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Should private agencies withdraw from development cooperation?

Relations between private and government development agencies have come under pressure in several industrialised countries. Obvious forms of cooperation and government co-funding of private agencies are being questioned. This stems mainly from changes in the practice and conception of development cooperation. The principal factors at work include (1) a shift of importance from private agencies in the North to NGOs in the South, (2) the greater emphasis donor countries put on government in developing countries and (3) the rush by transnational corporations on the spigot for development cooperation funds in OECD countries.

Changes in development cooperation

(1) It is current practice today for both government-run and private development agencies to work with and help finance NGOs in the South. For the private organisations this has long been traditional; for the government agencies, the practice found greater acceptance in the 1990s. Some government agencies are therefore asking why private agencies are still needed at all. The reasoning is that there are many qualified NGOs in the developing countries today with which the donor countries could cooperate directly. There is no further need, they say, to support southern NGOs through private organisations in the North, as that only pushes up transaction costs. This view is also widely held in the Swiss Development Agency (SDC), particularly in its branch offices in the developing countries.

(2) In the second half of the 1980s, state development agencies came under strong criticism for their cooperation with the governments of developing countries. According to the critics, the aid was flowing into megalomaniac development projects that were doing nothing to improve the lot of the disadvantaged in those countries. On the contrary, such projects sometimes worsened their plight and contributed little or nothing to economic growth. With the end of the Cold War, that criticism grew more strident – far too much of official development assistance had only served to keep friendly governments in power. The lesson drawn from this in many places was to channel more public development funds through private agencies in the North and to support more the NGOs and less the governments in developing countries. The anti-government shift in development cooperation was in keeping with the first generation of radically market-oriented structural

adjustment measures imposed by the Bretton Woods Institutions. Under this model, the task of private agencies in the North was to encourage the creation of NGOs in the South ("developing a vibrant civil society") and to "building their capacities". Today, the priorities have shifted. A weak government is seen as an obstacle to development – and rightly so. Southern NGOs are no longer deemed a suitable replacement for a dysfunctional state. In theory, OECD governments now favour concentrating aid on selected developing countries whose government's behaviour is in keeping with OECD standards. For that purpose they are keen to channel more funding through the state budget and government-coordinated programmes and to reinforce local authorities. This new bundling of the public development funds tends to be at the expense of Northern private agencies and to a lesser extent, southern NGOs unless they fit into the development plans of the governments and the donor countries. The SDC is following the international trend and wants to concentrate more on budget assistance and the exertion of a coordinated influence by donor countries on the government in question. In large measure, this process is being driven in the poorest countries through poverty reduction strategies that countries must draw up in order to continue receiving loans from the World Bank and International Monetary Fund.

(3) At the same time, new private sector competitors are jostling to stake their claims on the development budget of donor countries. In keeping with the Millennium Development Goals, the donor countries – seconded by the World Bank – are promoting increased infrastructure investments in developing countries. That had already been a focus of aid during the Cold War but had become less so after the general criticism of public development assistance. Today OECD countries are advocating "partnerships" with suitable private companies in order to build infrastructure, for in that way the state could be kept "lean" in developing countries. Theoretically, this should mobilise additional private capital for poor countries. In practice, the industrialised countries (and the "beneficiary" developing countries) must provide all kinds of support in order to calm private partners' fear of risk. Such government promotion of investment could well be at the expense of other items in the development budget and hence at the cost of private agencies and southern NGOs.

Over and above these "technical" reasons for the change in relations between private and government-run development agencies, there are also political disgruntlements. Many governments are upset by the advocacy work and the criticism from private agencies, especially since it has been coinciding with the international protest movement against economic globalisation. In Switzerland for instance, the government was outraged that the private agencies had not clearly distanced themselves from the violence that accompanied the demonstrations against the World Economic Forum (WEF). Those organisations did not feel it appropriate to do so as they had neither taken part in the demonstrations, nor called for them. But because the Swiss Coalition had repeatedly criticised the policy of permanent liberalisation as inimical to development, the government regarded the private agencies as in some way automatically connected with the anti-WEF protests.

