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Voluntary Organisations and the Challenge of Sustainable Development

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VOLUNTARY ORGANISATIONS AND THE CHALLENGE OF SUSTAINABLE DEVELOPMENT

That the world faces a global social and environmental crisis is now beyond question. The issue is how to address it. The institutions of government, including inter-governmental bodies, generally approach solutions within the framework of the conventional growth-centred development vision that has guided most development action over the past several decades. Investment, growth in economic activity, resource exploitation, debt financing, specialisation, corporate ownership, and emphasis on international markets are cornerstones of this vision. This vision dominates policy action at global and national levels.

An alternative people-centred development vision, articulated and promoted primarily by voluntary organisations (VOs) emphasises human well-being, stewardship of environmental resources, local self-reliance in basic needs, development of domestic markets, broadly based political and economic participation, local control of environmental resources, and strong participatory local government.

The paper questions whether solutions based on the conventional vision are likely to be effective if, as some critics claim, the vision itself is largely to blame for the current crisis. It also asks whether institutions that are competent only in activities that support the conventional vision are in a position to provide needed leadership.

It is argued that VOs, ie. organisations driven by a shared value commitment, have a substantial advantage over governmental organisations as catalysts of the type of institutional and values change required to resolve the global crisis. This will involve VOs increasingly in national and global networks concerned with advocacy and public education on policy issues.

A two-fold agenda is suggested. The first agenda item calls for historical country assessments of the social and environmental impact of foreign assistance, and trade and corporate investment policies. The second agenda item calls for the documentation of local initiatives that involve comprehensive approaches to development of productive, sustainable, and self-reliant local economies on a meaningful scale.

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The People-Centered Development Forum is a voluntary organisation that engages in research, education and advisory activities to encourage and support the definition and pursuit of a people-centred development vision as a global citizens' movement. The Forum carries out its work in close association with the Gateway Pacific Foundation and the Institute for Development Research, as well as with collaborating individuals and organisations throughout the world. The Forum's office is located in Suite 1103B Ritz Towers, Ayala Avenue, Makati, Metro Manila 1200, Philippines. Telex: 53283 FFMNL PN. Phone (63-2) 86 6413. Fax: (63-2) 818 6488.

INTRODUCTION

During the 1970s, futurists pointed out that global trends called for a basic rethinking of the ways we live and relate to our environment. Sceptics dismissed them as doomsayers, charging that they lacked faith in human institutions and human ingenuity.

In fact, it now seems the doomsayers were optimists. They had forecast that a breakdown in global systems would not occur until the mid-twenty-first century. That breakdown is already well advanced, and even the beginning of the twenty-first century is still more than a decade away. We see the evidence in deepening poverty for growing numbers of people throughout the world, rapid deterioration in the ability of planet earth to support life, pervasive communal violence, drug trafficking and abuse, and growing numbers of political, economic and environmental refugees. Those communities that have to date escaped the consequences are few and their future is becoming increasingly tenuous.

Perhaps the most ominous current indicator is the observation of the World Watch Institute that global per capita food production has been declining since 1984¹. Given large scale climatic change, rapidly dropping water tables, loss of top soils and natural soil productivity, the decline in available crop land, the destruction of coastal fisheries, and the annual production of a record number of additions to the global population, this is likely to be a long-term trend.

The basic conditions are sufficiently known and documented that there is no need to take further space here to elaborate them. Rather we will take the problem as a given and proceed to explore two basic questions:

- Is it likely that we will be able to resolve the crisis by fine tuning existing approaches and institutions, or do we need an alternative development vision?
- Can we expect governments and existing intergovernmental agencies to provide the needed leadership for change?

THINKING ABOUT DEVELOPMENT: ALTERNATIVE VISIONS

Since the late 1930s most citizens have looked to governmental and inter-governmental institutions at national and international levels to provide solutions to whatever ailed human society. The problems simply seemed too big for citizen action at the level of the individual, the family, and the community.

Over the past half century, human societies developed a wide range of public institutions to address the needs of their increasingly complex and interdependent world. Each of these institutions has its special competence, reflecting a prevailing vision regarding the nature of reality and the possibilities for a better future.

