearings to discuss issues of particular importance; regulations for citizen initiatives to permit citizens' organizations to propose initiatives to their political bodies; direct

popular consultations so that voters might themselves decide on issues of particular relevance to their city.

- Civic campaigns to involve and empower social and volunteer organizations.
- Defense of public forums as an essential element in community life.
- Promotion of strategic alliances, especially with the involvement of the private sector, with a view to solving specific problems or undertaking essential community projects.
- Formation of citizens' organizations to act as consultative bodies, advising administrations and increasing the legitimacy of their decision-making.
- Policies on civic education and the promotion of democratic values, which should be developed in schools and relevant public administration offices.

Conclusions

As I have indicated previously, the local context is a privileged space for the generation of values inherent in democracy. Nonetheless developing this potential will depend not only on the interest of citizens themselves, but on the ability of policy-makers to formulate effective regulatory frameworks and local policies on participation. Taking this action from every corner of the hemisphere constitutes part of the task of consolidating democracy and of deepening its content. Democracy is not only an institutional apparatus, but a way of organizing politically.

Our challenge, then, lies in improving the design of policies on decentralization, our knowledge of its effects and the variables affecting them, as well as the real impact on democratic life. The effective incorporation of civil society into local life is the best means of ensuring a greater degree of social capital and the generation of a new political culture as an anchor by which democracy will permanently take root in Latin America.

I am certain that today's presentations will assist us, not only with a deeper understanding of this new axis of democratic life and development, but also with developing better criteria for decision-making and action, so that we may continue working toward building democracy from the grassroots, a task which indeed is engaging countless thousands throughout the length and breadth of the hemisphere.

The Third Sector in Global Perspectives

By LESTER M. SALAMON

It is a special pleasure for me to appear before you today because of the deep respect I have for the work that the Inter-American Foundation has been doing over the past 20 years or more in fostering a true Third Sector in Latin America. Well before many of us understood what the nonprofit sector is or what it could contribute to social and economic development, the IAF was on the ground in Latin America, fostering linkages among people and organizations, and building grassroots networks that now provide the foundation for the kinds of partnerships that are the focus of this conference. This was pioneering work, done beyond the glare of publicity and often without a lot of appreciation from others. But it planted seeds that we are now harvesting, and without which the task we will be discussing today would not even be on the agenda.

My task today is to put this work into perspective by exploring the terrain that IAF importantly helped to uncover. It is, without question, one of the least visible, most obscure areas of human settlement—a place far less fully explored than the upper reaches of the Amazon.

The task reminds me, in fact, of a poem by a Catalan poet, Salvador Espriu, when he set out on a similar voyage of discovery:

*Understand and make yours from the olive groves,
the high simple truth of the wind's trapped voice.
People are many and many are their tongues,
and many names are needed for a single love.*

The “single love” about which Espriu wrote was his native Catalan region of Spain, a region whose language and identity were lost from view for more than a century. The “single love” that brings us here is another subcontinent, this one on the social landscape of our world, but one that, like Catalonia, has remained all too invisible and poorly charted in most places up to very recently.

I am speaking, of course, about that vast collection of institutions and relationships that lies between the market and the state, and for which we too have many names—Third Sector, nonprofit sector, civil society sector, voluntary sector, social economy sector, NGO sector, charitable sector and many more.

This is a complex and diverse set of entities embracing elite universities and small day care centers, soup kitchens for the homeless and respected cultural institutions, human rights agencies and associations of lawyers and other professionals, labor unions, women's groups and many, many others.

Whatever their purposes, these organizations share five critical features that can be objectively identified:

- **First**, they are *organizations*; they have some institutional identity.
- **Second**, they are *private*; they are not part of the apparatus of the state.
- **Third**, they are *non-profit-distributing*; they can earn profits but they do not distribute them to their owners or directors.
- **Fourth**, they are *self-governing*; they enjoy a meaningful degree of autonomy.
- **Finally**, they are *voluntary*; participation in them is not compulsory and they engage the freely given energies or resources of people.

What binds these disparate entities together and justifies treating them as a distinct group, as a “sector,” is not the activities in which they engage or the fields in which they work, but ultimately the values that these operational features allow and encourage them to embody.

What, then, are the values the Third Sector embodies? Clearly, they are multiple. They include altruism, compassion, sensitivity to those in need, and commitment to the right of free expression.

But underlying these, I believe, are two fundamental ideas. The first is the idea of individual initiative for the public good, the idea that citizens have the capability and the obligation to act on their own authority to improve their own lives and that of others, to take matters into their own hands in order to improve the general welfare. This makes the right to form Third Sector organizations a basic human right, as fundamental as the right of free expression. Indeed, in an organizational era such as ours, in which individual expression can have little effect, unless citizens combine their voice with the voices of many others, the right to associate is a necessary corollary of the right of free expression. Side by side with the value of individual initiative for the public good, however, is the value of solidarity, of community, the idea that citizens have obligations not only to themselves, but also to each other, and to the broader societies of which they are a part. This is what makes organized, voluntary action even more important than individual action.

In the time available to me today, I want to make five major points about such organizations, about the contributions they can make, about the challenges they face, and about what can be done to meet those challenges both in Latin America and elsewhere.

The Global Associational Revolution

The first point is perhaps the most fundamental. I believe we are gathered here at a special moment in the history of this set of institutions. As I have argued elsewhere, we seem to be in the midst of a “global associational revolution,” a massive upsurge of organized private voluntary activity, of structured citizen action outside the boundaries of the market and the state, that I am convinced will prove to be as momentous a feature of the late 20th century and early 21st century as the rise of the nation-state was of the late 19th century and early 20th century.

The evidence of this development is apparent everywhere:

- Formation of new associations in France grew from 10,000 per year in the 1960s to 50 to 60,000 per year in the 1980s and 1990s.
- Half of all nonprofit organizations now in existence in Italy were reportedly formed in the past 15 years.
- Between 1989 and 1993, 23,000 voluntary organizations formed in Hungary.

- More than 100,000 such organizations have surfaced over the past eight to 10 years in Russia.
- More than 1 million nonprofit organizations are now recorded on registries and directories in India.
- We found registered in Brazil 210,000 nonprofit organizations, not to mention the thousands of neighborhood and community organizations formed over the past two decades that are probably outside the formal registration process.
- Impressive nonprofit mini-conglomerates, such as BRAC and the Grameen Bank in Bangladesh or the Rural Reconstruction Movement in the Philippine, have formed in developing regions throughout the world.

This is not a wholly new phenomenon. The roots of the Third Sector reach back deeply in history and we must be careful to avoid falling into a myth of immaculate conception that sees the contemporary Third Sector as a brand new development with no historical precedent. But there has clearly been a substantial upsurge and rediscovery.

Why?

Why is this happening? And why is it happening now?

The answer, I believe, lies in four crises and two revolutions that have converged both to diminish the role of the state and to open the way for this increase in organized voluntary action.

The first of these impulses is the perceived *crisis of the modern welfare state*. Over the past decade or so, the system of governmental protection against old age and economic misfortune that had taken shape by the 1950s in the developed West no longer appeared to be working. Reduced global economic growth in the 1970s helped give rise to the belief that social welfare spending, which had grown substantially in previous decades, was crowding out private investment. The conviction coalesced that an overloaded and over-bureaucratized government was incapable of performing the expanded tasks being assigned to it. The politics of the welfare state, moreover, regularly generated pressures for expanded government services that exceeded the willingness of the public to pay for them. Far from simply protecting individuals against unreasonable risk, the welfare state, many believed, was instead stifling initiative, absolving people of personal responsibility and encouraging dependence.

Accompanying the crisis of the welfare state has been a *crisis of development*. The oil shocks of the 1970s and the recession of the early 1980s dramatically changed the outlook for developing countries. In sub-Saharan Africa, Western Asia and parts of Latin America, average per capita incomes began to fall. Indeed, economic performance in the least developed parts of these regions dropped so precipitously that, given their high rates of population growth, average output per person by 1990 was some 5 percent lower than it had been two decades before. Although progress has been made in some places—most notably the Pacific Rim and parts of Latin America—every fifth person on the globe still lives in absolute poverty.

These discouraging realities stimulated considerable rethinking about the requirements for economic progress. One result has been a new-found interest in “assisted self-reliance” or “participatory development,” an aid strategy that stresses the engagement of grassroots energies and enthusiasms through a variety of nongovernmental organizations. By making the poor active participants in

development projects, this approach has scored significant productivity gains while circumventing what in many places are weak state institutions. The result is a growing consensus about the limitations of the state as an agent of development and the advantages of engaging third-sector institutions as well.

A *global environmental crisis* has also stimulated greater private initiative. The continuing poverty of developing countries has led the poor to degrade their immediate surroundings in order to survive. Along with wasteful practices and inattention on the part of the wealthy, this has led to serious environmental degradation. Between 1950 and 1983, 38 percent of Central America's and 24 percent of Africa's forests disappeared, and the pace of this decline accelerated in the early 1980s. Overuse now threatens to turn to desert two-fifths of Africa's non-desert land, one-third of Asia's and one-fifth of Latin America's. In some areas, such as Central and Eastern Europe, acid rain and related air and water pollution began to endanger food supplies and significantly reduced life expectancy.

As these and other aspects of the environmental crisis have become apparent, citizens have grown increasingly frustrated with government and eager to organize their own initiatives. The stunning rise of Green Parties in Western Europe is one sign of this response. Similarly, environmental degradation was one of the prime motivations for the emergence of an embryonic nonprofit sector in Eastern Europe, with ecology clubs active in Poland, Hungary, Russia and the Czech Republic.

Finally, a fourth crisis—that of *socialism*—has also contributed to the rise of the Third Sector. While the promise of socialism had long been suspect, the replacement of laggard economic growth with actual regression in the mid-1970s helped destroy what limited legitimacy the communist system had retained. This failure ushered in a search for new ways to satisfy unmet social and economic needs. While this search helped lead to the formation of market-oriented cooperative enterprises, it also stimulated extensive experimentation with a host of nongovernmental organizations offering services and vehicles for self-expression outside the reaches of an increasingly discredited state.

Beyond these four crises, two further developments also explain the recent surge of Third-Sector organizing. The first is the dramatic *revolution in communications* that took place during the 1970s and 1980s. The invention or widespread dissemination of the computer, fiber-optic cable, fax, television and satellites opened even the world's most remote areas to the expanded communications links required for mass organization and concerted action. This development, moreover, was accompanied by a significant increase in education and literacy. Between 1970 and 1985, adult literacy rates in the developing world rose to 60 percent from 43 percent. Among males, they reached 71 percent.

The combined expansion of literacy and communications has made it far easier for people to organize and mobilize. Communications between capitals and hinterlands that once required days now take only minutes. Authoritarian regimes that had successfully controlled their own communications networks have grown powerless to stop the flow of information through satellite dishes and faxes. Isolated activists can therefore more easily strengthen their resolve, exchange experiences and maintain links with sympathetic colleagues in their own countries and abroad.

The final factor critical to the growth of the Third Sector was the considerable increase in education and global economic growth that occurred during the 1960s and 1970s, and the *bourgeois revolution* that it brought with it. During this period, the world economy grew at the rate of 5 percent per year, with all regions

sharing in the expansion. In fact, the growth rate of Eastern Europe, the U.S.S.R. and the developing countries actually exceeded that of the industrial market economies. This growth not only allowed for material improvement and engendered a new set of popular expectations but also helped create in Latin America, Asia and Africa a sizable urban middle class whose leadership was critical to the emergence of private nonprofit organizations. Thus if economic crisis ultimately provoked the middle class to action, this prior economic growth created the middle class that could organize to respond.

A Major Economic Force

The result is that the nonprofit sector has emerged as a major economic force throughout the world. Work we have done in 26 countries as part of the Johns Hopkins Comparative Nonprofit Sector Project has revealed, in fact, that as of 1995 nonprofit organizations accounted for 7 percent of the workforce, or one out of every 14 workers—19.7 million full-time paid employees—and for 11.3 million full-time volunteers. The sector employs six times more people than the largest private firm in each of these 26 countries.

Indeed, if the nonprofit sector in these countries were a national economy it would be the eighth largest in the world, with \$1.2 trillion in expenditures. Nor is this merely an American phenomenon. To the contrary, four of the 26 countries we examined—the Netherlands, Belgium, Ireland and Israel—have nonprofit sectors that, relative to the size of their economies, are larger than that in the U.S. Thus, compared to the 8 percent of total employment in the nonprofit sector in the U.S., the figure is 9 percent in Israel, 11 percent in Belgium, 12 percent in Ireland, and 13 percent in the Netherlands.

In the developing world as well, and in Latin America in particular, the nonprofit sector turns out to be a far more important economic presence than previously recognized: Close to 4 percent of the nonagricultural labor force is employed in nonprofit organizations in Argentina, and elsewhere in Latin America it is at least 2 percent.

The civil society sector goes well beyond the NGOs that have long been the focus of international attention. Thus in Brazil, for example, nearly a quarter (23 percent) of the registered nonprofit organizations are social service providers, 20 percent are sport and recreation organizations, and another 14 percent operate in the fields of education, research and culture. In terms of employment, development and advocacy comprise only a small part of nonprofit operations. In Latin America, for example, our recent data indicate that development and advocacy organizations absorb only 7 percent of nonprofit employment, though with volunteers included this reaches closer to 10 percent.

The Challenges

All of this is the good news.

The bad news is this: For all its recent dynamism and growth, the Third Sector remains a fragile ecosystem, vulnerable to external threats, unsure of its sources of support, imperfectly rooted and legitimized, and, ironically enough, often endangered by its own success. This brings me to my fourth point: the success of the global associational revolution is far from assured. Serious challenges remain. What is more, these challenges take at least four different forms.

The Challenge of Legitimacy

The first of these is the challenge of legitimacy.

Despite the growing importance of the Third Sector in countries throughout the world, and the growing tendency of governments to off-load social functions onto it, this sector remains in a highly ambiguous position. So dominant is the prevailing two-sector model of social life, which acknowledges the existence only of the market and the state, the public and the private sector, that in most countries the existence, let alone the scale and dimensions, of a definable "Third Sector" of private nonprofit organizations remains largely unrecognized. The organizations comprising this sector are thus kept segmented in people's consciousness, limiting their influence and role.

Even in the United States, where the concept of a not-for-profit sector has at least been recognized for some time, basic information on this sector was largely nonexistent until the early 1980s. Even now the sector is still not covered explicitly in national income accounts and its true character and role are only dimly perceived. In other countries, the level of information available on this sector is even less well developed. The sector is systematically ignored in national economic statistics, rarely mentioned in policy debates, overlooked in the press and in public education, and remains a glaring blind spot in academic research.

Contributing to this lack of awareness of the Third Sector, and in turn resulting from it, is the legal limbo in which these organizations operate in many parts of the world. Clear legal appreciation of the nature of nonprofit organizations and the rights to which they are entitled are still the exceptions rather than the rule around the world. While the legal position of nonprofit organizations is fairly open in most common law countries, many civil law countries have erected significant constraints. In Japan, for example, the right to form a nonprofit organization has been treated not as a right, but as a privilege that individual ministries can bestow or deny at will. The registration of nonprofit organizations requires the approval of the Ministry of Social Welfare in Ghana and Egypt's Law 32 of 1964 empowers the government to disband nonprofit organizations almost at will.

Similar, or more serious, legal difficulties stand in the way of private charitable support: In South Africa, far from encouraging charitable giving, authorities impose a philanthropy tax. In France, the formation of foundations requires the explicit permission of the Council of State and associations are forbidden from acquiring assets that might guarantee their long-term support. Adding to the legitimacy problems of the sector, finally, have been a variety of pathologies that have recently tarnished the sector's reputation: serious scandals over salaries and benefits in the U.S. and the U.K.; fraudulent use of NGOs to channel public subsidies to politicians in Brazil; improper use of foundations as vehicles for tax fraud in Central and Eastern Europe.

To overcome these problems, important steps will be needed:

First, we need to expand massively *the basic information* that is available on this set of organizations, to bring the Third Sector out of the shadows and into the light in a serious way. Fortunately, we are well on our way to doing this in some 40 countries throughout the world through the Johns Hopkins Comparative Nonprofit Sector Project, the first systematic effort ever undertaken to chart the scope, scale, structure, and role of the Third Sector in countries throughout the world. The goal of this project is nothing less than to put the Third Sector onto the economic map of the world in a systematic way, to determine the cir-

cumstances that seem to favor the emergence of vibrant Third Sectors, and to create an on-going capacity to chart the health of this sector into the future. We are now following this up through work with the UN to integrate the nonprofit sector into regular national income accounting. A draft handbook for doing this has now been tentatively approved and we hope to be approaching statistical agencies to implement. The OAS could be of help by encouraging member states to have their statistical offices begin using this handbook to create a new body of empirical data on this important sector.

Basic information, however, is just the first step. As a *second* step, we need to launch serious *public education* efforts to make the public at large aware of the Third Sector and the contributions it makes. The Third Sector can no longer rely on its good works alone to assure public support. It must work to counter the negative impressions often created by the media and those who would discredit its operations.

Thirdly, legitimization must take *legal form*. The right to associate must be clearly and unequivocally enshrined in law. Beyond this, procedures for extending legal person status to nonprofit organizations and for ensuring favorable tax status for the organizations and their contributors must be simplified and made automatic once certain basic conditions are met.

Finally, steps must be taken to ensure *accountability* of Third Sector organizations. A set of organizations that is expected to perform important public functions and enjoy significant public subsidies must be responsive and responsible in how it handles funds and carries out the public trust. To this end, the Third Sector should make efforts to develop its own codes of ethics and its own systems of accountability.

The Challenge of Effectiveness

But the challenge of legitimacy is only one of the serious challenges that the Third Sector faces around the world. Equally important is the challenge of effectiveness, the need to demonstrate the sector's competence and capability.

This is an especially tricky challenge for a set of organizations that is best known for its flexibility, its innovation and its responsiveness to grassroots inputs and concerns.

But Third Sector institutions are also organizations and, as such, face important challenges of institutional management and control. As they move more fully into the center of societal problem-solving, moreover, the pressures on these organizations to improve their management systems and to perform efficiently and effectively will grow.

In most countries, however, the education of nonprofit managers has been hit-or-miss at best, and totally nonexistent at worst. Indeed, this has been defended as part of the special appeal of nonprofit organizations—their reliance on volunteers and their rejection of rigid professional norms.

For the Third Sector to legitimize its operations, these sentiments will have to change, at least in part, and serious efforts will have to be made to improve the management of this set of organizations. This will require at least two sets of activities: First: increased *training of nonprofit managers* in the “enablement” skills that are critical to this sector—skills in enabling nonprofit managers to enable organizations to enable communities. We have been involved in such efforts in Central and Eastern Europe and the energy they release can be quite extraordinary. Not only is it necessary to improve the skills of individual nonprofit managers, however, but also it is necessary to create the *infrastructure institutions* that

will be needed to sustain nonprofit effectiveness over the long run. Such institutions can provide information resources, training, Third Sector mobilization, and general moral support. Infrastructure organizations of this type play a significant role in the business sector; they need to be developed in the Third Sector as well.

The Challenge of Sustainability

A third critical challenge facing the Third Sector at the present time is the challenge of sustainability.

Sustainability is mostly at stake in financial terms: Many Third Sector organizations began as purely voluntary endeavors or with start-up support from foreign donors, both public and private. As they grow in scale and complexity, however, they quickly outgrow these initial foundations and find themselves face-to-face with serious issues of survival. The decline of foreign assistance in recent years has made the fiscal crisis of the Third Sector particularly acute as increased numbers of organizations find themselves having to compete for an ever shrinking pie.

But financial sustainability is not the only sustainability issue the Third Sector faces. At least as important is the sustainability of the sector's human capital. As democratization proceeds in different parts of the world, Third Sector activists find themselves drawn into governmental positions to replace the traditional officials they had worked so hard to depose, but leaving their organizations impoverished in human terms. The Third Sector is thus the victim of its own success. Ironically enough, while the Third Sector may contribute to democracy, in the short run democracy may undercut the Third Sector's strength.

In the face of this challenge what can be done?

First and foremost, efforts must be made to buttress the Third Sector's private philanthropic base. Private philanthropy may be only one source of Third Sector support, but it is a crucial source of the sector's independence. As foreign sources decline, indigenous sources of support must increase. This will require propagating the concept of private giving as an obligation of all social strata and not merely the rich. It will also require new attitudes on the part of the business community and greater willingness on the part of Third Sector organizations to reach out to the corporate sector.