In other countries, the armed interventions in Afghanistan and Iraq were political dynamite. The Bush regime perceives as the utmost effrontery the scepticism of private agencies toward its campaign against terrorism and their criticism of the systematic combination of military intervention and "humanitarian mission". In the

UK and in other members of the "coalition of the willing", private agencies joined in the protest against participation in the American campaign. As such, they were at one with the majority of the population in their countries but got themselves into trouble with their governments.

Despite such political irritations however, state development agencies are still compelled to acknowledge that the advocacy undertaken by private agencies in the North is basically a legitimate activity. The donor countries can hardly be demanding more policy space for civil society in developing countries whilst at the same time denying it to their private agencies, and this quite apart from the fact that this would run counter to basic constitutional guarantees in donor countries. Some state agencies are even demanding that the private organisations should invest more in advocacy. This call has been heard even within the SDC, where some believe that the private organisations should concentrate entirely on advocacy and leave the operational aspects of development cooperation to the state.

Amongst other things, such discussions prompted the SDC to commission an external evaluation of its NGO policy in 2004. The evaluation report was suggesting sweeping changes in the relationship between SDC and the Swiss private agencies and contained much potentially explosive material. Against this backdrop, I would like to outline some ideas that in my view are important for the relationship between private and state development agencies in Switzerland and beyond.

What is the division of labour between private development organisations and the SDC?

1. It is traditional in many industrial countries for public goods to be jointly delivered by public institutions and private non-profit organisations. The latter often mobilise their own funds raised through donations, but are sometimes co-funded with public monies. Switzerland is no exception in this respect. On the contrary, there is an extremely dense network of private organisations delivering public goods in this country. Naturally, this revives the question every so often of how the work should be divided between public and private agencies. This also applies to the private relief agencies and the SDC.

What in my view is not up for discussion, however, is the principle that the public task of development cooperation should also be undertaken by private agencies. They do bring in the considerable financial resources of their own. As a rule their operating costs are lower than those of the corresponding state agencies. They have comparable know-how as well as their own civil society contact and partner networks in the respective countries. There is no political or financial reason why public monies should be administered only by government-run development agencies.

Some in the SDC regard private agencies as superfluous. They envisage the SDC taking over their functions in the bilateral development cooperation. But they should also consider the reverse: Bilateral development cooperation programs

now being performed by the SDC could also be taken over by the private agencies. In principle, all development cooperation that does not necessitate the involvement of the state agency could be assigned to private agencies. That would be somewhat more than the private agencies are doing today. Such a decision could be justified as a way to trim down a big bureaucracy, which the SDC undoubtedly is. It would be in keeping with the present *zeitgeist* of all-round budget-cutting and a leaner state, and it is not topical at this time only because the private agencies are not particularly close to the political forces that could welcome such a decision.

2. Development cooperation is just one of many public tasks. Unlike others, its legitimacy within Switzerland rests pretty much on idealistic foundations only. After all, the citizens derive no recognisable advantage from it. There are no vested interests or social forces that are calling for more or better development cooperation. Nor does development cooperation affect any visible and discernible problem that concerns everyone. Domestically, development cooperation rests entirely on idealistic and ethical motivations within the population. In Switzerland this idealistic basis is relatively broad. There has been and still is a major current within the population -- not least of all supported by the churches -- that sets much store by helping the world's disadvantaged to help themselves.¹

Yet this current of opinion does not guarantee majorities in all instances. Referendums on the principle that Switzerland should provide development cooperation can be won – referendums on the amount that should be spent for development cooperation could well be lost.² The political forces are all aware of this, including those that are considering a major cutback in the development cooperation budget.