As awareness that poverty and environment are becoming global issues of crisis proportions, these institutions search for answers within their competence and vision. Thus, for example, the multilateral development banks were created to mobilise large quantities of loan financing as a solution to the problems of under-development. This reflected a vision of development as economic growth, to be achieved through infusions of investment capital. There was a need to get loan capital to developing countries, and the banks were created to meet this need.

When these banks attempt to respond to the growing crisis of poverty and environmental deterioration they naturally seek solutions consistent with their competence. Thus, they come forward with new types of loans - poverty loans and environmental loans. Even their answer to the debt crisis centres on extending new loans as an inducement to the structural reforms they dictate. Acceptance of the conventional vision is so pervasive that the irony of offering more debt as the answer to too much debt is seldom mentioned.

The conventional growth-centred development vision

The theories and approaches of neo-classical economics inform the conventional growth-centred vision that guides most international development assistance action. The practices of the multilateral banks, and the structural adjustment policies they espouse, reveal the key elements of this vision.

1. Lester R. Brown, 'Reexamining the World Food Prospect', in Lester R. Brown et al, *State of the World 1989*, W.W. Norton & Company, New York, 1989, pp. 41-58.

The conventional vision equates development progress with growth in economic activity. According to the prevailing belief, this growth is achieved through inputs of external financial resources, opening markets to the forces of international competition, and orienting domestic production to export markets. Proponents of this vision advocate:

- economic specialisation to realise comparative advantage in the international marketplace
- the extraction of resources for export as a means of earning foreign exchange for industrialisation²
- partnerships between big central government and big business to reduce regulatory constraints and strengthen investment incentives
- mobilisation of foreign equity or loan financing for large-scale capital investments
- foreign borrowing to stimulate domestic economic activity and facilitate access to international markets
- concentrating ownership of capital in large organisations to achieve the economies-of-scale needed to compete in foreign markets
- conversion of self-reliant small farmers into wage labourers to build a modern industrial labour force and
- low labour costs to provide an attractive climate for foreign investment and to maintain international competitiveness.

Critics of the conventional vision

Critics of the conventional vision observe that it is inherently both anti-people and anti-environmental. They claim that:

- it is strongly biased toward the needs of the most affluent consumers - especially foreigners, to the neglect of domestic consumers - especially the poor
- it undervalues natural resources and discourages resource conservation
- it values equally any increase in economic output, irrespective of whether it is sustainable or represents a net addition to human well-being
- it leads to a concentration of economic and political power and limits the ability of the poor to gain a voice, either in the marketplace or in the political process and
- it institutionalises the practice of absentee ownership on a global scale, resulting in a lack of commitment to people and place, and undermining the sense of community and resource stewardship.

Role of the multilateral banks

International financial institutions have had a central role in defining and implementing the conventional vision, especially in dictating supporting policy prescriptions. The policy prescriptions advocated by the banks are disturbingly self-serving. As banks, they are in the business of making loans. Loan repayment is basic to their survival. Thus they have a strong natural interest in encouraging export promotion as a policy priority so that borrowing countries may repay existing loans and re-establish credit worthiness for new borrowing.

The benefit of such policies to the banks is self-evident. The long-term benefit to the borrowing countries of the resulting economic dependence is less self-evident. Yet the borrowing continues. The reasons are straightforward.

The political leaders of borrowing countries invariably face impossible demands from countless constituencies. Their own efforts to achieve a politically acceptable level of economic performance are seriously handicapped by the debts of their predecessors. When loans are available to finance temporary prosperity, everyone wins - in the short run. The rich line their pockets. The poor get enough 'trickle down' to quiet their frustration. The politicians get the credit, and the bills fall to their successors.

Then one day, to everyone's horror, the international debt exceeds international borrowing capacity and the net cash flow turns negative. Surprise, the money lenders of the global village have arrived at the door to collect their due. The fun is over. Debt management prescriptions based on negotiating new debt financing do not eliminate this day. They simply delay it.

The banks have been severely criticised for the impact of their structural adjustment policies on reducing services for the poor. More surprising is the lack of condemnation for their role in encouraging and facilitating the accumulation of the debt in the first place. They have also been successful in escaping criticism for their own interest in ensuring continued reliance on debt financing³.