But the Third Sector needs to avoid placing itself in the cage of assuming that private philanthropy is its only source of sustainable support. This is not the case anywhere. Even in the U.S. only 11 percent of total support comes from philanthropy—including individuals, corporations, and foundations. In Western Europe, the figure is much lower than this—5 to 10 percent. A reasonable target is probably 10 percent of total revenue. Other sources of support will be needed as well; including revenue from sales and fees. At the same time, the concept of the Third Sector as a career, instead of a way station on the road back to government service, must take hold and training capabilities created that can foster this career and give it the standing it needs.

The Challenge of Collaboration

This brings us to the fourth challenge confronting the Third Sector throughout the world, which I have termed the challenge of collaboration. This challenge confronts the Third Sector in three different arenas.

Collaboration within the Nonprofit Sector

In the first place, the nonprofit sector faces a formidable challenge in promoting collaboration within its own ranks. In many parts of the world, the re-

cent growth of the Third Sector has taken place not only in opposition to an authoritarian or neglectful state, but also in opposition to what were perceived as traditional, paternalistic or clientelistic private welfare agencies. Beyond that, the limited resources available create inevitable competition among even like-minded groups. Even when competition is not present, organizations frequently have no sense of being part of a sector and sharing common problems. Environmental groups see no connection with groups working for human rights or promoting better treatment of the handicapped.

Despite this, I would argue that forging a common front among Third Sector organizations—funders and fundseekers, newer NGOs and old-line assistance agencies, environmental organizations and day care providers, professional associations and human rights groups—is an urgent necessity if the Third Sector is to meet the challenges it faces and deal effectively with the myths and misperceptions that stand in the way of its acceptance.

This does not require eliminating diversity or merging all agencies into one. Rather, even while preserving diversity there should be ways to find common ground on a number of critical issues that all Third Sector organizations share. These might include clarifying the legal basis of the right to associate and to form Third Sector organizations for a wide variety of peaceful purposes; protecting tax incentives for organizations and contributors; promoting the ability of nonprofit organizations to advocate on behalf of particular causes or communities; providing critically needed services for the sector—accounting assistance, training, group purchasing arrangements, and the like.

Over time, the Third Sector must develop a voice and a capability to pursue joint action on issues of common concern if it wishes to be effective in the broader society in which it functions.

Collaboration with Business

The second crucial arena for collaboration is with the business sector. Third Sector institutions cannot expect to become permanently entrenched in their societies unless they find a way to generate business concurrence and support. Interestingly, globalization, for all its drawbacks, may offer important opportunities here. By making corporations vulnerable in their home countries for activities they may carry out in far-away places, globalization may offer an important club that can be used by local nonprofit organizations to encourage multinational corporations to cooperate in addressing public problems in order to earn a good reputation in their home countries. More generally, Third Sector organizations can give businesses the legitimacy they seek.

Collaboration with the State

Finally, and perhaps most importantly, is collaboration with the state. The nonprofit sector's relationship with the state is one of the most important relationships it can have. Yet the nature of this relationship has been obscured in much of the rhetoric that surrounds the sector's development. Indeed a pervasive myth of voluntarism has grown up that obscures the real connection between these two spheres. Central to this myth is the belief that an inherent conflict exists between the nonprofit sector and the state, and that private giving and voluntary action are the only valid sources of Third Sector support. To be sure, this myth finds considerable support in the posture of state authorities toward nonprofit organizations in many parts of the world. State authorities have often been repressive and unresponsive to citizen concerns. Civic associations have often emerged precisely to counter state control.

Yet, side by side with evidence of state-Third Sector conflict is an extensive record of interdependence and collaboration.

Even in the U.S., the country where the tradition of philanthropy and voluntary action is thought to be most highly developed, only 11 percent of nonprofit income comes from all sources of private giving combined—individual, foundation, and corporate. By contrast, government support is almost three times as great, constituting over 30 percent of nonprofit revenue. In point of fact, despite the emphasis on the nonprofit sector's independence from the state, collaboration, not conflict or competition, has been the characteristic relationship between the nonprofit sector and government for most of American history. The very first U.S. nonprofit corporation, Harvard College, was thus created by an act of the Commonwealth of Massachusetts in the mid-1600s and benefited from a special corn tax enacted specifically for its support. Two-thirds of the government moneys used for aid to the poor in New York City in the 1890s went to private, voluntary groups. Although these relationships may have grown significantly in scope and scale in the 1960s and 1970s, they are hardly new. Indeed, we have developed a widespread system of what I have termed “third-part government,” in which government relies largely on other social institutions, including particularly nonprofit groups to deliver the services it finances.

Elsewhere, the picture is even more pronounced. Indeed, the data we collected through our Comparative Nonprofit Sector Project revealed that all through Western Europe government functions as the tax collector of the Third Sector. Government is the overwhelmingly dominant source of nonprofit finance in these countries, accounting for as much as 77 percent of the total in Ireland and Belgium, 64 percent in Germany, and close to 60 percent in the Netherlands. Nor is this simply an accident. To the contrary, it results from explicit policy as reflected in the German doctrine of “subsidiarity”; the Dutch practice of “pillarization,” or organizing social functions like education, health care, social services along religious lines and providing public subsidies for the resulting institutions; the recent decentralization of social welfare provision in France, including widespread use of contracting with nonprofit providers.

While this raises the threat of loss of independence, moreover, the key to avoiding this, it seems, is not refusing government support, but making sure that other sources of support are available as well.

Toward Civil Society: A New Paradigm for Solving Public Problems

What all of this suggests is the need for a new paradigm, a new approach, for addressing public problems in the 21st century. This is my fifth point, and it is very close to the theme of this conference. Two such paradigms have dominated our thinking up to now. One of these stresses sole reliance on the market and the other sole reliance on the state.

What we have learned in recent years, however, is that both of these models are bankrupt. The market model, though it has recently staged a remarkable recovery, essentially collapsed in the Great Depression of 1929. The public sector model fell with the Berlin Wall. To date, however, no alternative paradigm has surfaced to replace these two. To be sure, the temptation will be strong among Third Sector activists to advance the “nonprofit sector” as the panacea and to urge complete reliance on it.

I would urge that this temptation be resisted. Without denying the vital contributions that nonprofit institutions can make, we should be wary of claiming more than we, or any sector, can deliver. The simple fact is that what we have learned most clearly over the past 100 years is that today's problems are too complex for any one sector to handle. If we are to make progress on these problems, therefore, the combined resources of all three sectors must be mobilized.

What this suggests is that the appropriate paradigm for the 21st century is *a paradigm of partnership and a politics of collaboration*—i.e., a “new governance” that emphasizes explicitly and centrally that collaboration, not separate action, by the different sectors, is the best hope for achieving meaningful progress on the serious problems that confront us today.

I would suggest that this is the true meaning of the “civil society” about which we hear so much today—civil society not as a sector, but as a relationship among the sectors. A civil society is thus one with three distinct sectors but in which these sectors have found ways to work together for the public good. Given the suspicions that often exist on all sides, this will not be an easy future to achieve or to manage. But it is the one that seems to me to offer the greatest prospect for the future.

Let us, therefore, set about creating such civil societies.

Participation and Decentralization: Instruments for Development

By CARLOS HUGO MOLINA SAUCEDO

Background

The terms “governance,” “state reform,” “globalization,” “good government,” “transparency,” and “citizen participation” are new additions to the basic vocabulary of leadership of our peoples. But we must recognize that there are no authoritative definitions for such terms nor are they completely accepted by society as a whole.

Structural economic reform has left the administrative machinery vulnerable in its basic areas of competence owing to the budgetary reductions that went hand in hand with the bureaucracy’s reduction in force and the end of the entrepreneurial state. International lending institutions initially supported the proposed bureaucratic decentralization because it addressed the question of preventing corruption and reducing the power of central authorities which had appropriated it.

As is ever the case with political and social developments, the reality exceeded the intent of those who put these ideas forward and, in some countries, the proposed decentralization was tied first to restoration of democracy and then to its strengthening. Decentralization therefore had to be characterized as instrumental so that it did not become a political objective in and of itself, or a proposal for globalization which, following fashion and trend, might be discarded later when the reduction and macroeconomic organization phase had concluded.

Advantage had to be taken, with the support of certain international organizations, of opportunities to create an institutional framework that arose from discussions of decentralization, opportunities rejected by myopic, corrupt administrations that had needed venal administrative systems to reproduce irresponsibility. Private managers were able to do in government service what they could not within their own firms.

Various trial and error experiments were conducted, with the complications and consequences expected when experiments involve peoples’ lives. These include systems for regionalized decentralization; for grouping intermediate authorities together; for inventing authorities and agencies; for gradual decentralization by sector; for elections within intermediate authorities as an invented condition to be met in democratizing administration; for radical transfers to offload jurisdictions because the operation of services from the central level was not economically sustainable; and for rash, nonessential privatization.

There was, of course, a political dimension, and we now can analyze a gamut of decentralizing experiments involving military, populist, democratic, socialist and totalitarian governments, and the rest of the terms we have had to

invent to describe our governmental myths. Decentralization in itself was not, nor is, a guarantee that democracy will be consolidated, but the fact that decentralization is implemented may provide support for democracy, a fact that has now also been empirically established.

During the process, public players emerged who might take the forefront in the administration of jurisdictions and resources. We discovered municipal government as an emergent force in democracy and as a school for citizenship. The next step was to institute a system that would effectively integrate municipalities into the national development process without their becoming part of the structure subordinate to central government or becoming little republics administered by local political bosses. For this purpose, the practical instrument was autonomy. Taking into account the principle of respect for the selection of officials and for the intent of such officials to administer their own resources, mechanisms were designed to enable the municipality, as an integral part of the state, to carry out the tasks entrusted to it.

But perhaps the turning point in this process came when national bureaucrats, international consultants, politicians and academics simultaneously arrived by different routes at the same conclusion: Decentralization without citizen participation was a mere act of administrative reorganization, a mere redrawing of organizational charts and breathing fresh air into functions. That discovery was a moment of truth in the process, a moment when decentralization's practical application, potential and limitations were examined. It was realized that, when the participation component is implemented, democracy becomes participatory; consideration must be given to concurrent investment within the economy; there is a take-off point in the management of public utilities which deserve to be treated as something other than mere clients; and planning systems must take into account local players with the ability to know their own needs and the right to assign priority to them.

Bolivia played a pioneering part in linking municipal and community elements in the Law on Popular Participation. We are at the stage of identifying effective participatory mechanisms that will enable us to reinforce the concepts mentioned at the beginning of this essay, without this constituting a constraint on the enhanced effectiveness of public services, transparency in administration, the responsible exercise of authority, and respect for civil society and its organizations. It would seem an easy list to draw up, but one nearly impossible to implement.

The Same Questions about the Same Problems

At the academic and political events we attend, repeated concerns are expressed that, regardless of the country in question, involve needs that must be addressed. Apparently simple questions become complicated when the answers available are not merely theoretical and technical but involve human populations who may suffer the consequences. The following apparently simple questions were posed at a seminar organized by SELA and CLAD in May 1997, in Antigua, Guatemala:

- What is decentralization?
- What leads to decentralization? Does its justification lie in the economic model, the political system or in organizational technology?
- Which functions should be decentralized? Why?
- To whom should such functions be transferred? How many levels of government are necessary? How should those levels interact?

- How should funds be obtained and distributed, thereby preserving effectiveness and equity?
- What characteristics should the municipality have as the entity receiving decentralized functions?
- What happens to the central level?
- How is the general interest served in a decentralized model?
- What should be done to see that decentralization does not aggravate already substantial social and territorial disparities?
- How are technical and political reasoning linked in the process?
- What is the relationship between decentralization and participation?
- Who changes the agents of change?

Evidently, there are political concerns, involving the definitions to be used in administrative action, that convincing instruments have not yet been found that may be replicated everywhere. Those of us who have taken part in practical experiments hear concerns expressed in various places that convey fears rather than conviction, and my job often became to convey optimism regarding the advantages of taking radical steps in these areas.

Political Elements

We are now witnessing the most profound political and social transformation that has ever taken place in Bolivian democratic life. Social change is not being generated spontaneously. It results from a reading of objective reality, from appropriate proposals, and from timely execution and leadership. To further change, we must be aware of changes already made, their characteristics and the justification for them. Only insofar as we come to terms with the scale of change and the cost of producing it will we be responsible for continuing to strengthen democracy. The institutional framework of the Bolivian state, with its governmental and societal elements, is being developed on the basis of certain basic defining principles, which we must be aware of and apply:

(1) **Participatory planning** is an instrument for channeling grassroots social demand and subsequently taking it into account in municipal, departmental or national budgets. It also incorporates the community levels, with their organizations, as authorities to be taken into account in executing a strategic planning process.

This social, organized and participatory component constitutes a guarantee of effective results. Centralist and exclusivist policies hinder the conduct of sustainable activity, whereas popular participation is a mechanism for grassroots organization, channeling supply and providing responsible, comprehensive response to demand. It cannot be assumed that consistent results in social development will be attained without the acceptance of organized society, a democratic component in the process.

(2) **Concurrent investment** enables programs and projects to be administered jointly by national, departmental and municipal authorities, and makes social demand visible. It makes possible coordinated exercise of jurisdiction among more than one governmental level, thereby creating shared responsibility for public services. According priority to municipal governments as the democratic basis on which the territory, population, resources and state investment are to be organized establishes the principle that social and productive policy at the national and departmental levels will be conceived for execution at the municipal

level, freeing the higher state tiers from the temptation to act as designers, ex-ecutors, overseers and evaluators of policy at one and the same time.

This principle has the advantage of bringing discipline to administration and administrators. No activity defined at the national level should fail to recognize that the organizational system descends to the department and, immediately thereafter, to the municipality. At the same time, moving up the ladder, it is the municipality that will organize social and community demands and channel them to the corresponding levels of government through the prefecture. The prefectural level of authority, which serves as link, must be ready and trained to carry out its task in a timely and effective manner. The analogy of the hourglass may serve to illustrate the political administrative management system, the upper half corresponding to the national level, and the lower half to the municipal and community levels. The two halves of the glass are linked at the neck, representing the prefecture. Respect for this principle will make it possible to overcome centralism, paternalism and the ineffectiveness of government administrators more than 1,000 kilometers away from the targets of their administration.

In reference to generation of economic activity, creation of employment and generation of surpluses for a population that only has experienced centralist action, a fundamental instrument is the proposed local economic development or productive municipality. Here, the municipality will serve as a facilitator of community action, private enterprise and investors; investment designed to generate surpluses that remains under the control of the players involved will create leverage to generate, in turn, greater investment and resources, thereby going beyond basic demand relating only to infrastructure and the delivery of services.

Local economic development or the productive municipality involves three interrelated and interacting conditions that must be met: Policies must be in place to support trends in production; policies must be in place to support the land tenure system; and development, lending and technical assistance mechanisms must be in place. In recent years, we have focused on the process of reducing the urban-rural gap. Now that the rural development process has taken off, we must focus on the urban component, the basis on which political activity will be generated in the coming years.

(3) The Bolivian Constitution provides that political and administrative authorities at the intermediate level will be appointed by the president. In keeping with the principle of *“crossed appointment,”* prefects are appointed by the president, and councilors by the municipal governments, all deriving their legality and legitimacy from the same source. This situation creates a space for a second tier of democratic consensus-building, which is essential to governance.

It must be acknowledged that, beyond this Bolivian solution, there are others, ranging from election of intermediate territorial authorities, the establishment of autonomous areas to the federal proposals. It is not sufficient to insist that care must be taken in opting for an administrative model if the objective of the mechanism chosen has previously been identified. Each state has its particularities and, in the impromptu policy manifested in fashionable proposals, it must be borne in mind that governance means legality, legitimacy, efficacy and participation, conditions that must not be jeopardized by the verbose enthusiasms sometimes resulting from crisis. In any event, beyond particularities, coordination and concurrence among the national, subnational and local levels are essential in guaranteeing the usefulness of a management instrument that is to support the exercise of power, not the reverse.

(4) Application, in the political, economic and administrative spheres, of *checks and balances* forces the state administrative apparatus to seek public efficacy through popular participation. The departmental council, in its relations with the prefect, and the oversight committee in its relations with the town mayor, and of both authorities in their relations with the national political level, create relations for strengthening democracy in government administration. Civil society with its territorial organizations is represented on the oversight committee, and organizations of a functional nature would have to be represented on the departmental council. Thus two components are present that may become important mechanisms for development.

Pooling municipal services facilitates the accumulation and investment of resources and enables municipalities to be included that do not reach the population threshold. Pooling municipal services simplifies their delivery, management and administration; develops the concept of competition and partnership; and replaces the excesses of mechanical and long-winded municipal autonomy with another form of autonomy.

The reasoning is similar that underlies the operation of provincial popular participation councils, chaired by the subprefect, and comprising municipal governments and productive and community organizations, with representation from government agencies within the province. The territorial size of the province enables the microregion concept to be used to plan development and growth, and execute it in a coordinated manner.

(5) The process has demonstrated the need to establish *alliances* while at the same time seeking elements that allow for the replicability, innovation and adaptation. The attainment of human and productive development, in the framework of the sustainable development model, requires the sum of the capacities and efforts of public and private entities, and the social sector. The capacities of these three players taken together ensure a shared partnership lead role, each player having objective challenges that correspond to it alone. Alliances enable responsibilities to be shared and policy execution to be coordinated by public officials, investment and productive institutions, and the social partners who will feel the impact and repercussions of the activity. In addition, the fact that specific experience has been gained assists society to offer less resistance to the new attitude required in substituting the paternalistic state with another whose role is essentially regulatory, and in replacing social conduct accustomed to charity with other, actively participatory, conduct.

Awareness and handling of these five components is essential in developing coherent political activity by the machinery administering the state and civil society comprising it.

Areas to Be Defined

This philosophical and conceptual element of the Bolivian decentralization model was borne in mind during discussion and application of the process. In order to clarify what practical application of the academic proposal for good government entailed, we made an initial assessment of some areas needing to be defined prior to any decentralization process involving popular participation. Each of these areas includes basic state authorities and players:

- *Central executive power*
 - unification of administrative management, enabling follow-up, evaluation and monitoring of the process to be carried out
 - establishment of a national coordination level with a clear mandate
 - national discipline to act at lower institutional levels without neglecting governance
 - special attention to investment funds as equilibrium instruments, establishing to which areas they are subordinate and their sphere of operation
- *Delineation of jurisdiction*
 - clear definition of national, departmental and municipal jurisdiction to avoid conflict and overlap
 - identification of resources each will use in the exercise of jurisdiction
 - establishment of the national authority with control and regulatory authority, the intermediate authority to serve as coordinator and executor, and the local authority with responsibility for policy implementation
- *Intermediate level of administration or government*
 - establishment of the intermediate level as the authority with responsibility for effective coordination
 - “crossed appointment” of authority
 - relations with municipal government within its jurisdiction
- *Municipal government*
 - application of the principle of subsidiarity
 - nationwide institutionalized system for municipal strengthening
- *Determination of investment*
 - establishment of concurrent investment by intermediate and municipal levels of government as an administrative social, economic and fiscal policy instrument
 - establishment of the authority with responsibility for determining what investment is made
- *Planning instruments*
 - identification, with the corresponding national, intermediate and municipal authorities, of planning instruments
 - adoption of standards approved for mandatory application
- *Citizen participation players*
 - political determination of citizen participation players and their relationship to the nearest government entity
 - definition and scope of participation
 - participation mechanisms
 - nationwide institutionalized system for strengthening
- *Relations with civil society*
 - identification of clear action with respect to civil society
 - identification of productive players

- *Relations with nongovernmental organizations*
 - linking authorities
 - definition of framework for action
 - concurrent investment by NGOs
 - ways to establish ties
- *International cooperation*
 - identification of the characteristics, methods and target sector(s)
 - projection of requirements and trends that best channel multilateral and bilateral cooperation and maximize the profit derived

Political Conditions

To reach the point where these definitions were incorporated into public policy, some ideal and apparently theoretical conditions had to be met, conditions philosophically essential to obtaining results:

Determination of political objectives. This seems patently obvious, but less so when we compare the various processes executed within our countries. The proposal's lack of clarity makes it difficult to implement or, put otherwise, it is not easy to arrive when one does not know where one wants to go. This condition obliges us to consider decentralization and participation as part of a design, rather than as isolated or specious measures.

Political will. In Bolivia, it took 12 years of discussion and 23 draft laws on decentralization to demonstrate what can be achieved when one does not wish or seek to move forward. It is not a question of obtaining support from and consensus with a particular executive or legislative body. Given the political structures of our countries, what is needed is harmonization of intent between those who will enact the law and those who will apply it.