To some extent the private relief agencies represent the organizational backbone of the pro-development cooperation current and also encourage it. The SDC cannot take over this job and cannot replace the private agencies in this function. But it should have a major interest in the continued existence of strong private agencies and their continued association with the practical and visible work of development cooperation. Those in the SDC who wish to dispense with private agencies are undermining the domestic foundations of the public task of development cooperation.

3. The fact that donor countries are again today entrusting the government of developing countries with a major role and are channelling more assistance through governments and their development plans – absolutely right in my view –

¹ I fully recognise that development cooperation can and should be justified on strategic grounds. It is quite right to maintain that it is in Switzerland's long-term national interests to narrow the gap between North and South, and to enable all people to lead a life of dignity, and so on. But the approach to this strategic interest is similar to that regarding the environment: everyone approves of the environmental Sunday sermon, though without taking the requisite action.

² In the periodic opinion polls on development cooperation jointly conducted by SDC and the Swiss Coalition of Development Organisations, large majorities come out clearly in favour of development cooperation and just as large majorities support earmarking some part of development funds for the "needy here at home".

is no justification for any development cooperation strategy whereby everything is done exclusively through this channel. It is still necessary to invest in the other side, to strengthen "civil society", and this should indeed be done also with public funds. There are two reasons for this:

First, budgetary assistance can only be given in countries that to some extent have a satisfactory institutional set-up and can guarantee a modicum of good governance. Given the crisis of the state system, however, it is becoming increasingly necessary to provide countries with bad governments or no government at all not only with emergency aid, but also with something akin to development cooperation. In such cases it makes best sense to operate through private agencies and local NGOs.

Second, development is a process of conflicts and arguments among different social forces. It is illusory to assume that "good governments" – decked out with budget assistance, donor coordination and multi-stakeholder partnerships for the building of infrastructure - give priority to supporting the poor. Not only in Switzerland but in developing countries as well, governments listen first to the economically and politically most powerful. If the poorest fail to make known their interests as vocally as possible, they run the risk – irrespective of donor conferences – of being dispatched on the cheap or forgotten altogether.

Government-run development agencies are very much aware of this, which is why in the hazy jargon of international cooperation they are repeatedly calling for "participation" by the "civil society". From this I infer that if the government side is to be shored up with development cooperation funds, then the other side – civil society and the poor – must also be supported, if only for reasons of balance. Private agencies and local social movements or organisations that represent these interests are best suited for this. But not donor conferences, governmental agencies and governments of developing countries. If the latter wish to incorporate civil society "participation" in their national programmes, then they should concentrate on creating institutional mechanisms in which that "participation" can take place. Yet, it is not their job to "support" civil society in its positioning, organisation and representation of its interests and thereby to steer it. The "participation" of the population must also make it possible to raise questions about the macroeconomic strategies being imposed in these countries by donors and to build up pressure for change.

4. Like elsewhere, the private agencies in Switzerland would prefer state agencies to concentrate on cooperation with the authorities in developing countries, and this at all levels right the way down to local authorities. Relations with NGOs in the South would be left to private agencies in the North. In this dream world, support for Southern NGOs from public funds would also be channelled exclusively through these private agencies. This had in fact been an accepted principle in Switzerland up until the 1980s.

Since then, the SDC as well as other government agencies have built up a web of direct relations with Southern NGOs and other civil society players. Often these are players that provide social services to the general public, or institutions that are involved in promoting small and medium-size enterprises, job creation and

more environmentally friendly production methods. This has surely made a positive contribution to the quality of official development cooperation. Nevertheless, it is necessary to re-establish a clear distribution of roles between the SDC and private agencies in their relations with civil society in the South.

If by means of donor coordination and budget aid the SDC wishes to invest more (or is doing so) in government development plans in individual countries, it must also step up its work with public authorities at all levels -- including the local level. In these countries at least, investment in civil society should be left largely to the private agencies.