2. The economic gain from resource exploitation is calculated as the difference between costs of extraction and sale price. There is no allowance for depreciation of resource reserves.
3. Even the calls for debt reduction are often supported, in part, by the argument that this is necessary to restore credit worthiness so the borrowing can continue, often with a call to increase funding to the multilateral banks to finance new lending.

The alternative people-centred development vision

An alternative people-centred development vision has attracted a growing number of adherents in recent years. The theories of humanistic economics inform this vision. It is being forged largely outside the mainstream of development thought by independent thinkers and researchers. Much of the impetus comes from the voluntary sector.

According to advocates of the people-centred vision, authentic development must be just, sustainable and inclusive of all people. Any other type of development is bogus and ultimately anti-developmental. Authentic development action is pro-people and pro-environment. It contributes simultaneously to increased human well-being and environmental sustainability. Neither can be measured adequately in purely economic terms.

The people-centred vision embraces a strong sense of community, and of pride in place and heritage. Its adherents commonly speak of participatory political and economic democracy grounded in strong grass-roots organisations. People and their local environmental resource base become the point of departure for development action - people using their own resources to meet their own needs.

Adherents of the people-centred vision give great importance to the development of strong citizen-accountable local governments that provide opportunities for broadly based citizen participation in the political process. Similarly, they favour broadly-based producer participation in the ownership of productive assets. They believe that when ownership and local residence are linked there is an incentive for responsible stewardship of resources seldom found under conditions of absentee ownership.

They look for opportunities to increase output through the intensive, but conserving, use of renewable resources - working with natural processes to enhance them rather than to overwhelm them. They give priority to the development of local markets to meet the needs of local consumers, including consumers of limited means. They look for opportunities to serve the needs of the wealthy consumers living in distant cities or countries as a supplemental, rather than as a core, strategy. They value markets as mechanisms of exchange, but not at the cost of a substantial measure of local self-reliance in meeting basic needs⁴.

A dilemma

The evidence suggests that the current global crisis is a creation of the conventional development vision - a result of fundamental flaws in its underlying assumptions. If so, it is unlikely that a fine tuning of its institutions and approaches will be adequate to resolve the crisis. It is quite possible that the existing competence of many of the institutions created to serve the conventional vision may be relevant only to that vision. Thus, continued application of that competence in search of solutions to the crisis may inevitably prove counterproductive, even with the best of intentions.

For example, loans for environmental action and for services for the poor will inevitably increase pressures for export promotion policies to repay the loans. In the end the poor and the environment are likely to be worse off than if the 'assistance' were not provided in the first place.

Those institutions that are an integral part of the global support system for the conventional vision, such as the multilateral banks, face a serious dilemma. They continue to have an enormous influence, but the actions they are competent to take are often, by nature, counterproductive. Are they prepared to ask basic questions, even if the answers may limit or fundamentally change their roles?

Voluntary organisations face a similar dilemma. They are keepers of the people-centred development vision, but they have traditionally lacked significant influence in the development policy arena. Few have the relevant skills to exercise leadership in this arena. Are they willing to assume new roles and the demands those roles will impose?

4. The differences between these two models are reminiscent of the distinction Kenneth Boulding made some years ago between the 'cowboy' economy and the 'spaceship' economy. In Boulding's cowboy economy performance improvement is measured in terms of increasing the mining of resources to produce an ever-increasing output of products that are used temporarily and then discarded. The environment is considered to be both an inexhaustible source of resources and a limitless garbage pit. In Boulding's spaceship economy the use of any resource must be intensive, sustainable and just. Performance improvement is measured by improvements in the efficient and effective use and recycling of these resources to meet the needs of the spaceship's inhabitants. Kenneth E. Boulding, 'The Economics of the Coming Spaceship Earth,' in Henry Jarrett (ed), *Environmental Quality in a Growing Economy*, The Johns Hopkins University Press, Baltimore, 1968, pp. 3-14. Reprinted in David C. Korten and Rudi Klauss (eds.), *People-Centered Development*, Kumarian Press, West Hartford, 1984, pp. 63-73.