Clear institutional mandate. It is impossible to implement effectively an enacted provision that does not establish an institutional framework or have credibility. It is very difficult to create an institutional framework that works and is functional and appropriate. It is even harder for an institutional framework to enjoy sufficient credibility to serve as a valid interlocutor. Yet this is the secret to an administration that produces results.

A comprehensive proposal. The objectives of sectoral decentralization have proved difficult to achieve. When the sector, whether health, education or basic sanitation, is not effectively inserted into an integral system for human development, we will encounter action that is not interrelated and, frequently, lack of consistency and efficacy. The same difficulty will arise if administrative machinery is not established that carries out its activity in a coherent and coordinated fashion with the other players involved. Concepts of comprehensiveness, intersectorality and shared administration should cease to be taboo within government administration.

Act of faith. Jurisdiction, resources, powers, responsibility and functions are difficult to delegate or transfer when there is a lack of faith, and the temptation will ever be present to rescind the delegation or transfer. Every transfer must be accompanied by sufficient will and discretionary capacity for authorities to carry it out in the framework of the new realities. The challenge lies in the area of administrative merit providing justification for the action.

Simplification. Any process of change in this area must seek to assist the individual subject to administration in his relations with the state machinery. It

must therefore seek to simplify procedures. Reduction in the number of authorities, greater transparency and the removal of obstacles are changes that must be implemented within administrative systems.

Unification of authority. Government administrators suffer from a temptation to act simultaneously with respect to the same issues. Decentralization is very attractive to the economic and planning sectors, and to sectoral authorities, all of which find it genuinely difficult to act concurrently and in a coordinated manner. One political decision that must be made is who will have responsibility for coordinating, with political authority and support, the sectoral and territorial decentralization authorities. Timely corrective measures and follow-up, evaluation and monitoring of the process are central functions for which a responsible authority must be established.

Political Decisions

There are no prescriptions or set formulas that apply to every case. For decision-making to take place at the central level, which must have administrators within intermediate and local authorities, political decisions bear on several spheres:

Establishment of national policies. Policies must be formulated that ensure the activities flowing from them are designed to obtain results. In each of the areas to be implemented, definitions would have to be provided enabling administrators to act with transparency. This means determining the desired outcome in advance.

Determination of activities to be carried out. For policies to be effective, steps must be taken to implement them. Each policy must enable government action to address the previously determined political objective and contribute to achieving the other objectives set.

Creation of a follow-up, monitoring and evaluation system. A national system for follow-up of activities will enable their direction to be determined and timely, effective corrective measures to be taken. The central level cannot relinquish its responsibility for the evaluation and monitoring mechanism. For the impact of quantity and quality to be evaluated, reliable and verifiable indicators are required.

Identification of the players. The traditional shortcoming of thinking only in terms of government administrators must be overcome. Alliances, consensus-building and agreements are essential to controlling measures taken with executors and beneficiaries. To the extent that such executors and beneficiaries can be one and the same, a predictably positive result will ensue. Civil society, resident, farmer, indigenous, community, productive and cooperative organizations become allies when they share in the execution of public policies wherein they play privileged parts.

Identification of resources. In keeping with the preceding criterion, resources must be identified and assigned by every player involved. In addition to effective economic resources, priority must also be given to credibility, community labor, material provided, and contributions of time and commitment. An evaluation of each element must be incorporated in the corresponding budgets. This component is essential in obtaining a social response. Central levels seeking to continue to administer public funds in the traditional way, by taking a paternalistic and discretionary approach, will not succeed in addressing the logic of the demand.

On the Threshold of Decentralization and Participation

It may seem pretentious, but evidence and reality bear me out. We had to execute these activities at government level to achieve something that now seems so straightforward and simple: popular participation and directing the state machinery toward efficacy—activities which, despite having brought about a change in government totally different from the initial application of these measures, and emanating as they did from the democratic grassroots, continue to be applied.

There is no perfect proposal. In reality, each of the elements mentioned produced another series of difficulties that had to be identified and then resolved. If, for example, at the outset, we had had more clearly defined mechanisms for territorial organization, we would have encountered fewer difficulties when territory as a development component was taken up. The same holds true for requests for infrastructure and services, which, to be sustainable, also need to incorporate the productive component. Development projects remain on the drawing board and in the realm of political imagination, a situation which does not address the need to improve the quality of life of our peoples. Popular participation is so serious and definitive for our democracies that every effort to attain it will be well worthwhile.

Dr. Molina's references will be provided on request.—ED.

Citizen Participation, Local Governance and Appropriate Policy Framework: A Contemporary and Futuristic View

By NEVILLE C. DUNCAN

The Essentially Unpredictable Future

The future is essentially unpredictable. This in no way should prevent the OAS and the IAF from trying to imagine a range of possible futures in order to provide more control over a changing world order and better position Latin American and Caribbean countries within emergent change processes and outcomes. To imagine a variety of possible futures is to have a plan for how to proceed to extract the best from the emerging situations. To have a shared vision and teach people in their country and region how to think flexibly is as important as the specific findings derived from the effort.

Easy agreement on a shared vision is not a readily achievable objective. As the states of Latin America and the Caribbean engage the first decade of this new millennium, a subtle and positive shift is occurring in all segments of society. There is an increased emphasis on the future—what it might look like, what challenges and opportunities it might present and in what ways we might be able to respond most positively. This is emerging at a time of national reflection for organizations and individuals alike. Perhaps none too soon—as changes in our social fabric, resource base, business and political environments. Perhaps most importantly, the pace and extent of changes in science and technology launch us into exciting but uncertain territory in the 21st century.

In the pursuit of a global approach to trade, investment, production, environment, intellectual property rights, competition policy and a new agricultural regime, coming onto the global, hemispheric, regional, national and local agendas are certain major concerns. These include the necessity for new labour policies related to wage inequality, youth employment opportunities, moving people from welfare to work, life-long learning, school-to-work transitions, growing inequality of wealth and income within and between countries, the working poor, *inter alia*. There is the growing recognition that policy-makers in Europe, the Americas, Asia, Africa and in developing island-states must formulate a new policy paradigm for a more competitive, knowledge-intensive global economy.

There is the awareness that while, in the short run, profits can be maximized using a cost-cutting strategy, the long-term interests of workers, communities and companies are better served by a value-added strategy which empowers workers and requires high skills as well as product and technological innovation. This value-added strategy requires high-performance work organizations with decentralized, participatory decision-making by highly skilled workers, and cutting-edge technologies. This decentralizing and power-devolving dynamic

obliges the same impulse in political and social arrangements in the wider society as for the economy.

There are many views on the future and only two are presented here—in an exceedingly truncated form. The first major question is whether capitalism will progress uninterruptedly (notwithstanding rise and fall, again and again) in a cyclical manner or is now manifesting a terminal systemic decline. Systematic decline is manifested in, for example, a long-term squeeze on profits on three fronts: the cost of labour; the cost of imports and infrastructure; and the cost of taxation.

Some argue that in most fundamental ways, the contradictions of the capitalist system cannot be contained—hence terminal secular decline. Capitalism is entering a period of chaos. A “politics of transition” is revealing itself. Politically, anything is becoming possible. Each country or trading or economic bloc is trying to grab the opportunity for repositioning and to seek global hegemony.

A second major view is that capitalist markets are inexorable—they always eventually win. The great material prosperity obtainable during the 21st century will be realized by only those nations that adopt and properly adapt to their own conditions the fundamental economic and political virtues of the “American Way of Life.” Twentieth century liberalism—even if by some other name—will continue to drive political policies for the foreseeable future. An ever-increasing government role will inevitably be required as population densities and levels of technological complexity increase. There is the question of whether and when government is a part of problem and whether and when it is the answer. Even when it is a necessary part of the answer, it is always a part of the problem.

Indeed, on this view, all kinds of excuses for dangerous protectionist policies are being created. Europe and the United States squabble interminably over trade restraints, and the wealthy nations of the world continue to unconscionably refuse to open their markets to imports from third world nations. Demagoguery will remain the strongest force in democratic politics—the public will tend to vote for those who promise benefits from the public treasury. The “rule of law” will increasingly be replaced by “rule of men” for politically controversial rulings. The courts will become increasingly recognized as just another political organ of government, which various interests must struggle to control. Economic freedom (capitalism), political freedom (multiparty democracy), limited government (checks and balances on government powers, especially regarding property rights and an independent judiciary), and individual liberty (legally enforceable individual rights) will become imperative as the only practical arrangement in a world of accelerating technological change.

These major views add up to fairly similar requirements concerning good governance and its necessity for achieving either liberal or a participatory democracy. The first view (Wallerstein’s) imagines a possible world under the democratic control of those who really produce the world’s wealth and services. It could be based on a principle of collective self-emancipation through collective self-mobilization. The combination of forces would be based on class, race, ethnicity, gender and so on, producing multiple economies but based on the decommodification of the world’s economic processes. This would be based neither on ownership nor economic control; decommodification would then emerge as a new socioeconomic form. So his expectation is for a new 21st century geo-culture reflecting a “plural left” or shaped by “civil society coordinating organizations.”

The second view (Futurecast’s) is more pessimistic about the extent of this geo-culture, fearing increasing demagoguery and corruption of the government-

tal process, with “big” government the primary social problem in the 21st century. Instead of a conscious drive to a new participatory democracy, liberalism as economic freedom, multiparty democracy, limited government (the strong enforcement of property rights and an independent judiciary) and individual liberty continues.

Within the Anglophone Caribbean, there is little doubt that the liberal democratic modal form of government, as inherited from the United Kingdom, will continue. Nevertheless, it continues to exist in a truncated and highly unsatisfactory form, as is the case wherever liberal democracy is practiced. However, there are the serious considerations about the appropriateness of this form of political arrangement in the context of the microstates with weak, dependent and open economies. Small-scale societies have tiny production bases, high costs of procurement of production inputs and services provision, low export levels accounting for miniscule proportions of world trade, and a small scope in general. Natural and person-made disasters significantly impact small-state ecology. These factors combine to place considerable stress on the governance capabilities of these states determined to remain on the liberal democratic path.

The new, retreating, mood in the international donor and aid community is to give less assistance in more focused ways with a requirement for a more decentralized governance and involvement of social partners such as labour, capital, community-based organizations, other nongovernmental organization (NGOs) and social philanthropic organizations. Anglophone Caribbean governments, themselves, have been experimenting with various forms of public sector reforms and reviewing their local government systems, while engaging with all civil society.

Civil Society and Governance

A defining of the field—civil society

The non-state sector embraces all actors other than political parties, parliament and its directly supportive institutions including the public bureaucracy. This means labour and business organizations, nongovernmental organizations, community-based organizations (CBOs), professional associations, philanthropic groups from churches to private organizations, and other nonprofit organizations constitute the non-state sector. Usually, the notion of civil society is used, but only as a heuristic device, to separate business and labour from the non-state sector. One reason is that on occasions, business and labour organizations seem to be in their own special relationship with the state as “social” partners. Technically, local government, as dependent state-created institutions, should be lumped with the state but many have preferred to see local government, revitalized and restructured, as one of the pillars in a new system of governance incorporating civil society and central government.

Imperatives of community governance

The absence of a national consensus around a shared vision of a renewed society based on nationalism, sovereignty, independence and self-sufficiency points to a high potential degree of ungovernability in Anglophone Caribbean societies. There has been the rapid growth of nongovernmental organizations and increasing demand for revitalized local government institutions because of a number of developments. In a number of situations traditional structures of authority, methods and instruments have failed or eroded. New fields of sociopolitical activities have emerged. These require new organizational forms and evoke

new patterns of interest-mediation. Many of these have yet to be strongly established. Nevertheless, in several of these areas, the new modalities have actually emerged, such as the success of a co-management process in environmental matters and, indeed, strong new organizations have manifested themselves.

A number of issues of great concern to the public and private actors are now in the public domain, generating awareness and a demand to be heard. This is evident in Barbados where public interest was high on the location of a new sanitary landfill. Other issues include the introduction of casino gambling, reform of public education, poverty eradication and the legalization of drugs now deemed illegal. In Jamaica, in July, police and military incapability was brutally exposed in a context where 25 persons lost their lives when law enforcement agencies undertook a search for guns in a “garrison” constituency. The national debate in the aftermath of that occurrence has been strident. Law and order issues present peculiar and difficult challenges for community governance. The existence of sufficient convergence of objectives and interests make it possible to reach a synergistic effect or a “win-win” situation among central government, local government and civil society.

The selection of a style of governance based primarily upon cooperation, trust and mutual understanding among the pluri-sector social partners is now a preferred option for many. Complexity, diversity and dynamism, which characterize the changing situation in the Anglophone Caribbean, require multiple partnerships to find workable answers to a new and better form of governance. Governments of the Anglophone Caribbean are today better prepared to take on this challenge, awesome as it is. The initial effort should be to identify those productive governmental activities in need of strengthening, promotion and expansion. If this were done without any imperative interest in conserving what exists at any cost (as Peter Drucker noted), much would need to be changed or abolished. This would be so especially if attention were paid to results rather than good intentions.

Liberalization, privatization, deregulation, decentralization, deconcentration, community participation and democratization (in local, central and regional government within a country) give a stronger voice to people. Sustainable development, environmental protection and social sector development are concepts incorporated into the notion of good governance. The European principle of “subsidiarity” (sharing the decision load down below) and other systems of decentralization and devolution of state authority and power, are important. Efforts to achieve empowerment through new institutions form the core of the process of giving voice to citizens at the local level. It is expected that current and future holders of state power will exercise the requisite political will.

Research is revealing a strong indigenous capacity to achieve success and sustain good governance activities by people and groups in communities. The opportunity presents itself for the state to build a new legitimacy through participation with civil society and hence renew and strengthen itself for the development tasks ahead.

Some Cautions

In Jamaica, Suriname, Guyana and the Bahamas, representative local government system exists, but not in Haiti and Belize. This means a vital organizational structure for giving a voice to the local level is inadequately articulated in most Caribbean Community and Common Market (CARICOM) member states.

Without vital features, such as a constitutional or legal status to ensure continuity and insurance against compromise, local government cannot perform the vital function of giving a real voice to villages, towns and cities. To do so, furthermore, would require that all municipal and district councils meet the criteria of full electiveness: well-defined and satisfactory financial autonomy and provisioning; status equal to statutory corporations; and the assignment of real functions as community development and empowering agencies. If existing community groupings cannot be built up to function similarly, then giving voice to people in localities remains an unreal expectation.

People in localities still do not have the framework for a direct voice in decision-making or involvement in other critical tasks of good governance, such as monitoring and evaluating policies and participating in their implementation. Developments in Dominica and St. Lucia offer the real hope that the features of an appropriate system will be legislated and implemented in the near future, notwithstanding a recent change in the party government of the Commonwealth of Dominica. Reports on local government reform, sponsored by the Caribbean Development Bank and requested by these governments, have been completed.

So far, a restricted and almost pointless notion of local governance has been purveyed by governments. Minimal resources and marginal tasks have been assigned the various administrative systems created. No real voice is given to the people. Edwin Jones (1998) in a sociohistorical profile had noted the survival of symbolic forms of "local government" which neither represented popular needs and expectations nor reflected meaningful accountability. There is still much ambivalence on the question of what such systems would deliver. As Jones stated, the culture of ambivalence, resource starvation and a record of underperformance have helped undermine institutional legitimacy. He further noted regional local government systems have consistently embraced a limited and limiting vision of reform.

So he correctly concludes the local government reform process has never seriously contemplated, much less implemented, the ideals of local governance. Emphasizing that it embraces community discourse and action, he argued that it is not about providing services to the public but doing so for the public and with the public. For him, only a reliance on an alternate set of concepts and reform tools could convert these structures into genuine community or service organizations. So far, decentralization, applied as a mechanical transfer of power from central to local government, has not served to enhance local government capacity by changing the consciousness and orientations of local stakeholders. Most local government structures of the region lack the internal management capability and reliable systems of control to achieve a performance monitoring and measuring system ensuring accountability. At the local level, accountability requires a sensitive, caring, responsive and responsible bureaucracy. This in turn requires what Jones refers to as the social foundations of civil society and governance.

Apart from the institutional view, Jones has argued that an environment of trust, personal security and fairness of governmental transactions is a necessary support. Additionally, the availability of basic life-sustaining goods, services and opportunities provides a context where citizens can perform their full role as participants. The reinforcing and mutually beneficial relationship between civil society and local government may serve to limit the possibility for arbitrary or abusive state action, while at the same time augmenting the implementation capacity of the state. Vigorous local government systems need, therefore, a vibrant civil society. The two must be articulated together in order to guarantee

success. The purpose is to build permanent governance institutions as one method of institutionalizing innovations.

Jones has identified a number of steps in expanding and utilizing existing capacity, namely, to build organizational capacity from the bottom up; keep the management and planning systems and procedures simple; rely on appropriate incentive systems; build a culture of self correction; and concert the action strategies.

Institutional Framework for Community Action and Empowerment in the Caribbean

In previous studies of non-state actors, I identified five categories of relationships in order to present the data and develop the argument. These allowed for adducing in each category special lessons instructive for a new governing relationship, giving voice to people in localities.

The first category identified those quasi-international nongovernmental organizations (QUINGOs) which were, typically, engaged in poverty alleviation and reduction. The source of funds was mainly international financial institutions (IFIs), such as the World Bank, Inter-American Development Bank and the European Development Fund. Of course, the insistence was for governments to give semi-autonomous status to the created organizations where the real controls were from the donor organizations, hence the description as quasi-international organizations.

If the objective was to deliver welfare more effectively and efficiently than the state, then the IFIs and other donors could claim a fair measure of success. If the objective was to empower or build sustainable institutional capacity, the success was much more qualified, since very few community structures and QUINGOS survived the withdrawal of funds. For a while, the lives of significant proportions of people in localities were touched through the redistributed resources. The creative ways employed and the encouragement of the involvement and, sometimes, the full participation of local groups were certainly salutary. The impact, however, was not sustained. Notwithstanding these outcomes, there were clear pointers to the possibility for creating a truly national framework of community development organizations. The issue was not merely the continuation of funding but also of creating the appropriate macro-social and macro-economic environment within a legislated or, preferably, a constitutionally guaranteed political framework.

It is instructive that, in the present conjuncture, international agencies have come to acknowledge the same need for a new political state with a new organizational ethos, rather than merely reformed structures or inserted appendages. The reduction in the zeal to minimize the role of the state has also produced a search for new ways of giving voice to people in localities. A re-empowered state, going beyond delivery of welfare, is needed to legitimize and authenticate people and their local organizations and national networks.

These are the unacknowledged lessons which international agencies would have learnt from their “internationalization of welfare” period. Indeed, a stronger expression would call it a form of administrative recolonization—that is to say, little more than rigid and excessive bureaucratic control, under the guise of reaching past governments to non-state organizations.

Another consequential finding was that elaborate rules and procedures do get in the way of establishing mechanisms and systems benefiting people in localities, especially in rural areas. Studies of a sizeable number of “success stories”

have shown that both QUINGOs and regular nongovernmental organizations have increasingly played a critical role in development in all social sectors in the Eastern Caribbean. On many occasions, they rose to the occasion and delivered excellent service. Governments and donor agencies came to acknowledge that because such organizations shied away from traditional ways of doing things, crippling administrative procedures and accounting systems, the direct beneficiaries gained far more than if the projects had been undertaken by the state. Communities and their groups also learned the value of collective productive activity on their own behalf.

A fourth category for community institutionalization and empowerment is the network organizations of national and regional NGOs. These in turn created an overarching network of networks to undertake advocacy at national, regional and international levels, and to undertake capacity and institutional building activities. Organizations such as the Association of Development Agencies, Caribbean Peoples' Development Agency, the Caribbean Natural Resources Institute and the Windward Islands Farmers' Association have demonstrated their value. They, in turn, along with specialist and broad-based organizations or networks, are members of the umbrella regional organization, the Caribbean Policy Development Centre, which covers the entire language groupings in the Caribbean. This enables participation and intervention at the level of the CARICOM and the Association of Caribbean States but also internationally, including the World Bank's NGO grouping and the World Trade Organization.

Innumerable NGOs and community-based organizations depend on the availability of international funding to sustain their efforts. Success stories abound, nevertheless. NGOs cover the gamut of needs in Caribbean states. National governments have established registers on NGOs. They have invited NGO participation on national commissions. They have taken along NGOs representatives in government teams of delegates to regional and international conferences, and they have contracted with certain NGOs for service delivery in communities and to certain target populations. CARICOM, itself, and CARIFORUM, have invited NGO participation in their preparatory workshops leading to the definition of governments' negotiating positions. In October/November 2001, a civil society forum was sponsored by the region's governments and organized by the Secretariat of the Caribbean Community.