Conversely, the relief agencies must ask themselves which are the civil society partners with whom they can better work than the SDC. To put it bluntly, they have the edge wherever situations become politicised and conflict-laden. In my view, the relief agencies must support NGOs, social movements and organisations that are highly active in mobilising and representing the interests of disadvantaged population groups. These are forces that can engage in disputes with the authorities, ruling classes and donors, and are capable of forging political alliances that act as a counterweight.

5. Like all industrial countries, Switzerland follows a contradictory North-South policy. Its development cooperation objectives are not consistent with its foreign trade policy or its global financial policy. Being aware of this, Switzerland is therefore calling for coherence. This commendable endeavour must nevertheless be seen realistically. Coherence will not be created in the foreseeable future – in other words, for a long time to come, coherence will only be a name for the place where conflicts of interests in Switzerland's policy on the South are played out. This is where the advocacy of private agencies comes in. It addresses the contradictions and tries to publicly expose any negative policy goals set by government and other players and to correct them gradually.

Many voices within the SDC are expressing great interest in seeing the private organisations embrace this role fully. Yet the state shows an ambivalent attitude to the advocacy work of private relief agencies. In government departments outside the SDC there is diminishing acceptance of it. The political forces in parliament react positively or negatively to such advocacy depending on where their interests lie. The government would most prefer to see advocacy combined with a good many other interests. For some it would be fantastic if the private agencies made market opening for Swiss agriculture the central concern in their WTO advocacy. Such a campaign would be welcomed by *Economiesuisse*, the leading business organisation, and find hidden support in parts of the government that officially advocates extensive protection for Swiss agriculture. What does elicit less approval is the fact that we take up the international NGO campaign vis-à-vis the WTO addressing the many and varied interests of developing countries that are not compatible with total free trade, and demanding a thoroughgoing overhaul of the WTO rules in favour of these countries.

Apart from coherence issues, there is an interest within official development agencies in a more general, "public education-oriented" advocacy by private agencies. They ought to use public awareness building and discussion of the

problems in developing countries to awaken and sustain public interest in development cooperation. This is a task that demands sophisticated communication techniques and much money. The private agencies are doing a lot in this regard – not least of all it is a necessary basis of their fund raising. There is agreement in principle that the SDC can and ought to support such awareness building by private agencies.

6. Some in the SDC believe that the relief agencies should withdraw entirely from development cooperation and concentrate fully on advocacy. I have stated above that there are good reasons for the continued active involvement of private agencies in operational development cooperation. At this point I would like to underline the impacts a full withdrawal of relief agencies would have on advocacy. They are in my view threefold: (1) The private agencies would lose credibility; (2) their income from donations would contract dramatically; (3) the domestic basis for development cooperation would be diminished.

The advocacy work of development agencies currently rests on the fact that they know what they are talking about, they witness it first-hand and garner on-the-spot experience. Should private agencies cease to be engaged in developing countries and lose their connections with their partners in the South, they will also lose credibility in the eyes of the public.

The private agencies in Switzerland collect relatively substantial funds in a highly competitive donation market. The CHF 300 million can be collected because the private agencies are operating concrete programmes in developing countries. Contributors are not interested in financing private agencies' advocacy; instead they wish to help needy people in the South. Development cooperation activities are therefore at the forefront of fundraising. Should these disappear from the picture, donations would dwindle to a fraction of their present level. We can make a comparison with the donations received by the Berne Declaration, which is a purely advocacy-oriented organisation. It raises approximately CHF 2.5 million, and for fund-raising purposes it even prefers to use more concrete topics such as its involvement in fair trade (Clean Clothes Campaign) rather than its more abstract involvement with WTO issues, which is more difficult to put across to the general public. If all private agencies were to mutate into Berne Declarations, they would at best raise perhaps CHF 10 or 15 million. Most would quite simply go under.

With diminished credibility, much fewer private agencies and considerably less funding, the domestic basis of development cooperation would also become eroded. In a word, the withdrawal of relief agencies from practical development cooperation and their confinement to advocacy alone would be a masterstroke of political and managerial stupidity.

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