Public development assistance agencies and voluntary organisations both face a dilemma in forming partnerships with one another. They commonly work from fundamentally different development visions. Are they prepared to collaborate in search of new answers? Can this be done without the co-option of the voluntary organisations?

THE DISTINCTIVE NATURE AND ROLE OF THE VOLUNTARY SECTOR

Voluntary organisations (VOs) have qualities that give them the potential to assume distinctive development roles that differ in consequential ways from those of government and business. Each institutional sector - government, business and voluntary - has its own distinctive competence, revealed in part by the way its constituent organisations mobilise resources. Governments are able to command resources, using coercion where necessary, to back their demands. Commercial organisations obtain resources through exchange in the marketplace. VOs depend on shared values to attract the labour and financial resources of people committed to their particular vision of a better world⁵.

The government's capacity for coercion gives it a distinctive advantage in maintaining order and security. The market orientation of commercial organisations gives them a distinctive advantage in producing goods and services. The capacity of VOs for mobilising voluntary energy toward the realisation of shared values gives them a distinctive role as catalysts of social innovation.

Government has considerable difficulty supporting social innovations that challenge established interests, which serious social innovations almost always do. In most countries those who hold the economic and political power, ie. those to whom the political process is necessarily more responsive, are those whom the old vision has served well. They are unlikely to come forward as the first to challenge the vision from which they have gained so much benefit. Furthermore, government depends for its function on a broadly based political consensus fashioned through negotiation and compromise among many powerholders and interest groups. The necessary and legitimate role of public agencies is to support and promote public policies that have obtained broad endorsement through the political process.

The individual VO is much smaller than government and it is commonly built around a more coherent values consensus. It has the potential to define, articulate, and advocate positions that are not in the established political mainstream and therefore are not supported by existing public policy. Thus the VO has a distinctive advantage as a catalyst of social change.

The real strength of the voluntary sector as a social change catalyst is not a function of the size and financial resources of its individual member organisations. Rather this distinctive capacity derives from the sector's diversity and independence. The sector achieves scale and leverage through the formation of ever shifting coalitions - constantly defining, elaborating and redefining social issues, expanding political constituencies, promoting experimentation, and advocating political action.

Like the yin and yang of Eastern philosophy, the governmental and voluntary sectors represent two mutually dependent yet opposing forces within society. One is society's instrument for sustaining stability. The other its instrument for ensuring a constant process of self-assessment, experimentation and change. The society that lacks either is a deeply troubled society.

There are, however, points of time in history when one need or the other may predominate. *At present, the need for social innovation is paramount. Government must allow more scope for the voluntary sector and the voluntary sector must take steps to assume greater leadership.*

SUSTAINABLE DEVELOPMENT AS A PEOPLE'S MOVEMENT

The human rights, peace, consumer affairs, environmental action, and women's rights movements provide examples of the growing importance of global-scale citizen action in addressing a wide range of issues. The rapid spread of information technologies that wipe away geographical and political barriers is giving new impetus to these initiatives.

5. Not all non-government organisations (NGOs) are voluntary organisations. Many NGOs, for example, are basically non-profit businesses. This includes organisations in the field of development that are primarily driven by donor demands, and therefore are captive of the prevailing donor vision. For further development of these concepts, see L. David Brown and David C. Korten, 'Understanding Voluntary Organizations: Guidelines for Donors,' WPS 258, Public Sector Management and Private Sector Development, Country Economics Department, The World Bank, September 1989; and David C. Korten, *Getting to the 21st Century: Voluntary Development Action and the Global Agenda*, Kumarian Press, West Hartford, Conn., forthcoming Spring 1990.

VOs engaged in social development tend to be preoccupied with their individual village-level development projects. Until recently few of them have seen the relevance of engaging in or promoting people-to-people networks at national, regional, and global levels for purposes of policy education and advocacy.

Awareness is now growing of the extent to which sustainable grassroots social development depends on the support of appropriate policies and institutions at national and global levels. There is also a new awareness of the extent to which the goals of social development intersect with the concerns of the other issue-oriented people's movements mentioned above. As a consequence, social development VOs are rapidly expanding their participation in issue-oriented national and global alliances.