Non-state actors have been engaged in activities to relieve and eradicate poverty, to satisfy needs of local communities seeking to improve education and offer pre-school facilities, and to participate in effective health service delivery. These activities would all benefit from a more structured approach incorporating the "beneficiaries" and their organizations, as well as branches of decentralized ministries and local government.

Local Government Renewal and Non-State Sectors in a New Governance System

Numerous NGOs have appeared in the Anglophone Caribbean. Nevertheless, they do not, and must not be allowed to, supersede the role and function of local government, especially of a new local governance. More importantly, this does not mean the state relinquishes overall responsibility for social welfare and development. What is needed is not a decomposition of the state's authority and power but its co-integration with local government and community organizations. The power and authority of the state must necessarily be diffused to new

centres of action closer to beneficiaries. At all stages, people in localities must participate meaningfully.

The state remains central because none of these organizations can, even with the most extensive and intensive capacity-building, be the agency through which the contradictions of planned change and induced development are primarily or ultimately addressed. It is in their interrelationship and shared, though not necessarily equal, responsibility, within the framework of a new system of governance, that a new synergy will be released producing better economic, environmental and social development as well as better government. This is what will give true and sustaining voice to people in localities.

Going beyond the competition model, state, local government and non-state organizations must of necessity collaborate. The inadequacies and inappropriateness of the one are often delicately offset by the strengths of the others. NGOs may be seen, Sheldon Annis (1987) noted, as positive attributes—small-scale, politically independent, low cost, and innovative. These features, however, do not give them a sustainable capacity to address pervasive poverty and dispossession. They are unable to offer a sustained and integrated assault, lacking institutional and financial connectedness to central government, and lacking a general base rooted in representative elections. NGOs, however, have a direct legitimate basis, especially grassroots organizations, through their activities. Their experiences, shared with national and local decision-makers, provide lessons vital to development interventions. International donor agencies are rapidly learning this.

The same points can be made regarding NGO/government relations and relations of the two with local government and other non-state actors. Central government lends itself to macro studies, NGOs to micro studies and local government lends itself to neither in particular. Local government's location between community and nation leaves it well placed to bring civil society and central government together in productive relationships. It has to be ensured that well-planned decentralizing, devolving and democratizing exercises are designed with the full participation of these three groups. In addition, labour and business organizations should be included. Sufficient resources are needed to enable local government, NGOs and CBOs to meet local needs for poverty reduction and economic and social development. An equitable, budget-based way would be to assign specific proportions of national revenue for rural development.

The exercise of political will in favour of the maximum degree of participation at all appropriate levels is crucial. In the prevailing culture, central government's leadership in initiating and legitimizing the dialogue is necessary in order to achieve real results. The ethos embraces all the canons of good governance. Governments, local governments, NGOs, business and trade unions must be clear on the strategy and mission to which they are committed. National consensus has to be sought through the initiating and organizational action of governments, though the actual process must not be state-directed.

Commentary

No Caribbean government, as yet, has accepted the critical assumptions of a holistic strategy that it can undertake as policy to restructure societal power relationships and that centralized bureaucracies can learn to share power with community groups. There have been many discussions, and in Trinidad, there has been some legislative action in relation to decentralization. In Jamaica, also,

there has been concerted effort to seriously restructure local government but legal authorization and implementation has been excruciatingly slow.

What is needed is a development policy for crisis regions in countries to go well beyond the provision of emergency aid or niche economy. A new economic system for the future constitutes the Third Sector of the economy. This sector distinguishes itself as much as from the traditional market economy as from the state-directed economy. It would be designed to achieve what traditional concepts of economic policy have not, since they merely “refurbish” individual parts at the cost of the whole. A change of perspective is required, and this must involve five elements: a new economic dimension, social investment, employment, adjacent markets and sustainable development. These points made by Karl Birkholzer are relevant to the Caribbean; they explain why a significant role in giving voice to people in localities is assigned to a revitalized and refashioned local government system with a strongly enhanced civil society component.

As Birkholzer has stated, paradoxically, crisis regions reveal no lack of work, despite the prevalent high unemployment figures. Consequently the objective of labour market policies must be to finance the necessary work, instead of financing unemployment. Long-term joblessness has been provided for neither in the principle of unemployment insurance nor in the traditional tools of job creation policies. Long-term unemployment is, on the contrary, an inadequacy of the economic system itself, not of the individual affected.

None of this is truly possible without non-state actors working with the state and local government. The key to the achievement of a third economic sector is obviously a renewed and vitalized local government as a pillar in a new structure of community governance. By its elected representativeness, its legal and constitutional status, its status as a corporate entity, its connection with central government through accountable and transparent financial arrangements, and its explicit performance of the role of a developmentalist organization, local government becomes at the level of communities the primary official institution invested with the authority and power to act in the collective interests of those residing within the delimited region.

It is therefore vital that radical and urgent reform of the local government system be undertaken within the framework of a new system of governance, with the equally urgent responsibility of strengthening other civil society institutions within a legislated national framework of participation. Much has to change immediately if we are to face the globalization and regionalization challenges confronting the Anglophone Caribbean.

There is acceptance of the ideology of good governance, yet there is little action on its practices. This would require the perception of Caribbean bureaucracies as complex decentralized matrix structures with permanent mechanisms for vertical and lateral integration, and a mix of generalist and specialist skills far beyond the present capabilities.

The variety of ad hoc coordinating mechanisms emerging have not been extensive enough and the need is for permanent coordinating mechanisms at all levels intended to facilitate joint problem-solving. The communications channels, linking central government, local government and community groupings, have been dominated by a top-down flow. The requirement is for a continuous formal and informal, two-way, vertical and horizontal communication through multiple channels. The locus of initiative and control must involve all stakeholders in various co-arrangements. Similarly, planning and implementation are to be continuous and interactive.

The requirements for the holistic approach as manifested in changed attitudes of central governments are a long way from achievement in the Caribbean. However, it is also a development for which Caribbean local government and non-state organizations have been increasing their capacity for interventions at the policy levels, nationally, regionally and internationally. Central governments are, increasingly, under pressure from a changed global political economy and the little revolts of civil society, committing themselves to reformed governance, participation and democratization. Continued pressure from all quarters is expected to produce more positive results in the near future.

For a new system of governance to work, people must be ready for interdependent action. They must become proactive in defining what this may mean and how they will participate. All institutions in society must reflect a new governance structure—the public sector, trade unions, businesses, churches, the judicial system, schools, local government, community-based organizations.

The political party, especially, must reflect all features it will naturally adopt should it be given the chance to be the government. In these ways, a new synergy will be released producing inventiveness, increased productivity, greater happiness of the greatest number and new, fully legitimate leaders.

Conclusion

The international trend, under the new liberalism, is for “small” government and a governance system appropriate for promoting this notion. Taking a futuristic view, two possibilities seemed interesting. One is that the world would continue to be dominated by capitalist markets and its systems requirements. Under this view, liberalism as a multiparty political framework of constitutional rule and limited government, would continue with interests competing for state favour. The second possibility is of a world in which capitalism would be in a secular decline providing opportunities for a new coalition of forces (women’s groups, environmentalists, generation-based groups, among others) acquiring organizational form to challenge successfully liberalism and establish a new plural politics.

Taking either view, it is evident that old ways of governing in the Anglophone Caribbean have come under further serious challenge in the global context. The peculiar problems and vulnerabilities resulting from a small size, makes it even more futile not to attempt to make democracy more participatory. A radically restructured relationship between central government, a new local government and civil society seems necessary. The achievement of this was shown to be problematic yet possible and would be supported by a “third economics” related to crisis regions/localities.

N.B. Most of these points are to be found in a more expanded format and in greater detail in *Voice, Participation and Governance in a Changing Environment: The Case of the Eastern Caribbean*, CGCED, June 2000. [Professor Duncan’s other references will be furnished on request.—ED.]

How Governments, Corporations and NGOs Partner to Support Sustainable Development in Latin America

By BERYL LEVINGER

This study, commissioned by the Inter-American Foundation, examines the experiences of selected intersectoral partnerships (ISPs) in Latin America. Through a thorough analysis of 12 cases, the authors hoped to uncover new insights related to three questions:

- What are the benefits and challenges that emerge when local governments, businesses and nongovernmental organizations (NGOs) join forces to bring about sustainable improvements in the lives of the poor?
- What can partners do to maximize the benefits and minimize the costs of such intersectoral partnering?
- What is “best practice” for funding entities that wish to promote productive partnering?

The partnerships studied included NGOs and local government (typically municipal). In some cases, private sector businesses, government agencies and community-based nonprofit organizations also participated as partners in grass-roots-level development efforts analyzed.

Function versus Structure

This research represents a departure from much of the existing literature on partnership, because it focuses on partnership functions and outcomes, rather than structural typologies. One of the earliest findings to emerge from the field research was that the partnerships generally did not have formal hierarchical structures or legal agreements that clearly defined roles and responsibilities. Instead, the partnerships studied were flexible, evolving arrangements allowing partners to draw on one another’s complementary skills so each partner could optimize its contribution to the common goal.

This flexibility was a product of strong trust among partners. Indeed, it was trust that ensured accountability in these cases. Many partners opined that written contracts would be evidence of a weak partnership, evidence that partners did not trust each other or were not yet confident of each other’s commitment. Projects that involved the administration of development funds were, however, the major exception to this pattern of flexible informality. Funding commitments and credit agreements were characterized by written documentation.

Despite the absence of formal structural agreements among all partners, we found several examples of bilateral agreements among subsets of partners. Such agreements were most often present in situations where one partner had committed to providing a specific service (often training) for another. Although the

partners interviewed did not identify structural elements as prerequisites to successful partnering, they did emphasize the importance of common goals and trust, as well as complementarity of skills, resources and constituencies.

A New Partnership Model

The emphasis on partnership functions (as opposed to structure) led to a new conceptual model of intersectoral partnership, one that emphasizes the following key domains of partnership activity:

- ***Service delivery.*** Social and economic activities undertaken at the grass-roots level with the full participation of the poor. The aim of these activities is to achieve sustainable improvements in the quality of life for impoverished people.
- ***Human resource development.*** Activities that generally focus on building the skills of disadvantaged people and/or personnel in organizations that partner with the poor.
- ***Resource mobilization.*** Activities undertaken for the purpose of securing the financial and technical support required to carry out projects and related functions.
- ***Research and innovation.*** Activities that help local people and the development practitioners who work alongside them to test or assess new ways of responding to priority needs and problems.
- ***Public information, education and advocacy.*** These activities generally build upon research and field-based experience with service delivery and often entail policy-oriented advocacy.

Most of the partnerships studied originated as a single NGO engaged in service delivery. Eventually, that NGO went on to engage new actors from other sectors (e.g. community-based organizations, or CBOs, local government, and corporations). As these new partners became involved in the development project, the initial service delivery orientation expanded to incorporate new activity domains.

Stages of Partnership

The partnerships studied did not exhibit discrete sequential partnership phases. Instead, they followed a fluid and iterative process of evolution. Four basic stages of partnering were observed. However, not every partnership went through each of the four stages and the sequence of the stages varied among the partnerships analyzed. The stages observed were the following:

- ***Potential partnership.*** The actors are aware of each other, but have not yet begun to work together routinely and in a close fashion.
- ***Nascent partnership.*** The actors are partnering, but the partnership's efficiency is not optimized.
- ***Complementary partnership.*** The partners are predominantly working in the same domain, but, because their skills, constituencies or resources are complementary, the impact of their work is substantially increased.
- ***Synergistic partnership.*** The partners are working in all or most of the five domains and, consequently, they are able to achieve substantial impact on complex, systemic development problems.

At any given stage, a partnership may evolve to any of the other stages. Local circumstances and partner experiences are the two factors that determine

both the sequence and number of stages in a partnership's life. Ideally, each new iteration of the partnership brings the actors closer to their common goal. Nevertheless, it is important to note that no single stage is inherently better than any other. Rather, what determines a stage's "fit" is the degree to which it fulfills the goals of the partners at a particular point in time. Sometimes a complementary partnership is most appropriate to the needs of the actors and their goals. In other cases, a synergistic partnership is the preferred response. In some situations, a partnership has achieved its objectives and is no longer needed. However, the successful partnership experience has strengthened the bonds among actors who now stand ready to reconvene when the next partnership-worthy development challenge arises. But, in this interim, relations among the partners can best be described as nascent or potential (depending on the extent of their ongoing activities during this "quiet period").

One of the important lessons from our study is that intersectoral partnership (i.e., partnerships that involve actors from local government, NGOs and business) is not easy. Building and maintaining relationships, especially among diverse organizations, is time-consuming. In some cases, single-sector partnership or business philanthropy may be sufficient and even more cost-effective than intersectoral partnering.

Benefits of Intersectoral Partnership: the "Three C's"

The benefits of partnership derive from complementarity and synergy among partners. Partnership can enhance project impact by fostering the following benefits:

- **Continuity.** Beneficiaries are able to access resources in the community to maintain or build on the impact of a project after its completion. Thus, the progress achieved as the result of an initial intervention is continued and expanded. When a partner builds on progress achieved through an earlier development activity, we can then say this actor has achieved continuity.
- **Comprehensiveness.** Multiple activities of the partnership, either in a single domain or across domains, reinforce the benefits of the project by addressing complex, entrenched issues from many angles simultaneously.
- **Coordination.** Awareness of and collaboration with other development actors in the community allow partners to achieve greater coverage and take advantage of economies of scale.

These "Three C's" enhance the impact on beneficiaries of program and projects conducted under the auspices of intersectoral partnerships. In addition to the rewards associated with enhanced impact, partnering organizations also benefit from increased social capital. Working with other organizations builds and strengthens the network of informal relationships and trust that brings organizations together to take action.

Benefits of Intersectoral Partnership: Risk Mitigation

One of the most important benefits of intersectoral partnerships is that such arrangements mitigate the risks threatening the success of development projects, particularly those with ambitious goals. Such "risk mitigation" is an outgrowth of the diverse skills, approaches and spheres of influence represented in an effective intersectoral partnership. Actors, by virtue of their diversity, are well posi-

tioned to respond to the multiple internal (design) weaknesses and external (contextual) threats that often thwart the achievement of project goals. When partners present a wide range of skills and resources, projects are able to respond in an agile fashion as problems arise.

Optimizing Partnership Benefits: Maintaining Diversity

Contrary to much of the conventional wisdom on partnerships, the benefits of working together do not derive from a blending or blurring of organizational identities. Indeed, it is important that organizations maintain their distinctiveness and unique perspectives for it is through such differentiation that partners are best situated to reduce or eliminate the diverse threats—both internal and external—that projects face. In effect, differences among partners become a risk-hedging strategy. While diverse opinions and viewpoints among partners can cause conflict, they can also lead to innovation, creativity and new insights. Ideally, working together allows partners to understand and respect each other, but not to become each other.

Optimizing Partnership Benefits: Principles of Productive Partnering

Based on the field research and analysis, we offer the following suggestions to members of intersectoral partnerships and to organizations that wish to support such partnering:

- **Principle 1: Keep your eye on the goal.** Focus on the desired impact of the partnership, rather than its structure. Make sure goals and objectives are explicit and agreed-upon by all partners. Then, allow structures and relationships to evolve in response to the goal and the progress made in achieving it.
- **Principle 2: To thine own self be true.** Allow organizations to share their own talents and specialize in what they do best. Maintain, to the extent manageable, differences in outlook and approaches among partners to reduce internal and external threats to development efforts. Identify areas of expertise to maximize complementarity. When necessary skills are lacking, use partnership to build capacity in new organizations.
- **Principle 3: Cast a wide net.** Build awareness of other actors in the environment to make it easier to draw on the necessary skills when a partnership opportunity comes along.
- **Principle 4: Use partnership to mitigate risk.** Pay attention to potential threats and ways in which partner diversity can reduce threats to project success.
- **Principle 5: Don't forget philanthropy!** Not all situations call for the same type of partnership—or for partnership at all. Do not rule out any particular role or strategy ahead of time. In some instances, philanthropy (i.e., a grant to an appropriate NGO) may be a more appropriate business response to a particular challenge than a partnership arrangement.

The above is an excerpt from Dr. Levinger's book on partnerships to be published by the Inter-American Foundation. An article on her findings will appear in the next issue of Grassroots Development, the Foundation's journal.—Ed.

All of the Voices

By RAMÓN E. DAUBON

Among the laws that rule human societies there is one which seems to be more precise and clear than all the others. If men are to remain civilized or to become so, the art of associating together must grow and improve in the same ratio in which equality of conditions is increased.

—Alexis de Tocqueville, *Democracy in America*

The Inter American Foundation has been supporting community-level development initiatives in Latin America and the Caribbean since 1971, longer than any other major donor. Development thinking has evolved over the last few years from a strictly economic approach to a sharper focus on the civic connectedness within communities and nations. It hypothesizes that this capacity to concert, particularly at the local level, translates into trustworthy public institutions on which economic action and public life in general shall be reliably based.

The IAF decided it needed to ascertain whether its style of support helped build this civic connectedness and how. It commissioned an overview of how eight selected initiatives contributed to the civic fabric of the communities in which they were inserted, and how each might have been assisted to better fulfill this role.

The findings confirm civic connectedness grows organically via the action of communities themselves; it cannot be built from outside. However, it can be fostered by facilitating the conversation whereby communities learn to identify their shared needs, to plan strategies to address them and to carry out their plans. Yet development assistance programs may in fact discourage this conversation by pushing prematurely for the presentation of projects and even advancing solutions to problems not yet formulated. Donors might wish to focus more on communities and less on projects, rely less on strategic plans and more on capability to respond, emphasize funding less and advisory and networking support more, support only projects that advance broader processes, accompany communities over time even when not funding them, and encourage communities to slow down and reconsider rather than urge them to formulate, conclude and report.

A People's Capacity to Concert

Repeated observation of human interactions in dealing with issues, particularly contentious issues, reveals a general phased pattern. We can analyze the

evolution of this interaction in five recognizable phases¹ that, like the colors of the spectrum, evanesce from one into the next. The movement along these phases, as occurs in all human interactions, can be fluid and oscillating, advancing and retreating and sometimes still. Progress toward the goal of concerted, sustainable action is achieved at each passing. The phases, discussed at length below, are the following:

- coming together around a concern;
- naming and assuming ownership of the real problem;
- identifying and weighing possible courses of action;
- designing a plan and inviting expert assistance;
- implementing, evaluating and, possibly, recasting.

Communities with capacities to engage effectively and wholly through these phases are likelier to produce and implement solutions that will be sustained. Moreover, evidence suggests communities learn and perfect the process of such conversations by actually engaging in them.² Conceptually, the process achieves two things. First it invites communities to devote time and attention to apparently meritorious issues. Second, the community members hone their capacity to deal with such issues and, more importantly, to manage relationships outside their circle of confidants.

This is critically important. As a survival mechanism, humans bond instinctively in circles of trust governed by clear norms. These norms evolve, of course; cultural change is in great part the evolution of such norms. However, the need to survive under precarious conditions tends to harden the norms, making evolution more difficult. Also, under threatening conditions the norms inside the circle tend to emphasize exclusion. This is the common behavior of immigrant groups, who, as defense mechanisms, discourage friendships and marriage outside the community. Issues are dealt with inside the close-knit community, where adherence and loyalty are rewarded. This works as a survival mechanism, but is severely limiting as a space for economic advancement.

Some societies can retain, but transcend, the close-knit circle. Engaging with other communities outside the circle of personal loyalty and trust appears indispensable for economic advancement.³ To deal with strangers, citizens must come up with new rules of relational behavior, new covenants based on trust in the institution rather than on group loyalty. This is what sociologist Max Weber called “trust based on the institutional role people inhabit versus trust based on personal familiarity.”⁴ Such broad covenants, sometimes referred to as “civic behavior,” allow society-wide institutions to operate. In that regard, Nobel laureate Douglass North stated the following:

*Learning to trust the behavior of strangers may be the greatest challenge to social and economic development; the major historical obstacle to economic growth has been the inability of societies to move from personal to impersonal exchange.*⁵

¹ The insight of the phased conversation was first expressed by Harold Saunders in *A Public Peace Process: Sustained Dialogue to Transform Racial and Ethnic Conflict*, St. Martin's Press, New York, 1999.

² For a recent reference see Falk, Ian and Lesley Harrison, “Indicators of Social Capital as the Product of Local Interactive Learning Processes,” Centre for Research and Learning in Regional Australia, Paper D4/1998 in the *CRLRA Discussion Series*, the World Bank, 1998.

³ This argument has received great attention since the appearance of Francis Fukuyama's work, *Trust: The Social Virtues and the Creation of Prosperity*, The Free Press, 1995.

⁴ Cited in Linda Perlstein, “Suspicious Minds,” *The Washington Post Magazine* (July 22, 2001).

⁵ North, Douglas C., “Economic Performance Through Time: The Limits to Knowledge,” Working Paper, Washington University, St. Louis, 1997 (p. 19).

Engaging in such community conversations develops the capacity to create these broader covenants on which development is based. It happens normally in phases.

First Phase: Coming Together Around a Concern

Some degree of collective action to address a shared concern is common in all human groups, particularly in response to a crisis. It has also been documented that a community's capacity to come to understandings for such shared action, its *capacity to concert*, will make a critical difference in its capacity to deal with all issues, and hence in its economic and social success.⁶ Of particular importance is how human groups develop the covenants, the civic cohesion or social capital, that would allow construction of trustworthy public institutions and, hence, the capacity to transact with strangers.

Fukuyama⁷ affirms, "The systematic study of how order and thus social capital can emerge in a spontaneous and decentralized fashion is one of the most important intellectual developments of the late 20th century." Sachs⁸ argues however that the evolution toward this "order and social capital," this culture of values and practices that are conducive to economic development, is not automatic. Crises and natural disasters trigger collective action, but the effects tend to be short-lived once the crisis abates. Considering more lasting alternatives, Huntington⁹ speculates whether political leadership can substitute for disaster as a catalyst for trustworthy public institutions. He concludes that too is unreliable in the long run since in the absence of public covenants the institutions will not outlive the person of the leader. Susskind and Zion¹⁰ then point to the need for public conversations to build such covenants, and emphasize the prerequisite of a constructed consensus—presumably built with time and effort via a facilitated dialogue—rather than a one-shot majority expression. They argue such a dialogue must include all the voices of the community, operate through transparent, participatory rules, actively seek to discover the common interests, and be geared to eventual action.

It seems clear that only a concerted conversation will produce the social capital that will foster development. The question for aid donors, then, is how to get that facilitated conversation going in the first place. Donors have increasingly relied on local intermediary organizations as effective lenses for communities' needs and as providers of technical services. Evidence now suggests¹¹ that, properly trained, intermediaries can be catalysts for these civic conversations. Donors might wish to consider casting intermediaries in this new light, as well as their own interventions and whole programs, devolving to their target populations authority to concert and design development initiatives autonomously.

⁶ For a general presentation of this argument see Daubon, Ramon E. and Harold H. Saunders, *A Citizen's Political Process to Enhance Civic Life for Communities' Economic Development*, Kettering Foundation, 2001.

⁷ Francis Fukuyama. "Social Capital" in Harrison, Lawrence E. and Samuel P. Huntington (eds.), *Culture Matters: How Values Shape Human Progress*, Basic Books, 2000 (p.103).

⁸ *Op.cit.*

⁹ Samuel P. Huntington, "Cultures Count," in Harrison and Huntington (eds.), *op.cit.* (p. xiii).

¹⁰ Susskind, Lawrence and Liora Zion, "Strengthening the Democratic Process in the United States: an Examination of Recent Experiments," Draft Working Paper, The Consensus Building Institute, Cambridge MA, March 2001.

¹¹ See Group Research Work Group, "Pathways to Citizen Engagement," Kettering Foundation 2001; Susskind and Zion (*op.cit.*); Huntington (*op.cit.*); Fukuyama, in Harrison and Huntington (*op.cit.*); and Sachs (*op.cit.*).

Donors must relinquish the power to plan the development of others. Ultimately, development is about the internal capacity to identify one's own problems and carry out one's own solutions. Local governance and the context of local government and local civil society provide the ideal laboratory to test and develop this thesis.

Except in controlled experimental conditions, donors are unlikely to come across communities on the verge of initiating such a dialogue. Even local intermediary organizations with good knowledge of their home turf will run into such communities probably only after they are far along in their conversation. The challenge to intermediaries and donors is to encourage communities to return to invest the necessary time and effort in arriving at the formulation of projects. Ideally, donors would support local intermediaries' availability to communities through this extended conversation. The structure of the conversation will revolve around a central core of a handful of initial instigators, plus a group of maybe a dozen recruited adherents to represent as many voices in the community as possible. These persons in turn rely on their intimate circle of trust as their eyes and ears in the community. This group will commit to meeting regularly.

An important caveat, however, is the representativeness of the initial group. On one hand, the conversation should reflect all voices in the community so the formulation of the problem and the design of the solution reflect the values of all. On the other, there might be engrained resistance to some voices for racial, social or historical reasons. The catalysts and conveners would have to decide whether to first be inclusive and then proceed to propose a separate conversation on that strained relationship with members of both groups¹² or to proceed without the excluded group. In the latter case, the group must be aware that the problems and solutions proposed will lack the viewpoint of the missing voice, and a recasting of the problem might be necessary when the community is ready to come together.

A critical consideration is the useful role of actors from outside the community. While ownership of the conversation must always remain with the community, a passive outside actor, such as an intermediary service organization, can provide the "glue" holding conversation together.¹³ First of all, the outside agent can be the initial instigator or catalyst of the process, although providing the underlying conditions is never solely the result of such an outside intervention. Still, even after enough community members come to realize "something" needs be done about an issue, without a catalytic spark they may not move to conduct fact-finding, identify the leavening agents, and inject ideas on the process and its relationship to economic development.

The outside agent serves as the connector that brings different groups together and helps create the space for such an ongoing interaction. The role can take the form of facilitator, if the conversation lags, or moderator, if it becomes too intense. A respected outside party can also serve to legitimize the process and its actors in the eyes of the official structures, of international donors and of other community members who might initially have misgivings. The external agent can be a continuing trainer (or procurer of training) as the conversation moves along. Finally, the outside agent must remain a neutral monitor of the process itself and of the success of its implementation.

¹² The mechanism of the "sustained dialogue" facilitates this very difficult conversation under conditions of even severe stress. See Saunders (*op.cit.*).

¹³ From Randa M. Slim, *Report on the Economic Development Committees—Tajikistan 2001*. Slim and Associates, Dayton OH, June 2001.

Phase Two: Naming and Owning the “Real” Problem

This is a trying phase in which parties to the dialogue group try to focus on the fundamental problem. The initial reason for coming together is a shared but unspecific concern. The purpose of this phase is to forego the temptation to act immediately by attacking the visible symptom, and, instead, try to discover the root problem, which is more likely lead to a sustainable solution. The conversation may begin as restrained, but, once the group begins digging, may give way to recrimination, even accusations. This stage could last several sessions. Depending on the sensitivity of the conversation, group members will consult with family and trusted associates about the problem and its underlying causes. At times, the group may seem to progress only to revert to accusations as the search for the root problem deepens.

The range of choices as to the way the group goes about naming the problem depends on the level of the underlying animosities. At one end of the spectrum is the systematic naming exercise familiar to those who have practiced deliberative dialogue in some form.¹⁴ Participants constructively manage their differing interpretations of the problem and are able to come up with a consensus definition. At the other end of the spectrum is an exchange in which animosities are so intense that participants must vent their anger, grievances and concerns before they can crystallize a priority problem. A process of sustained dialogue can manage such a conversation.¹⁵ Somewhere in the middle is a group that can come together around an identified problem and begin work while realizing the need to probe more deeply and redefine it. This allows the group to garner a sense of action and begin to do something, even while realizing that it may have to revisit the definition of the problem. Most communities will fall in this middle range. It is hoped that as they tackle problems they will learn about interacting and the value of shared work, and will be willing to come back later to deal with the problem at a deeper level. This is how these shared covenants, this social capital, are built. By one route or another, the group will arrive at an understanding and naming of “the” problem. Inevitably it will ask, “So what do we do?” That “we” is critical. Now the problem is not one which one group accuses another of causing, but one they all share.

Phase Three: Identifying and Weighing Possible Courses of Action

With a clear idea of the problem, the group can begin to focus on a response. The timing of individual steps depends on how long the dialogue group needs to talk within itself to identify possible directions before engaging the broader community.

To ascertain alternative approaches for dealing with the problem, the dialogue group may rely on relevant existing “issue books,” such as those developed by the Kettering Foundation¹⁶ for deliberative forums in the U.S. or by the Inter-American Democracy Network in Latin America.¹⁷ More likely, it may want to do its own “framing” of the public issue. All of this work can be done within the group or can involve others. If relationships within the dialogue group remain

¹⁴ See, for example, David Mathews, *Politics for People*, Kettering Foundation (2nd edition), 1998.

¹⁵ See Saunders (*op.cit.*).

¹⁶ See David Mathews (*op. cit.*).

¹⁷ See www.RedInter.org.

tense, the group may choose to use these analytical processes within the group until it is confident engaging the public will be constructive. When the group is ready to reach out to the community, this framing of alternative approaches can be developed and tested beyond the dialogue group, be it with associates or with ad hoc focus groups.

Training will likely be needed for the framing exercise as well as for moderating and monitoring the follow-up community forums. This is available from a number of sources and through variety of methods the intermediary organization can help identify.¹⁸ Each deliberative method has special strengths depending on the community's characteristics and the time and effort allocated to the broader conversation. The broad community meetings should be held as often as feasible and the results of those conversations should be documented and brought back to the dialogue group. They provide the kernels of consensus around which a sense of direction is built. The presentation of alternative directions should identify the tradeoffs among the options, and these should be based on competing values (for example justice, expediency or compassion, if the issue is crime). There is no "perfect" solution and the community has to discover its own path based on its own weighing of competing values. It is not yet a technical decision. This is also why expert help should *not* be involved at this stage.

Once a sense of direction is gleaned from the conversations with the broader community, the dialogue group can set out to formulate a plan of action. Before outside resources are considered, however, the community would do well to survey its own resources and be willing to draw first from them. Sustained development is mainly about self-reliance. A sense of the resources available will require involving the group of trusted associates in an assessment of the community's civic assets and weaknesses. The strengths should be the cornerstone of the future plan and the weaknesses should be addressed.

Phase Four: Designing a Plan and Inviting Expert Assistance

Once the direction for action is agreed upon, the construction of an action plan offers an opportunity—indeed, the necessity—to devise ways of bringing the community together around dealing with the problem. Several things are critical. First, it is worth repeating, the plan should capitalize on the community's civic strengths—the capacity of citizens to act in a public way—and try to address the weaknesses. Second, the design of the plan should also involve business and government actors, for example, via partnership arrangements. These voices would ideally have been present—albeit as private voices—from the beginning, and their resources should be an important component of the plan. Third, all of the community's various voices should be heard in the process. Fourth, the plan should be sequential and interactive, with care taken to identify steps to be taken first and impact on others, and designate the parties responsible for each step. Fifth, the plan should include an ongoing evaluation of progress, as well as mechanisms for orderly mid-course corrections. And sixth, the community should be consulted again before implementation is attempted; it is paramount that it be seen as the community's plan.

¹⁸ For example, information on National Issue Forums and on Sustained Dialogues can be obtained from www.Kettering.org; on Study Circles from www.studyircles.org; and on the Open Spaces methodology from www.openspaces.org.

The design of the plan may require some expert help, from help in assembling public-private partnerships to help in processes of planning and evaluation. Moreover the process of consultation with the community should be extensive and may be drawn-out. This consultation and study may mandate modifications to the plan, but this will enhance the community's sense of ownership and fire-test the plan, thus improving its quality.

Phase Five: Implementing, Evaluating and—Possibly—Recasting

Implementation of the plan will follow once the who, what and when have been ascertained. Given the pioneering and broad participatory nature of this effort, a constant sense of “how we are doing” is necessary, for which parties to the dialogue group may rely partly on their circle of trusted associates. The dialogue should internalize continued feedback and determine whether midcourse corrections are necessary. Moreover, it should probe to ascertain whether an underlying, unresolved issue impedes implementation. If so, the dialogue group should be open to returning to previous phases of the conversation:

- Is the plan formulated to take us in the direction we determined we wanted, relying on the community's own resources as much as possible, and in a logical sequence of steps? (Return to Phase Four.)
- Are we still sure this is the direction in which we wish to go? Have we discovered a choice that was not considered the first time around? (Return to Phase Three.)
- Did we really identify the underlying problem, or are we dealing with a symptom which will be unresolved until the underlying cause is addressed? (Return to Phase Two.)
- Were some voices left out of the initial conversation, without which the problem cannot be precisely defined, much less resolved? (Return to Phase One.)

This citizens' political process may never end; a community—like a person—is always engaged in improving itself. But as the dialogue group goes through each cycle it matures. It will have confronted some of its underlying conflicts, engaged in joint efforts notwithstanding and accomplished measurable results, considered its failings and corrected direction as a consequence, opened its actions to public scrutiny, and fed the findings of that scrutiny back into its own processes. And as the dialogue group consults with associates and engages the broader community in deliberation, evaluation and study, this maturation spills out and spreads. This frustratingly slow, often painful labor is the distillate of public capital. What remains after this process will be strictly authentic and effective beyond criticism. These norms of relating, these shared covenants, are the essence of democratic society and the bedrock of prosperity.¹⁹

... And Now to the Real World

In preparation for this study, I surveyed IAF's program officers for recommendations as to projects that would best highlight the Foundation's capacity to tap the democratic potential of its grantee communities. Of some 20 projects

¹⁹ See Daubón and Saunders (*op.cit.*).

identified, eight were selected: three in Mexico and one each in Guatemala, El Salvador, Costa Rica, Ecuador and Brazil. Rather than focus on the project as financed by the Foundation, I preferred the target community as the unit of analysis. After all, development assistance is about communities. All of the communities were undergoing a general process as described in this paper. All had convened around a concern, focused on a specific addressable problem, identified a strategy to deal with it, designed a project, and carried it out. All had hurried through the convening, naming and direction stages to reach the project design stage. The temptation of possible funding is just too great to delay. All could therefore benefit from some breathing room to revisit these phases of the conversation. The conclusions, below, address what each may have missed and what each stands to gain by strengthening this capacity to concert.

[Of the eight projects Dr. Daubón studied, four are included in this publication.—ED.]

Conversations and Coca-Cola in a Salvadoran Town

Nejapa is not one but four processes. After the terrible civil war in El Salvador officially ended, the harder task of constructing the peace began. Not only was the country physically devastated but, as happens after such fratricidal wars, wounds and hatreds hindered reconstruction of the national fiber. Within the peace process, El Salvador rode the hemisphere's waves of privatization, decentralization, empowerment of the local level via resource devolutions and strengthening of civil society organizations to complement the effort of local government. As elsewhere, in El Salvador the trend also saw the creation of a government-funded "social interest fund" which, although often manipulated for partisan purposes, did generalize the practice of thinking about exclusively local initiatives.

This set the stage for Nejapa, a small town on the far outskirts of San Salvador and fortunate in several respects. A leftist stronghold during the war, it had escaped the physical damage inflicted on other towns farther out. But its relative safety drew a flood of refugees. As the war ended and former guerrillas were legitimized as a political party, Nejapa adhered and elected a leftist mayor. To deal with the issue of refugee housing, he actively sought collaboration from all segments of the community, including former antagonists. This speeded the healing process; it also became the first of Nejapa's four civic processes.

Meanwhile a group of community activists distrustful of partisan politics began to form the area's more than 50 organizations into a civic association to attend to Nejapa's many economic problems. Unable to qualify legally as a tax-exempt NGO, the group opted for the more general status of trade association and called itself Asociación de Concertación para el Desarrollo de Nejapa (ACDN). Regardless, it aimed to set the community on its own development path. ACDN was Nejapa's second process.

At the same time, two of San Salvador's largest businesses, Nejapa Power, a privatized local power company, and EMBOSALVA, the local Coca-Cola bottler, were looking for an industrial site with reliable access to potable water. Nejapa sits on one of the country's best sources of underground water, and both companies approached City Hall looking for a deal. Given the initially cool reception, company management sought to garner broader support directly among the community: Nejapa's third civic process.

Finally, the Fundación para el Desarrollo de El Salvador (FUNDE), the country's premier social science research organization which had a previous relationship with the IAF, and the Fundación Salvadoreña de Apoyo Integral (FUSAI), its most seasoned development intermediary NGO, were actively seeking a role in reconstructing the peace. In their search they stumbled upon Nejapa and its three parallel processes. Inspired by FUNDE's thinking, FUSAI, Nejapa's fourth civic process, was the catalyst that brought it all together.

Everything happened in stages. The municipal government and the two businesses, after coming to an understanding, were ready to engage in a partnership that would guarantee water to the industrial plants in exchange for their support for municipally-sponsored housing and micro-business programs. Meanwhile, the ACDN had approached the IAF for a loan fund to match a government challenge program for small business development, but had been alerted by environmental groups about the potential danger to Nejapa's underground water table posed by indiscriminate industrial pumping. This concern drew them to City Hall, albeit first in protest. FUSAI, finally, had discovered ACDN and was proposing to it a development partnership with City Hall.

Thus began the conversations that, in one of the most remarkable deliberations in the IAF's experience, led to this four-part consortium. Several aspects of the Nejapa experience are unique. First is the pragmatic nature of the Marxist-business partnership including the mayor, Coca-Cola and the privatized power company. Their marriage of convenience around an environmentally hazardous initiative—depleting the underground water supply—is not without irony. Curiously, this environmental threat brought the citizens' association into the partnership, first in a threatening mood, spurred on by FUSAI and inspired by a master plan for a development model conceived at FUNDE. Most ironic is that conceptualization on the governance of the partnership happened after the opportunity of a matching fund brought the partners together, placing the financial cart before the organizational horse. Regardless, and in spite of the lack of an organizational culture to begin with (or perhaps because of it!), the likelihood of the development fund created the critical resource mass and offered new space for negotiation and concertation between the disparate parts.

Regardless of the odds against it, the marriage has worked—because the civic group had had the foresight to organize; because the Marxist mayor was looking for help with a pressing housing situation (and to prove himself as a constructionist after the trauma of the war); because EMBOSALVA and Nejapa Power needed water which compelled them to look for goodwill; because FUNDE had focused on municipal partnerships as a development model; and because FUSAI was seeking a place to try out the model.

The *Fondo de Contrapartidas al Desarrollo Local de Nejapa* was officially created in April 1998 with funding from the two member businesses and the IAF. It is co-administered by FUSAI and open to new funding partners. The 36 communities first attracted to the partnership have doubled to 72. The fund has dealt with issues of housing, reforestation, electrification, environmental studies, road and recreational infrastructure, and training in civic participation and community leadership development. An assembly of its founding partners and an appointed executive committee governs it. General priorities and specific projects are decided by a two-thirds vote.

ACDN, as the people's representative in the governance structure, carries a special democratic responsibility. Its discourse²⁰ emphasizes the capacity to concert in its title. Within the partnership's administration, ACDN, the only civic association is a conduit for public voices. While appreciating the difficulties involved in the mechanics and Director Antonio Orellana laments there is not more concerting. So far, the projects endorsed by the partnership are quite impressive, but all have a patently "municipal" feel as activities a mayor with resources would undertake. There is little promotion of income-generating businesses, other than the public market building, again a typical municipal undertaking in Latin America. One wonders what other issues a public deliberative process might uncover. As part of the commitment to "walk along" with this effort, supporting donor organizations might consider a small civic investment engaging a program of conversations throughout the communities in Nejapa.

Centro Agrícola Cantonal de Hojancha: Concerting in Guanacaste

The history of Hojancha's Centro Agrícola Cantonal (CACH) dates from 1978 and is interwoven with the history of the community. CACH first received IAF support in 1981, for its credit and technical assistance programs, and is now one of the most successful community development experiences in Costa Rica, with 325 active members in agricultural and related programs. CACH is governed by a board of directors elected by its membership. Since 1985, CACH has received no direct donor support and is fully funded via sales of services to domestic sources, specifically through an 18 percent overhead charged for its services under government supported programs. Indirectly, CACH has benefited from USAID support to the government of Costa Rica for protection of forests and basins. This support is now disappearing.

The small settlement of Hojancha was not even officially a town 20-some years ago, and one of its first struggles was to incorporate so as to take advantage of government forestry programs reserved for townships. Community-wide mobilization and effective advocacy in the national capital won Hojancha its township status more quickly than it was accorded to larger communities nearby. The catalyst for this civic action was the local parish priest, a Spanish citizen, aided by a band of energetic young professionals.

CACH was founded to take advantage of government extension programs for diversifying the community's economic base beyond coffee and cattle toward forestry and other agricultural activities. The critical situation in Guanacaste province, after subsidized beef prices fell, attracted the U.S.-based service intermediary ACCIÓN-AITEC and a "Diagnóstico Económico de la Península de Nicoya" which identified the need to diversify. The community mobilization was built upon existing structures, especially a well-established coffee growers' cooperative. It began in earnest after the apparent failure of government extension agents to deal directly with farmers and encouraged them to reforest. ACCIÓN then brought in the IAF for basic agricultural development support. A second IAF grant supported forestry development and a forestry credit program as well as a beekeeping and honey processing initiative. Other international support, including an Inter-American Development Bank loan, followed. Today

²⁰ See *Concertacion y alianzas para el desarrollo local: La experiencia del Fondo de Contrapartidas para el Desarrollo Local de Nejapa*, Fondo de Contrapartidas, Nejapa (December 2000).

CACH's staff of 30 specialists provides services in forestry, cattle, coffee, legumes, vegetables and beekeeping.

Hojancha's success deserves attention because its internal process was particularly difficult. While vying with other communities for township status, Hojancha seemed quite coherent and single-minded under the inspired leadership of the parish priest. The process, however, diverged with the priest on one side and CACH on the other. A deep sense of competition still pervades.

The Hojancha process is unique in several ways. For one, partisan politics plays a more visible role here than in the other projects visited for this report. The divide is not only along party lines but social, with an apparently populist right wing constituency loyal to the priest, who has now created his own local political party, and a progressive lower middle-class group working with CACH, whose clients are small (averaging about 40 hectares) but not destitute landowners. From the beginning, the Hojancha process, in both streams, has emphasized production over organization, which was possibly key to the situation. While the initial convening was widespread, the effort was consumed with the immediate goal of township status and government forestry support program. The community organizing behind the thrust was taken for granted (particularly given the strength of the previously existing cooperatives) and the focus on forestry production as a new solution was never questioned. It was matter of designing a better program and implementing it.

Also, CACH assumed a role as catalyst and facilitator beyond that of NGOs in the other projects visited and more akin to the "internal" NGOs created in indigenous communities in Ecuador and Guatemala described elsewhere in this report. While those represented tightly knit communities ethnically defined, Hojancha was a looser community segregated by class and partisanship. Class segregation, and the rivalry it spawned, might not have been as damaging without the partisan tinge—which unfortunately contaminated the local rivalry with strains of the national partisan debate and made more difficult the construction of community covenants.

It also has the practical disadvantage of connecting local development with local partisan infighting. Absent a culture of broad civic engagement (which neither half of the process here chose to cultivate) local partisanship becomes typically quite fierce. Partnerships and effective projects are then redefined with every change of occupants at city hall and so never receive significant public commitment. It would have been better for the two groups to remain initially separated by class but also in terms of spheres of action. This would have left the door open to a possible convergence in the future after the live-and-let-live period had exhausted the possibilities of either group. Guanacaste has considerable growth potential in agriculture within Costa Rica, and in lumber and lumber products for export.

But that seems unlikely in Hojancha. CACH is singularly effective as a development generator under difficult circumstances, albeit within its narrow constituency. A "clone" IAF project with a Comité Agrícola Cantonal in neighboring Andayure failed for economic reasons. But CACH will be restricted in its potential by its political scope. Partisanship is a zero-sum game, as politicians know. Citizenship, on the other hand, is a game of discovering limitless possibilities. The challenge to the community is what to do and who should do it. Currently, no internal or external actor is available with the legitimacy to convene a broader conversation. Meanwhile Hojancha's considerable potential to go far beyond the confines of Guanacaste will remain unfulfilled.

A People's Capitalist in the *Sertão*

Valente means “brave.” One has to be brave to survive, braver still to thrive, in the *Sertão*, the arid vastness of Brazil’s Northeast where the municipality of Valente is located. Audacity probably helps too in this desolate and often forgotten historical backwater of Bahia. “The *Sertão* contains everything that we need and if something is missing, people will invent it,” is the motto of APAEB (Association of Small Agricultural Producers of the State of Bahia). Such bravado would sound foolhardy, were it not for all APAEB has pulled off.

Celebrating its 20th anniversary in 2001, this legion of dreamers and community organizers is one of the most successful grassroots development experiments in the IAF’s already exemplary catalogue. This designation is nothing short of astounding. To earn it, APAEB focused on the one abundant agricultural resource in the *Sertão*, the sisal plant, considered nearly worthless, and turned it into the bedrock of an industrial conglomerate with sales exceeding \$11 million, more than 860 well-paid jobs, and over 1,500 participant beneficiary farmers in 52 communities in 15 municipalities in the region.

APAEB is governed by an 80-member general assembly, elected by its beneficiaries, and a 23-member board of directors that meets monthly to oversee business matters. Although accountable to its members, APAEB sees itself primarily as a service organization, meaning it makes industrial operations pay for the services offered. The enterprises are indeed run with enlightened management—for example, professional development is amply encouraged and provided, which results in a more enthusiastic, effective and productive workforce. APAEB competes favorably in wages and prices in all leagues; 70 percent of its output is exported to established markets in Europe and North America. Operating 24 hours a day, seven days a week with four staggered shifts of workers, it uses every ounce of its capacity and is considering plans for expansion. APAEB makes money.

In addition to sisal, whose processing APAEB integrates vertically from the time it leaves the farm in its initial shredded state to the finished exportable product, the organization operates successful businesses in goatskins and related leather products, goat milk and related products, a supermarket and a struggling FM community radio. The latter, its one losing operation, is nevertheless key to APAEB’s community learning efforts and is thus seen more as a service than as business. APAEB has received grants from various assistance agencies other than the IAF, including international Catholic charities, bilateral aid programs and Brazilian organizations. However, APAEB is now essentially self-supporting from its industrial operations.

With its profits (and it must be added that APAEB’s industrial operations are fully taxed under Brazilian law) APAEB funds the services that are its *raison d’être*:

- technical assistance in farming sisal and supplementary agricultural crops and in the integration of animal-raising with agricultural by-products;
- technical training for farmers as volunteer change agents in their own communities;
- a family agricultural school, a general and agricultural secondary education facility modeled on the French *école familiale rurale*, serving 79 students in two alternating resident groups;
- experimental programs in hydroponics, reforestation, water collection and management, and solar energy;
- community seminars in a variety of topics, such as the environment, education and public health;

- support for community radio;
- support for folk life and cultural activities;
- support for citizenship education and the citizens forum.

APAEB is not particularly democratic in its functions but it is quite so in its values. APAEB sees a clear role for private enterprise in a democratic society, apart from its own purely “social” service activities. It believes a society of prosperous, self-sufficient individuals, if connected by civic values, will be ripe to engage in democratic actions beyond the purely productive. APAEB encourages its beneficiaries and employees to engage in “public” community activities. The fundamental point in terms of development assistance is that service provision need not be per se intrinsically democratic to set the stage for a democratic community. To the extent it prepares the service beneficiaries for a life of economic independence, it primes the pump for broader-based civic activities. APAEB on one hand runs a notably successful economic support program and provides its own example of self-sufficiency by essentially paying for itself.

Beyond that, APAEB motivates its beneficiaries and staff to engage in democratic action and serves as a convener and facilitator. Together with the local farm workers syndicate, various churches and other civic actors, APAEB was one of the original conveners of the *Foro Ciudadano* or citizen’s forum. Conceived as a space for civic deliberation, the *Foro* has since been formalized as a separate institution to which APAEB provides office and meeting space. In terms of beneficiary participation in civic matters, clearly, the individual decision to engage in civic action, and at what level, is a personal one. It may be too much to expect struggling producers to engage in such action while their economic survival consumes most of their time. But by offering the example of what civic action is like, APAEB facilitates possible engagement in the future.

In terms of venturing outside its circle of trust, APAEB collaborates with the municipality of Valente (which donated the land on which the industrial operation sits and covers some of the teaching staff in the family school) but is not directly in partnership. It has cordial relations with the business community, which is very small in Valente and in the surrounding cities. APAEB took a courageous step when it partnered with a private marketing firm to promote overseas export of its sisal carpets. The partner organization was not in Valente but in the state capital of Salvador. This stretched the limits of a closed rural community’s willingness to engage with strangers and is a testament to the vision of APAEB’s leadership and the trust of its membership.

As a business, APAEB is likely to continue to be successful. It can barely keep up with demand now and has major plans for controlled expansion. The success of the enterprise will likewise ensure APAEB’s presence as a community organizer and trainer. Business growth also translates into higher sisal prices, higher incomes for Valente’s small farmers and more jobs in the community, further enhancing APAEB’s credibility. APAEB now needs to let the community develop by itself, since little occurs there now that is not connected to APAEB—whose source of ideas is limited to its policy-makers. While effective so far, ideas for further economic advancement beyond sisal and beyond APAEB could emerge from a broader community process. APAEB’s commitment to community radio is a step in the right direction, as is its in-kind support to the *Foro Ciudadano*. Its business activity should continue unabated as the prime engine of the community’s success. APAEB could now use its considerable legitimacy as a catalyst to convene a broader and more engaged civic process to seek new opportunities.

Building Development One Entrepreneur at a Time in Chihuahua

The “community” for the Fundación del Empresariado Chihuahuense A.C. (FECHAC) is metropolitan Chihuahua, with a million inhabitants, and the entire state of Chihuahua. But FECHAC is not involved in “developing” this community; instead it helps develop the capacities of its residents, one at a time. It was created in 1991 when a group of the city’s business leaders proposed a self-imposed tax to deal with housing and flood reconstruction and subsequently requested the government keep collecting the voluntary tax to fund FECHAC’s continued operations.

FECHAC is governed by an 18-member board drawn from its membership of several hundred business people in nine regions of the state. It has programs in housing, nonformal education, senior adult education and health as well as a multi-sector AIDS education program and a convening forum for indigenous institutions. In addition, its “social responsibility” program brings the resources of the Chihuahua business community to promote participation in civic affairs. It sponsors a state-wide forum of civil society organizations; a “school for parents” providing parenting support and education to more than 10,300 families in nine cities of Chihuahua; and a micro-credit program, funded initially by an IAF grant, serving more than 1,000 enterprises through 75 urban and rural community banks. FECHAC lavishes attention on its micro-enterprise borrowers, not only in the business and managerial support it provides but also in a range of activities and attitude formation. Meticulous program management underscores for participants the importance of sound business practices.

FECHAC is a firm believer in a strong civil society, which, it emphasizes, can only be built by strong citizens. It sees its role as the formation of citizens one at a time. FECHAC subscribes to the idea of entrepreneurship as an attitude that encourages innovation and risk-taking, not just in business but also in all aspects of public life. Entrepreneurship arises from a sense of possibilities among engaged committed citizen *emprendedores* in a democracy itself born of self-confidence and a belief in the need for trusted public institutions. FECHAC’s graduates—all people of modest means—exude a sense of confidence in the future.

FECHAC sees its micro-credit program as an essential ingredient of this belief in creating entrepreneurs one at a time. It does not contradict civic culture, but rather tries to go deeper into individual roots; the capacity to engage in civic activities is based on a prior capacity and attitude to *emprender*. FECHAC sees itself as a promoter of cultural change. Its main challenge, however, is to channel the individual’s “emprender” energy into shared interests. It requires perhaps a different vision of the public and private spaces.

FECHAC today has some civic motivation, but mostly of the “chamber of commerce” type. It convenes to identify the community’s problems and solutions. FECHAC’s challenge is with its own individual business nature, even if it has already made a commitment to go the public way in terms of participants and the membership. It assumes, but hasn’t really operationalized, that individual entrepreneurship (both micro and macro) can evolve into civic entrepreneurship. To operationalize this assumption requires the capacity to innovate in both spheres, whether through personal drive or public encouragement.

It is tempting to compare FECHAC with the indigenous organization in San Pedro el Alto in Oaxaca, also part of this study. There, communal entrepreneurship based on traditional relationships has hindered private entrepreneurship by

resting on behavioral rules that resist individual innovation and hence collective evolution. This rigidity may threaten the adaptability and eventual survival of the organization and the community itself. In FECHAC the opposite happens. Individual capacity to innovate has run free and with great energy. It has yet to translate into a new civic sense of the collective.

Chihuahua and FECHAC are due for a hard look at their next step. A shared conversation as citizens between their (big) business sponsors (mostly men) and their (micro-) business beneficiaries (mostly women) is overdue. These circles of trust don't commonly come together, but FECHAC has prepared the ground for a meeting of these two groups. It should be encouraged to proceed. Other segments of Chihuahua society may be invited to join the conversation later. Some may require more work: the poor, the elderly, indigenous groups and youth. Their comfort level in sitting down as citizens with the business groups—and vice versa—may need to evolve. Meanwhile, foreign aid donors might consider small investments in activities to build this civic capital.

Conclusions

The examples above were selected by the Inter-American Foundation as “successful” projects and hence will not be judged again here. All addressed the immediate goals for which they were funded. What interests this examination is the extent to which they succeeded in also leaving a residue of a *democratic* culture—manifested by the creation of institutions (formal and informal, governmental and social, national and local) that reference public behavior, by the norms that regulate those institutions and, perhaps most importantly, by a community's capacity to adjust those norms in response to changing circumstances.

Evidence suggests²¹ a strong connection between a community's sense of ownership of its public space and the efficacy of its public actions. It appears the sense of ownership of the issues heightens the sense of control and hence of the potential for effective results, regardless of the difficulties. Increased perceived potential encourages engagement, as the effort would seem less likely to be wasted. Actual engagement in turn generates experience with what works and what doesn't.²² Meanwhile, this shared learning draws the community together inasmuch as it establishes civic habits of social cohesion—social capital—on which public institutions are built.

It would appear that as the community assumes ownership of its public process, as it invests itself in discovering the underlying issues it must address, and as it designs its own path to addressing them, it will also feel a strong sense of ownership over the result. Having a clearer picture of its goals, such a community will be more willing to experiment with innovation to achieve them. A culture of engaged democracy will thus be more receptive to innovation, to recasting the covenants of relationships and the norms of behavior. It will encourage the expression of new ideas and will be more open to adapt to changing circumstances.

This in turn requires reliable public institutions to mediate behavior, but institutions that are accessible, transparent and responsive. Such institutions should be seen as owned by the governed and susceptible to their modification. The con-

²¹ For a bibliographic survey, see “Pathways to Citizen Engagement,” Background Report by the Research Work Group, the Kettering Foundation (June 2001).

²² In *Development from the Grassroots* (Inter-American Foundation, 1984), Albert Hirschman explores the idea of the “generation and conservation of social energy,” whereby the practices learned in one community action may be drawn upon for other such endeavors in the future.

nection between trustworthy public institutions and economic success is overwhelming.²³ The predictable behavior they encourage operates on four levels:

- It permits transacting among many communities under uniform norms, allowing the economies of a larger scale of operation.
- It reduces the uncertainty cost, thereby encouraging investment.
- It reduces the cost of transacting between strangers, as it minimizes the need for alternative positions and lowers the cost of information.
- It makes government action more predictable, encourages accountability and leaves fewer spaces for corruption. This gives public policies a “trust space” of time in which to take effect and reduces the political incentive to implement less desirable alternatives.

Note, however, economic success is not a short-run guarantee of civic engagement. While such engagement will be necessary for sustained economic success, it is quite feasible that segments of a community will get their segregated houses in economic order and achieve short-run success. Even well-meaning community development groups may choose to ignore the civic implications of their success or resist the incorporation of democratic values. This is characteristic of underdeveloped countries; it is, in fact, the cause of their underdevelopment. It inhibits the formation of the social capital indispensable for sustained development; a society can remain in this reduced state for an indefinite time.

Finally, a culture that welcomes innovation will require a different definition of leadership. Such an inclusive community will foster a sense of self-esteem, confidence and identity among those who see themselves equally as its owners. Leadership in that context becomes everyone’s willingness to propose, to convene and to offer solutions. All feel comfortable in occupying the public space. Meanwhile the role of the public servants of that community is to interpret the will of those governed and inspire them, not to expect them to follow.

Social cohesion and sustained economic success will be in jeopardy if groups within a society are excluded from its broader process. The lack of commitment to abide by covenants generated by the deliberation of others will threaten the applicability of those covenants. To maintain such exclusion requires limiting trust to those inside each person’s circle of acquaintances, where *loyalty* is rewarded instead of *merit*. This means forsaking the economic advantages of a participatory culture, as well as its adaptability and proclivity for innovation. A democratic culture, on the other hand, realizes the need for inclusion as the only guarantee of the reliability of its covenants and hence of its public institutions. A democratic culture will seek to include all of the voices.

The above is excerpted from Dr. Daubón’s longer work on his recent study, also titled All of the Voices. His article on the study will appear in the next issue of Grassroots Development, the IAF’s journal, and his recommendations to donors can be accessed at www.upd.oas.org—ED.

²³ See R. Daubón and H. Saunders (op.cit.) for a detailed presentation of this argument.

Coordination and Partnerships for Local Development: The Experiment of the Matching Fund for the Development of Nejapa

By MARCOS RODRÍGUEZ

In recent years, El Salvador, like many other Latin American countries, has undertaken promising local development initiatives. The majority have focused on decentralizing national government functions and funds and on opening local government up to citizen participation. As a result of this process, the municipalities have begun to play a significant role in providing social infrastructure, aqueducts, sewer systems, power lines, sports facilities and so forth, while taking practical steps to fulfill roles assigned, but rarely assumed, in the past, such as urban renewal and recovery of public spaces. Moreover, the public funds allocated to municipalities increased from approximately 2 percent of the national government's net revenue in 1997 to 6 percent in 1998. At the same time, the implementation of citizen participation in local planning, formation of development committees, accounting activities and open meetings are significantly contributing to democratizing public administration and organizing local actors.

Despite this progress, two problems threaten the sustainability of the local processes which have opened up. One is the scarcity of funds available for decentralized investment in territorial development. The other is the business sector's weak participation in the territorial coordination processes initiated.

Receipt of funds by the public sector at the municipal level in El Salvador and, consequently, the municipality's investment capacity is, as in most Latin American countries, extremely weak. This is explained by the traditional highly centralized state model, in which local entities were conceived more as the last link in a top-down national state than as the first link in a modern, representative state.

In 1998, El Salvador's municipalities received just 3.6 percent of public sector current revenues. Furthermore, these funds were unequally distributed; 38 percent of the amount received by municipalities went to the Office of the Mayor of San Salvador. Since 1998, the municipal share of current public sector revenues has increased to 8.5 percent and imbalances in the different municipalities' income have decreased. But funding remains low in relation to what is needed for local development; the mayors' offices receive on average for their operation and investments ¢210 (US\$23.00) per inhabitant.

Moreover, the opening up of municipal administration, begun in 1994, consists mainly of implementing participatory local planning exercises and setting up local development committees. It has been dominated by community groups with minimal participation by economic agents. Consequently, most local plans concentrate investments almost exclusively on social infrastructure and do not provide for expansion of the territories' economic capacities. This is a strategic

weakness of the current local development processes. Another weakness, just as important, is the near-total dependency on the national government or international cooperation for funding.

To address these challenges, the municipality of Nejapa implemented the Matching Fund for Local Development experiment in 1998. Information on this experiment has already been presented at various international events. It is currently being replicated in seven other El Salvador municipalities: Soyapango, Ilopango, Nueva San Salvador, Mejicanos, Apopa, Acajutla and Sonsonate.

The Nejapa Matching Fund for Local Development

The Nejapa Matching Fund for Local Development is a partnership of various entities that are part of the institutional fabric of the municipality. Four sectors participate in this partnership: the public sector, represented by the municipality; the business sector, represented by an electric power company (Nejapa Power) and a bottling company (EMBOSALVA); grassroots social organizations, represented by a council of community groups (the Association of Communities for the Development of Nejapa, ACDN); and institutions which promote development, represented by two NGOs (FUSAI and DUNDE). The international cooperation sector, represented by the Inter-American Foundation (IAF) and the Swedish International Development Agency (ASDI), provides outside support.

The Fund is a sustainable instrument for the raising, organization, coordination and integration of funds and capacities of the different sectors and of private and state actors, at the local, national and international levels, for the development of the municipality of Nejapa. The raising of funds for investment in local development projects is the strategic point at which public and private interests converge. Consequently, the Fund is not an entity specialized in delivering specific services and implementing projects, but an agent and catalyst of internal and external funds for local development projects, which are set up through the coordination and participation of the territory's key actors. The Fund does not attempt to implement the projects it finances, but encourages institutions with the necessary special capabilities to execute them with municipal support. Another noteworthy feature is that the Fund is a "matching fund." This means it is not set up to self-finance local development, but to serve as "seed money," making it possible to "leverage" additional investments and multiply resources. Finally, large companies join this Fund as co-investors, not as philanthropists, because they understand their contribution will benefit their own bottom line. This sets a precedent in El Salvador for business' awareness of links between territorial development and competitiveness.

The goal of this new type of local institution is to generate a steady flow of financing for the programs and projects identified and prioritized by the local community. The Fund also has major objectives in connection with democracy and good governance at the local level:

- promoting the role of all the municipality's key actors, including the mayor's office, communities, private enterprise, and local and international NGOs, in supporting local development;
- promoting a culture of coordination and partnership as an excellent route to a sustainable local development process in Nejapa.

Institutional Components

The Nejapa Matching Fund for Local Development's governing documents guide its operation. These documents, the charter and the operating rules, were drawn up during coordination and negotiation of Fund operations. The operating rules establish the administrative and organizational structure and operating periods; member categories, the initial investment and the duration of their participation; the powers and functions of the Fund's various organizational authorities; the decision-making mechanisms; types of projects to be carried out and the amounts of investment; project profile formats; oversight and reporting mechanisms; and, finally, the means of organizing and disclosing information about the experiment. The Fund's charter includes four key agreements: the creation of the Nejapa Matching Fund for Local Development; the approval of cooperative agreements with entities investing in the Fund; approval of the Fund rules; and the mechanism for administering Fund revenues.

The Fund's organizational structure includes the following: The **shareholders meeting**, the Fund's highest authority, is attended by representatives of the institutions signatory to the charter. Authority for ongoing Fund management rests with the **board of directors** whose 13 positions are filled through under a quota system, guaranteeing balance among the different sectors constituting the Fund. The **co-management department**, comprised of the office of the mayor and one of the member NGOs, is responsible for administering the funds. The **technical department**, comprised of NGO personnel, carries out the Fund's day-to-day activities. The **coordinating team**, comprised of a representative of each of the associated institutions, is responsible for monitoring Fund activities and preparing proposals for the board of directors.

Financing

To date, the Nejapa Matching Fund for Local Development has raised ₡7,100,668 (US\$814,297), including direct disbursements by international agencies and businesses as well as matching contributions for certain projects from the municipality (see Table 1). This includes donations in kind (principally trees for reforestation) from the municipality and EMBOSALVA, and work contributed by community members, students and soldiers. Also deserving mention is support from local organizations, such as El Ángel Cooperative and FUNDANEJAPA, which are not part of the Fund but have contributed to certain projects.

Although the funds raised may seem meager in view of the investments needed for Nejapa's development, they are significant considering the 1994 municipal budget of ₡244,000 (US\$27,897) and that in 1998 the total transfers from the state to the municipality came to ₡4,162,361 (US\$476,242). It is anticipated that the Fund will be financed in the future through new contributions by current members; contributions from the central government through matching grants; recouping investments from profitable local development activities; contributions from businesses new to the Fund; the raising of funds by other NGOs that have not yet joined; and contributions from other international cooperation agencies.

Procedures

In practice, the Fund's most active body is the Coordinating Committee, which meets every two weeks and makes operating decisions as a group and by consensus, honoring the cooperative nature of the Fund management and devel-

Table 1. Contributions to the Matching Fund for the Development of Nejapa (1998–2000)

Source	Method	Colons	Dollars	Percent
Inter-American Foundation	Direct disbursement to the Fund account	15,10,469	\$173,219	21%
Swedish International Development Agency	Direct disbursement	3,015,167	345,776	42
EMBOSALVA	Direct disbursement	536,423	61,516	10
	Donation and transport of 40,000 trees	121,000	13,876	
Nejapa Power Company	Direct disbursement	536,423	61,516	8
	Financial support to San Jerónimo	14,000	1,606	
Mayor's Office	20% funding of five projects	167,358	19,192	4
	35,000 trees for reforestation	117,000	13,413	
Communities, students, soldiers	Labor	207,020	23,741	3
El Angel Cooperative	50% price reduction on land for housing construction	800,000	91,743	11
Fundanejapa	Financing of 10% of the cost of five projects	75,808	8,694	1
Total		7,100,668	814,292	100%

opment process. As would be expected, the Fund's most important decisions involve the approval and implementation of projects. The principal guiding document for the Matching Fund's investments is the municipality's Local Development Plan, which was developed using mechanisms that encourage the participation by local community and that take its priorities into consideration. The ACDN's member communities are consulted through their representatives as to which projects should be funded. The Coordinating Committee receives requests to support priority community projects. After a study of the technical, financial and social feasibility of each request, and approval of an order of priorities, the Coordinating Committee submits the project profiles to the Fund's board of directors for study and approval.

Project eligibility criteria have evolved over time and with experience. At present, projects meriting priority support are those that meet the following conditions: broad coverage of beneficiaries; inclusion in the Local Participatory Development Plan; matching funds raised by the community equivalent to at least 15 percent of the project cost ; a contribution from the mayor's office of at least 20 percent of the required funding; and matching funds from other public or private institutions or the social sector. When the entities to implement projects are being selected, institutions raising matching funds receive priority, provided they are experienced in the field and submit competitive cost figures. If no institution capable of raising matching funds is found, an entity is chosen based on the submission of three bids.

In its two years of existence, the Fund has implemented 12 projects representing an estimated investment of ¢3,070,904 (US\$352,166). These projects have directly benefited 53,753 people and at least 11 public, private and social sector institutions. As described in Table 2, the projects fall under four of the seven development strategies covered by Nejapa's Local Development Plan: envi-

Table 2. Projects Financed by the Matching Fund for the Development of Nejapa (1998–2000)

Project	Cost		Individual Beneficiaries		Institutional Beneficiaries
	Colons	Dollars	Direct	Indirect	
1 Cerro Nejapa reforestation	557,110	63,889	691	125,000	EMBOSALVA Hydroelectric plants Mayor's office
2 San Antonio River management study	320,000	36,697	9,997	125,000	EMBOSALVA MECAFE CINTEC Cooperatives Mayor's office
3 Purchase of land for 450 families	800,000	91,743	2,700	30,000	EMBOSALVA Cooperative Mayor's office
4 Hydrogeological study in Tutultepeque	50,000	5,734	2,944	—	Mayor's office
5 Construction of El Polvón bridge	279,000	31,995	7,620	—	Cooperatives Mayor's office
6 Expansion of electrical power: El Jabalí	294,864	33,815	798	—	CAES Mayor's office
7 Introduction of electrical power: El Relámpago	82,980	9,516	96	—	CAES Mayor's office
8 Expansion of electrical power—Sector 85	45,720	5,243	28	—	CAES Mayor's office
9 Sports complex electrification	130,010	14,909	13,602	—	CAES Mayor's office Businesses
10 Construction of sports complex swimming pool	383,220	43,947	13,602	—	Mayor's office Businesses
11 Support for the purchase of a plot of land for a school	14,000	1,605	1,095	—	Plan Internacional
12 Citizen participation	114,000	13,073	600	30,000	ACDN Mayor's office Businesses
Total Cost	3,070,904	352,166	53,773	210,000	

ronmental restoration, improvement of the social infrastructure, stimulation of local economic development and promotion of citizen participation.

Results

Despite the fact that the Nejapa Matching Fund for Local Development is a young institution, in existence for just three years, and some uncertainty and expectation regarding its future, the following results have been achieved:

- Parties historically operating independently of each other, such as the business sector, local government and grassroots organizations, have been able to sit down at the same table to work on a common cause. This new strength could be central to the municipality's development.
- A new mechanism has been established which to date has raised ₡7,100,668 (US\$814,297) for the municipality's development.
- Ten projects have been implemented, directly benefiting 53,753 people and helping to address strategic challenges to the municipality's development. The experiment's replication in seven other municipalities in El Salvador is proof of significant national recognition. Also, the promotion of matching funds for local development has been adopted as a priority measure by the National Local Development Strategy (ENDL).
- There is considerable international interest in innovative initiatives that promote partnerships for local development and sustainable development. The Nejapa experiment won an award in a national competition, financed by the Inter-American Development Bank, for best partnerships to combat poverty in El Salvador. It was also selected for presentation in connection with the Dubai International Award for Best Practices in Improving the Living Environment.

Contributions to the Underlying Theory

The results achieved by the Matching Fund in Nejapa demonstrate this is a promising initiative for building partnerships among representatives of the state, private enterprise and the social sector in promotion of local development. Such an association is a partnership inasmuch as it is based on an intersector cooperation agreement whose purpose is to achieve medium- and long-term (not short-term) objectives and which enables the actors to share rights, obligations, risks and benefits in an institutional framework that guarantees equity for the parties. This type of initiative can be an effective fundraising alternative for investments in local development in municipalities with medium-sized and large businesses. The "matching funds" mechanism also makes it possible to partner investors inside and outside of the territory to implement projects that are beyond the scope of any single party because of the magnitude of the risks involved.

In addition to raising funds, this type of local association provides the opportunity to create and strengthen ties among the principal actors in the municipality, making them all responsible for facing the challenges of local development. Two factors are especially important: the success achieved by including large companies in these types of efforts, and the participation of grassroots social organizations as members and not just as beneficiaries. From a national and Latin American perspective, the initiative is also attractive as a way of strengthening democratic governance through the promotion of social cooperation in a context of sustainable development.

The philosophical principle on which this partnership is based is the recognition that those involved have not only conflicting interests (especially the state and private enterprise), but also shared interests, which can be identified and developed for the benefit of all parties. This new approach also involves, implicitly, a rethinking of what “public” means. This is no longer perceived as a set of powers exclusive to the state, but rather as a set of factors affecting the well-being of individuals and institutions in the territory. It follows that the management should be shared.

In general terms, all individuals and institutions in the objectives benefit from a more stable, healthy, harmonious, and sustainable society. However, this initiative also affords immediate, specific benefits for each involved sector.

These initiatives give businesses the opportunity to:

- be recognized as allies in pursuit of the public welfare, a definite strength in a highly-polarized social context;
- have direct, dynamic, transparent channels of communication with other actors that can affect their own performance;
- acquire partners in setting up environmental conditions that boost their competitiveness; and
- have an efficient, transparent, non-political mechanism for co-investment of funds for project implementation.

Local government has the opportunity to:

- gain new local and international investors in development;
- achieve recognition as innovative and open to intersectorial cooperation for local development; and
- have mechanisms for participating with private enterprise to address day-to-day problems and include private enterprise in local development efforts.

The grassroots organizations improve their strategic position for:

- implementing projects that improve quality of life;
- increasing their influence over prioritizing local investments; and
- having a funding source to keep them going.

NGOs involved in the Fund can acquire:

- new knowledge about interinstitutional cooperation for local development;
- prestige as innovative institutions in the field of development; and
- access to new methods of raising funds for development.

Lessons Learned

In general terms, it can be said the Fund experiment was facilitated by the presence, at the national level, of a democratic climate that fosters shared responsibility and cooperation on the part of the various social, financial, and political groups. Another aspect, which is national in scope and which has contributed to the growth of this initiative, is increasing interest in the decentralization of the state and in the municipality as a space for managing development. Until a few years ago, a large business would not have seen the municipality and the local community as valid participants in achieving its aspirations. The municipality and the local community would not have felt capable of establishing equitable relationships with big business.

A key factor for success in the specific case of Nejapa was the fact the municipal government sees itself as a promoter of development, relying on the partici-

pation of all actors in the local community, and not just as a service provider and producer of social infrastructure projects. This has been an apparent characteristic of Nejapa since 1994, when various spaces opened up for citizen participation and inter-institutional coordination with local actors and actors from outside the municipality.

Regarding the participation of business, it would seem important for the municipality to be able to count on visionary businesses, such as Nejapa Power Company, which understand that much of their competitiveness depends on the development of the territory in which they are located. Company conditions fall into line with the initiative early on and help promote it.

Grassroots organizations as partners in the Matching Fund have been another key to success. Organizations such as ACDN give the Fund a high degree of social representation in the partnership. Their participation demonstrates that this is not an association of institutions that holds power to “help poor people,” but an initiative to facilitate an inclusive development process.

An aspect which should be highlighted is the role of innovator, intermediary and partner played by the NGOs. In this respect, if the role of intermediary is to succeed, it is important that the entity playing that role earn, from the outset, the parties’ confidence in its professional ability, the transparency of its fund management, and its proactive approach to addressing local conflicts.

Also important to the partnership’s success is support from outside the territory. The Inter-American Foundation, DIAKONIA and Sweden’s ASDI have brought to the local process a long-term perspective and participatory methodology aimed at encouraging responsible leadership and cooperation among the local actors.

Beside the contribution that comes from the presence of each actor, it is necessary to emphasize the importance of a local development plan drawn up in a participatory mode. Participatory planning has been a key mechanism in coordinating interests in Nejapa and has played a role in directing Fund investments toward priorities that have broad social support and a vision of the future.

Very clear in the Nejapa experiment is that partnership initiatives require time and dedication. For example, the FUSAI project approved by the IAF to facilitate establishment of the Fund, originally envisioned as requiring two years, had to be amended twice. In this respect, it is important to bear in mind that it is easier to establish and sustain the partnership when things move from the simple to the complex, without putting the cart before the horse, and when there is an attempt to achieve small successes that encourage the parties to tackle bigger challenges.

Partnership construction should be something more than a sum of individual interests and a distribution of duties among the partners. It is essential to develop institutional mechanisms and a working style that encourage participation, shared responsibility, and progressive acceptance of initiative by those involved. A key to success during the partnership’s gestation is subjecting the preliminary idea to a consultation process in which the various actors offer their input and expectations.

As the partnership evolves and confronts more complicated challenges, the rules governing its operation must continue to develop and become more specific. While the Fund, for example, was established with one document and a set of basic rules, during its evolution rules had to be defined more precisely: the methods for selecting implementers; the eligibility conditions for projects; and the parties’ financial contributions.

Finally, the experiment showed conflicts should not be avoided on the pretext that they threaten the partnership. They should be addressed purposefully, since the will of sectors to cooperate is a cumulative process, built up gradually. It is easy to succumb to the temptation to avoid addressing conflict, especially conflict between the “public” and “private” sectors, for fear of negatively affecting fundraising. But the Nejapa experiment demonstrates just the opposite. The Fund served as a space for participation and coordination among the actors in the territory and their will to cooperate has gradually grown stronger.

Building Democracy from the Grassroots in Bolivia

By RONALD MACLEAN A.

Since the 1930s, the Bolivian government has been centralized, vertically commanded and controlled, and state capitalistic, a model institutionalized through the National Revolution of 1952. This was a corporatist state which sought to involve certain social sectors in political life, sectors that held fast to power and played the main parts therein. By contrast, the structure of the new state we are now building is decentralized, participatory and intersecting.

Whereas the centralized state focused its resources on the central urban axis—La Paz, Cochabamba and Santa Cruz—the new state has redistributed political power through municipal decentralization, and economic power through co-participation. The municipalities, in proportion to their size, currently account for more than 21 percent of public investment, a figure 10 times greater than levels in the past.

The Bolivian economy has traditionally been state capitalist. The new state has a market economy and pursues an economic democracy that includes all citizens. Formerly, the state was authoritarian and systemically corrupt, due to the persistence of a monopoly over the decision-making process and over discretionary authority as well as a lack of accountability. The new state allows for greater participation, and is institutionalized and willing to engage in dialogue. The old state was Praetorian, in Huntington's sense, characterized principally by confrontation and polarization. Each corporatist sector exerted pressure on the state, and they opposed one another by representing a particular group, a situation that was not necessarily in society's interest. The new state seeks to develop local identities vis-à-vis the respective territories and to lead citizens to identify with the nation as a whole.

The corporatist state governed through top-down social control and surveillance. Bolivia was a police state that used force to persuade and govern the citizenry and held a monopoly over the means to engage in violence. Power elites besieged the state, sparing nothing to get a slice of the pie for themselves. Pressure groups were established for the purpose of obtaining privileges from the state. We do not refer to any specific group; they may have been groups of businessmen, unions, students, or military men, who organized themselves around specific demands but did not represent society as a whole, much less the poor, who remained marginalized. It was the 1994 Law on Popular Participation that initiated Bolivian state decentralization by transferring authority and resources to municipal governments and allowing civil society organizations to participate in municipal administration.

Without this “shock” method of transferring authority and resources, which was not gradual, and did not happen “bit by bit” as is usually the case, it could have taken years to reach where we are now and we might have had to endure the discretionary authority and political will of alternating leaders. Instead decentralization took shape as a series of regulatory instruments that transformed the state in an uninterrupted process, “in one fell swoop.” This entailed various risks and costs, as the institutional capacities of subnational authorities were limited; there was chaos with respect to territorial delimitation and demarcation; socioeconomic information was lacking at provincial sectional level; and there were other problems which remain unsolved.

Despite the various difficulties and the lack of a lead central authority, one capable of linking and directing sectoral policy formulation in the framework of a single and institutional reform process, and of coordinating the activities of the government agencies involved, decentralization has been consolidated within local public authorities and among various social and institutional players. Without them, it would have been impossible to structure the network as a whole and develop the operational logic at municipal and territorial levels.

In view of the way in which the citizenry has taken responsibility for the process, and as the political system includes a means for negotiating public policy, a single apt phrase comes to mind: “Think nationally, act locally.” Our challenge is how to build a new state, from a municipal perspective.

The consensus state we now seek to build involves governance by networks wherein the municipalities play the part of small state. The Bolivian state is becoming decentralized and subdivided, consolidating itself within the territory of each municipality. It is evident that, under this scheme, governance takes on a new form. Social control becomes control by the citizen over the state. The relationship between the state and the individual is altered. Unfortunately, we have inherited European constitutional forms, which were designed to defend the state against the individual, whereas the U.S. Constitution protects the citizen from the state. It is precisely this transition that we are making. We seek states, defined in terms of municipalities, each of which protects its citizens and promotes their welfare.

We are witnessing the development of a horizontal and participatory state-society relationship. The state is becoming a facilitator, a good parent seeking excellent relations among parties. In such a relationship, balance is only achieved through regular stocktaking, so that no one group takes precedence over others. This is the new consensus governance in which there is balance among all groups and the state ceases to act as a policeman and becomes instead a facilitator of the horizontal relationship among citizens.

Grassroots democratic power thus emerges in response to the problem of urbanization. Citizens appropriate their own destiny in that they make decisions, determine the scale of expenditures and where they are made, and establish their priorities—whether they want a sewer system or paved road. In the past, it was the mayor who made decisions on municipal issues, the residents feeling that this was not their preserve.

Power is being devolved to the local level through pilot projects in three cities—La Paz, Cochabamba and Sucre—to ensure the poor are included in popular participation in those cities, where resources traditionally reach only the city centers and benefit only the areas where the council members or the mayor resides, not where the poorest citizens live. The same effort is being made to in-

clude indigenous communities, such as the Guarayos in Santa Cruz or the native peoples of the provinces of Gualberto Villarroel, La Paz, Potos or Chuquisaca.

We have also begun a process to ensure that the limits of indigenous communities and the limits of municipalities coincide. For cases where political divisions do not coincide with the limits of indigenous territories or communities, a project is now being developed to ensure they do by the end of 2001. Similarly, within cities, we will ensure each district receives proportionate co-participation resources and that the poorest also receive Highly Indebted Poor Country (HIPC) resources.

The municipalities know administrative budget allocations are made according to population size, and that the government cannot be approached for additional resources. Accordingly, it is important for each municipality to make budgetary adjustments and to identify its primary needs so that response can be immediate. We must cease to expect central government to solve every problem. Solutions must be sought within the local sphere. That is where the new form of governance is taking us. That form is based on a very long process of dialogue, as consensus-building has been under way for six years. A substantial base has been developed and must be consolidated.

We have moved from a local policy orientation to one of anti-poverty. We are discussing, at the district level, how to combat poverty. From discussions on co-participation, we have moved to decisions on the allocation of public investment, a very important area. We have moved from a quantitative to a qualitative approach. Bolivians are now seeking quality in education, health and services. This represents a great social advance.

All Bolivians are contributing to the development of a national poverty reduction strategy. No longer does an expert or one of those notorious international consultants come to tell us how to combat our poverty. We are doing this ourselves. Through national dialogue, the guidelines for combating poverty were developed, a method of obvious value. No one knows better than the poor what must be done to combat poverty.

Combating poverty will become long-term state policy over 15 years. Current discussion focuses on the Law on National Dialogue to be enacted by Congress and then promulgated by the president. This constitutes the greatest and most extraordinary effort aimed at the national consultation undertaken to develop a strategic guideline. This is understood to mean the creation of broader spaces for participating in and influencing both the operation and the formulation of policy. The draft law contains two notable essential elements:

- A process of decentralization in the health and education sectors will be completed, through extension of authority and transfer of resources for personnel management in both sectors, so that residents and parents have a say, and may decide to reward good teachers or pay better salaries, or to punish very inadequate teachers, teachers who do not prepare their lessons and teachers who extort money from parents. Similarly for the health sector, services will be administered at the local level. Popular participation is distributing US\$200 million throughout the country each year, and the decentralization of education and health will add an additional US\$400 million. With the additional resources from the investment and development funds, this may reach almost US\$1 billion, an unprecedented and unambiguous figure in furtherance of decentralization within Bolivia.

- The fund clearance policy promoted by the current government is the first serious attempt at redefining intergovernmental fiscal relations. Discretionary, privileged management of investment and development funds will lead to a transparent fund allocation policy, whether the funds are in the form of grants or loans, through technical formulas and criteria that, based on menus subject to the sector-defined strategic guidelines, along with co-financing and competition, will change the way in which municipal investment is made as well as its orientation. We thus seek to close an efficiency gap that had been a point of contention in the Bolivian model.

These are the main proposals for furthering decentralization: Faith in the individual, in citizen participation, and in democracy—mechanisms that enable us to improve standards and generate the conditions for sustainable human and economic development.

Conclusions and Implications

Compiled from the presentation by D A R C Y A S H M A N

Summarizing the forum presentations, Darcy Ashman identified themes that had emerged and indicated challenges in formulating policy to facilitate building democracy from the grassroots. From both the content of the forum as well as from her own research and experience, Ms. Ashman extracted a central hypothesis: Decentralization is more likely to foster grassroots democracy and its anticipated consequence, local development, if two conditions are met:

- The central government transfers sufficient resources and authority to the most basic units of government at the local level.
- Poor and marginalized citizens increase their participation in local decisions, including resource allocation.

Transfer of Authority and Resources

Underlying the shift in power from the central to the local level is policy crafted on one of three models:

- **devolution**, a decentralization of legislative and administrative decision-making accompanied by a reallocation of resources;
- **deconcentration**, a decentralization of administrative authority;
- **delegation**, decentralization by transferring service implementation to institutions external to the government.

Whether one model is used, as in Bolivia, a case of devolution, or a combination of all three, as in El Salvador, the transfer of power is cornered on a constructive use of authority by a pro-active central government:

- to provide the legal framework;
- to lead the process at the executive level;
- to extend fiscal and technical resources and training;
- to structure an equitable allocation among small and large municipalities.

Empowerment of Poor and Marginalized Citizens at the Local Level

Many speakers, panelists and participants believed decentralization can allow poor and marginalized groups to take the initiative and make the decisions affecting their development needs. There is already evidence local governments

are using increased autonomy to pursue development opportunities. While these examples are not always replicable, they are still “best practices” from which to learn:

- Associations of local government officials can foster dialogue and advocate for supportive policies.
- There is a need for the development of human resources through education, training and experience.
- Grassroots groups can be strengthened to represent their members and engage with other actors, such as non-governmental organizations, private enterprise and foreign assistance agencies.

Elements of the Process from Decentralization to Democratization to Local Development

- **Time** is essential to genuine development and social transformation, especially in societies without a tradition of civic participation at the local level.
- **Learning** must take place at multiple levels—by individuals, the families, organizations, networks and societies.
- **Core competencies** for functional collaborative partnerships that further development include the capacity to build trust; to engage in dialogue, negotiation and deliberation; to innovate; to respond; to adapt; and to lead by facilitating and inspiring, rather than domination.

Implications for Policy-Makers

The experiences and findings presented complement academic and policy studies and can be helpful in identifying models and hypotheses to test for other settings. The implications for those attempting to build democracy from the grassroots include the following:

- **Central governments** must not only enact strong, well-designed policies, but also a legal and regulatory framework, including a body of civil rights. They must follow through with effective strategies, implementation plans, goal-setting, commitments and assessment.
- **Donor governments** with sound policies supportive of partnerships and civil society must be aware that a focus confined to accounting and results can be counter-productive. To encourage effective partnerships and manage the risks of development projects, donors need to be responsive, flexible, innovative and committed for the long term.
- **Grassroots development practitioners** have available a widening range of partners willing to find common objectives and to negotiate plans and strategies that produce concrete benefits for the community.

Panelists' Biographies

David Valenzuela

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David Valenzuela's career with the Inter-American Foundation began in 1979. He has since served the Foundation as representative for Peru and Bolivia; senior representative for the Andean Region; regional director for the Southern Cone and Brazil; regional director for Mexico, Central America and the Caribbean; vice president for programs; acting president; and, as of January 2001, its president. In 1990, he took a five-year leave of absence to re-establish and direct the Peace Corps in Chile following the country's return to democracy. Before joining the IAF, Mr. Valenzuela was, from 1976 to 1979, Andean regional representative for Church World Services, based in Peru; from 1971 to 1976, the Peace Corps' deputy country director for El Salvador; and, from 1968 to 1971, Latin American program officer for the International Secretariat for Volunteer Service, based in Geneva. A U.S. citizen, Mr. Valenzuela was born and raised in Chile.

Elizabeth Spehar

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Since her appointment as the UPD's executive coordinator in 1995, Elizabeth Spehar has organized a number of electoral observation missions, developed her unit's expertise in conflict resolution, and spoken and written extensively on OAS and democracy issues. Before coming to the OAS, she headed the Americas Program at the International Centre for Human Rights and Democratic Development in Montreal. She has worked as a development consultant for the International Development and Research Centre and for the Canadian International Development Agency, particularly in the areas of Latin American regional organizations and human rights. She was also a program officer for the United Nations Development Program and for Match International, an NGO dedicated to women in development. Ms. Spehar received her B.A. from Queen's University in Kingston, Canada; her Diplôme d'Études Supérieures from the Université de Pau, France; and an M.A. in international affairs from Carleton University in Ottawa.

Lester Salamon

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Lester Salamon is a pioneer in the empirical study of the nonprofit sector. His 1982 book, *The Federal Budget and the Nonprofit Sector*, documented, for the first time, the scale of the nonprofit sector and the extent of its government support. His *Partners in Public Service: Government-Nonprofit Relations in the Modern Welfare State* won the Outstanding Book Award for 1996 from the Association for Research on Nonprofit Organizations and Voluntary Action (ARNOVA). The results of his work in the international sphere appear in his books *The Emerging Sector* and *Global Civil Society: Dimensions of the Nonprofit Sector* as well as in an entire series on the international nonprofit sector published by Manchester University Press. He is also the author of *America's Nonprofit Sector: A Primer*, widely used in college courses.

Dr. Salamon has a B.A. in economics and policy studies from Princeton University and a doctorate in government from Harvard University. He has been director of the Center for Governance and Management Research at the Urban Institute in Washington, D.C., and deputy associate director of the U.S. Office of Management and Budget. Before coming to Johns Hopkins, he taught at Duke University, Vanderbilt University and, during the civil rights movement, at Tougaloo College in Mississippi. He serves on the U.S. Agency for International Development's Advisory Committee on Voluntary Foreign Aid; on the boards of directors of the Maryland Association of Nonprofit Organizations and the Chesapeake Community Foundation; and on the editorial boards of *Voluntas*, *Administration and Society*, *Society*, *Public Administration Review* and *Nonprofit and Voluntary Sector Quarterly*.

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During the 1990s Dr. Molina Saucedo was actively involved in the Bolivian government's decentralization process, including as the country's first secretary for popular participation. Legislation drafted with his assistance includes amendments to the Political Constitution of Bolivia, the Executive Branch Ministries Act, the Law and Regulations on Popular Participation and the Law and Regulations on Administrative Decentralization. He is currently a consultant to decentralization and participation programs in Guatemala, Nicaragua, Panama, Paraguay and Venezuela, and to 50 Bolivian municipal governments. Dr. Molina Saucedo received his law degree from Gabriel René Moreno Autonomous University in Santa Cruz, to which he later returned to teach, conduct research, chair the department of administrative and public international law, and to serve as the school's secretary general. He has published 12 books and is a columnist for several newspapers.

Neville Duncan

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Neville Duncan has degrees in economics and government from the University of the West Indies and a doctorate from Manchester University. Dr. Duncan has researched Caribbean government and politics, political economy, poverty, community empowerment and non-governmental organizations, as well as issues in international relations. He is the author/editor of nine books or monographs, 10 reports and 70 academic articles as well as hundreds of other papers and manuscripts. In addition to his considerable scholarly work in governance, poverty and community development, he has been a consultant to the Inter-American Development Bank, World Bank, OAS, United Nations Development Program, UNICEF, CARICOM, OXFAM and various NGOs, among other clients.

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In addition to his position with the Kettering Foundation Ramón Daubón is executive director of the Caribbean Environment and Development Institute in his native city, San Juan, Puerto Rico. He also chairs the Esquel Group Foundation's Civil Society Task Force in Washington and advises the Inter-American Democracy Network, the Canadian Foundation for Latin America and the Georgetown University Caribbean Studies Group. Dr. Daubón was deputy assistant administrator of AID's Bureau for Latin America and the Caribbean; the Inter-American Foundation's senior representative for, successively, Chile, Argentina and the Caribbean; and, in Santiago, Chile, the Ford Foundation's representative for the Andean and Southern Cone countries. He has a doctorate in economic development from the University of Pittsburgh and has written extensively on democracy and development in Latin America and the Caribbean.

Beryl Levinger

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Beryl Levinger's academic focus is the evaluation and management of international non-governmental organizations, particularly those engaged in sustainable development. In a typical year at COLAD, she works with approximately 50 development-oriented NGOs, government agencies and multilateral institutions to assess and strengthen institutional capacity. Additionally, she is a distinguished professor of nonprofit management at the Monterey Institute of International Studies. As a veteran practitioner with more than 30 years of experience in nonprofit management and international education, she has held leadership positions with the American Field Service Intercultural Programs, CARE and InterAction. She is currently directing a study for AID assessing and documenting the capacity-building efforts of 30 international nonprofit organizations the agency supports, a project which has already produced a comprehensive database. Dr. Levinger is co-author of *Toward the New School (Hacia la Escuela Nueva)*, published by the Colombian Ministry of Education in 1977, which helped create the framework for Colombia's acclaimed *Escuela Nueva* movement. Her most recent book is *Critical Transitions: Human Capacity Development Across the Life Span*.

Patrick Breslin

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Patrick Breslin, now director of external affairs for the Inter-American Foundation, previously served the IAF as research director as well as foundation representative for Honduras and Colombia. In addition to two books, his publications include articles and reviews for several national magazines and newspapers. He has a doctorate from the University of California at Los Angeles, and he served as a Peace Corps volunteer in Colombia.

René Canjura

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René Canjura has been re-elected mayor of Nejapa municipality for several consecutive terms. As a member of the Farabundo Martí Front for National Liberation, he serves on his party's Transition Committee. He is past-president of the *Cooperación de Municipalidades* [Cooperation of Municipalities] of the Republic of El Salvador (COMURES). Mr. Canjura holds a B.A. in philosophy from the University of El Salvador and has taken many courses on cooperative and labor union movements, human development and international law.

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Ernesto Barrientos has a B.S. in mechanical engineering from the University of Houston and an M.B.A. from the Universidad Francisco Marroquín. He serves on the board of directors of the company he has managed since 1975, as well as on the boards of Corcho y Lata, S.A.; Industrias Cristal, S.A.; Rensica, S.A.; Aurora, S.A.; Industrias Soyapango, S.A.; Telsinca, S.A.; and C.V. Mensajeros de la Paz. From 1983 to 1986, he was the director of the Chamber of Commerce of El Salvador.

Antonio Orellana

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Antonio Orellanas is chairman of the board of directors of the Nejapa Association for Concerted Action for Development. From the 1980s to 1994 he worked to promote health care in rural communities. In 1994, he became a grassroots leader in Nejapa, where he rose to prominence in the local planning process organized by the municipality. Since its founding, he has represented local civil society on the board of directors of the *Fondo para el Desarrollo Local de Nejapa* [Nejapa Local Development Fund].

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A licensed architect with an M.A. in financial administration, Francisco Antonio Mancía has been a United Nations Development Program official, supporting processes of technical assistance to local governments for the generation of employment, municipal ordinances, and mobilization and coordination of resources. He has also worked as a project officer with the U.N. World Food Program and on the institutional strengthening of various nongovernmental organizations financed by AID. Mr. Mancía has given many presentations at forums and conferences.

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Marcos Rodríguez, who has broad experience in implementation of local development projects, has spoken at international conferences and written books and articles on grassroots organizations and alliances among sectors. His specialty is the promotion of a leading role for grassroots organizations and building alliances among the social sector, local government and business. He studied at the University of Stockholm and at the Salvadoran Lutheran University and has a B.A. in economics. He also holds the title of “local development expert” from the United Nations’ International Labor Office.

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Jaime Torres Lara, who has headed CELCADEL since its founding in 1983, oversees all of the Center’s projects financed with support from the Inter-American Development Bank, the World Bank, AID, the European Community, the Canadian Federation of Municipalities, the Swedish International Development Agency and the Dutch government. He is also founding director of the magazines *Democracia Local* [Local Democracy], *Iula Informa* [Iula Informs] and *Poder Municipal* [Municipal Power] as well as the author of many articles and papers. Mr. Torres Lara’s degree is in sociology, and he has taken many international courses and seminars related to the management, operation and maintenance of municipal services, among other subjects.

Ronald MacLean Abaroa

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Ronald MacLean Abaroa served in the recent administration of Bolivian President Hugo Banzer as minister of sustainable development and planning, minister of the treasury and head of the economic cabinet. Between 1978 and 1999, he was Bolivia’s minister of foreign relations, its minister of planning and

coordination, vice president of the La Paz City Council and, four times, mayor of La Paz. He has worked for Harvard University's Institute for International Development on the project for Central America as senior researcher on institutional reform and governability. A founding member of Transparency International, he is co-author (with Robert Klitgaard and Lindsay Parris) of *Corrupt Cities: A Practical Guide for Cure and Prevention*, which is among the World Bank bookstore's five best sellers. Mr. MacLean Abaroa graduated in economics from the University of Maryland in 1970 and attended the Kennedy School of Government of Harvard University where he received his M.A. in public administration in 1980. He heads his own consulting firm, MacLean Abaroa Consultants, Inc., and has been an advisor to the World Bank, the Inter-American Development Bank, the Organization of Cooperation and Economic Development, and the governments of Bolivia, Chile and Colombia.

Darcy Ashman

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Darcy Ashman is a researcher and consultant on alliances, networks and partnerships for sustainable development and democratization. Her nearly 20 years of experience with civil society organizations and networks include such initiatives as the International Forum on Capacity Building in India, El Taller in Tunisia, and the Global Partnership in Bangladesh, Zimbabwe and the United States. She has presented her research at numerous international conferences and in articles published in *World Development and Nonprofit* and *Voluntary Sector Quarterly*. Dr. Ashman received her doctorate in organizational behavior from Boston University and an M.A. from the Fletcher School of Law and Diplomacy at Tufts University.

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Anne Marie Blackman is responsible for a program for cooperation in decentralization, local government and citizen participation. At the OAS, she has also worked as advisor on Haitian affairs in the Office of the Secretary General and as executive assistant to the assistant secretary for management. From 1982 to 1991, she was assigned by Barbados' Foreign Ministry to diplomatic and consular posts in Caracas, Barbados and Washington, D.C., and to Barbados' delegation to the OAS. Mrs. Blackman, who speaks English, Spanish, French and Portuguese, has a B.A. in languages from Heriot-Watt University in Edinburgh, Scotland, and an M.S. in administration from the University of Central Michigan. She has written and edited publications on topics related to democracy.

The Organization of American States

The Organization of American States (OAS) is the world's oldest regional organization, dating back to the First International Conference of American States, held in Washington, D.C., from October 1889 to April 1890. At that meeting, the establishment of the International Union of American Republics was approved. The Charter of the OAS was signed in Bogotá in 1948 and entered into force in December 1951. The Charter was subsequently amended by the Protocol of Buenos Aires, signed in 1967, which entered into force in February 1970; by the Protocol of Cartagena de Indias, signed in 1985, which entered into force in November 1988; by the Protocol of Managua, signed in 1993, which entered into force on January 29, 1996; and by the Protocol of Washington, signed in 1992, which entered into force on September 25, 1997. The OAS currently has 35 member states. In addition, the Organization has granted permanent observer status to 49 states, as well as to the European Union.

The essential purposes of the OAS are to strengthen peace and security in the hemisphere; to promote and consolidate representative democracy, with due respect for the principle of nonintervention; to prevent possible causes of difficulties and to ensure peaceful settlement of disputes that may arise among the member states; to provide for common action on the part of those states in the event of aggression; to seek resolution of political, juridical, and economic problems that may arise among them; to promote, by cooperative action, their economic, social and cultural development; and to achieve an effective limitation of conventional weapons that will make it possible to devote the largest amount of resources to the economic and social development of the member states.

The Organization of American States accomplishes its purposes by means of the General Assembly; the Meeting of Consultation of Ministers of Foreign Affairs; the Councils (the Permanent Council and the Inter-American Council for Integral Development); the Inter-American Juridical Committee; the Inter-American Commission on Human Rights; the General Secretariat; specialized conferences; specialized organizations; and other entities established by the General Assembly.

The General Assembly holds regular sessions once a year. Under special circumstances it meets in special session. The Meeting of Consultation is convened to consider urgent matters of common interest and to serve as Organ of Consultation under the Inter-American Treaty of Reciprocal Assistance (Rio Treaty), the main instrument for joint action in the event of aggression. The Permanent Council takes cognizance of such matters as are entrusted to it by the General Assembly or the Meeting of Consultation and implements the decisions of both organs when their implementation has not been assigned to any other body; it monitors the maintenance of friendly relations among the member states and the observance of the standards governing General Secretariat operations; and it also acts provisionally as Organ of Consultation under the Rio Treaty. The General Secretariat is the central and permanent organ of the OAS. The headquarters of both the Permanent Council and the General Secretariat are in Washington, D.C.

MEMBER STATES: Antigua and Barbuda, Argentina, The Bahamas (Commonwealth of), Barbados, Belize, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Cuba, Dominica (Commonwealth of), Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago, United States, Uruguay and Venezuela.

The Inter-American Foundation

The Inter-American Foundation is an independent foreign assistance agency of the United States government, working to promote equitable, responsive and participatory self-help development in Latin America and the Caribbean. According to Part IV, Section 401(b) of the Foreign Assistance Act of 1969, the enabling legislation “it shall be the purpose of the Foundation, primarily in cooperation with private regional, and international organizations, to:

- strengthen the bonds of friendship and understanding among the peoples of this hemisphere;
- support self-help efforts designed to enlarge the opportunities for individual development;
- stimulate and assist effective and ever wider participation of the people in the development process;
- encourage the establishment and growth of democratic institutions, private and governmental, appropriate to the requirements of the individual sovereign nations of this hemisphere.”

The guiding principles of the Inter-American Foundation are to support people, organizations and processes; channel funds directly to the non-governmental sector; promote entrepreneurship, innovation and self-reliance; strengthen democratic principles; empower poor people to solve their own problems; and treat partners with respect and dignity.

Congress appropriates funds annually for the Inter-American Foundation. The IAF also has access to the Social Progress Trust Fund administered by the Inter-American Development Bank. The Fund consists of payments on loans the U.S. government originally made under the Alliance for Progress to various Latin American and Caribbean governments. Since 1972, the IAF has funded 4,306 grants totaling \$514.3 million. Some have been awarded to community organizations such as agricultural cooperatives or small, urban enterprises; others to larger, intermediary organizations that have provided beneficiary groups with credit, training, and technical and marketing assistance.

The Inter-American Foundation has been a leader in helping the nongovernmental sector evolve as a critical factor in the sustainable development of Latin America and the Caribbean. Together, the IAF and its grantees have created an experimental laboratory for testing cost-effective, participatory models of social and economic development. These have often been replicated and expanded by government and larger donor agencies, improving the quality of life for hundreds of thousands of poor families throughout the hemisphere.