From international assistance to international cooperation

Conventional development assistance practice divides the world into two categories, donors and recipients. This practice also assumes that development is primarily the business of government; and that money is the primary currency in development assistance relationships.

The conventional government to government assistance relationship is diagrammed in Model 1 of Figure 1. The donor government transfers resources to the recipient government to expend for donor-defined projects with the expectation that benefits will ultimately reach the poor.

Awareness that the poor seldom benefit has led many donors to take a greater interest in *using* NGOs⁶ as intermediaries to channel assistance directly to the poor (See Model 2 of Figure 1). The change is not so fundamental as it might first appear. The approach is still heavily top-down and welfare oriented. Most of the assistance still goes to governments. Finally, assistance still consists of one way flows of money and technical assistance to address the donor- or provider-defined needs of the poor. The NGO-as-intermediary model seeks to benefit the poor without challenging any of the basic precepts or institutions of the conventional growth-centred development vision.

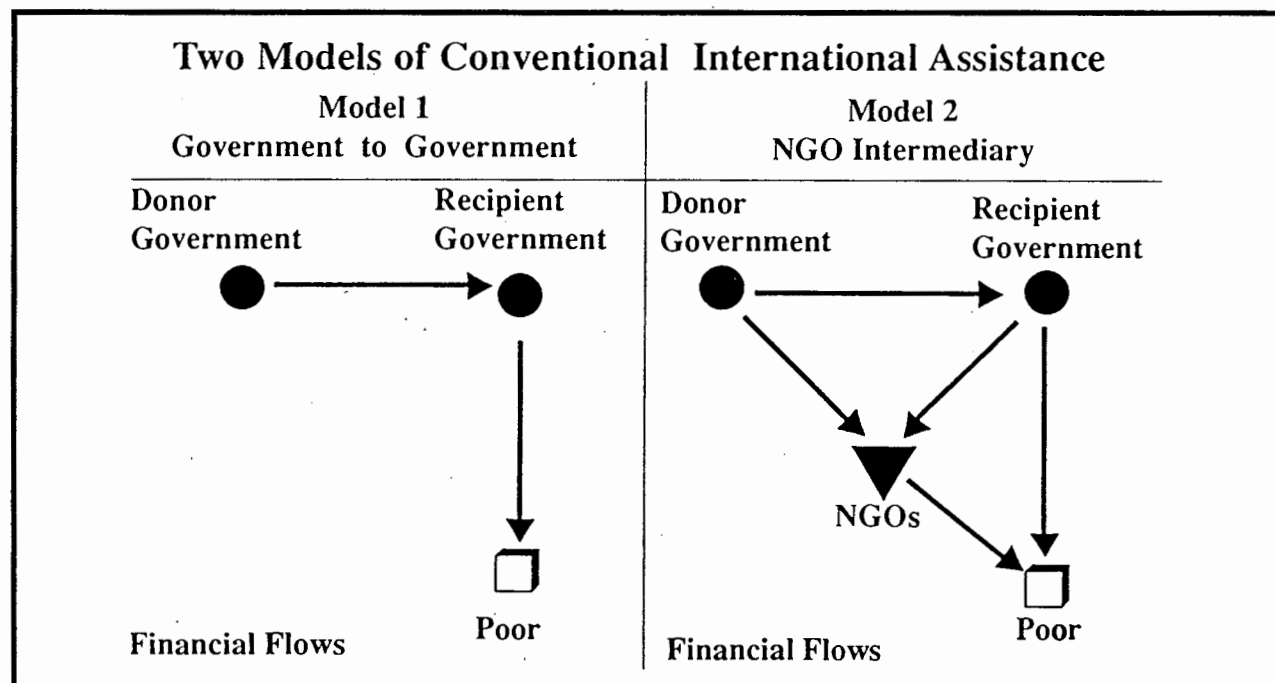


FIGURE 1: Two Models of Conventional International Assistance

6. Emphasis has been placed on the word *using* because this is exactly the way in which it is described and intended by many of the donors concerned. They view the NGOs primarily as contractors for hire. I have also used the term NGO rather than voluntary organisation as the donors are generally looking for non-profit contractors rather than for values-driven voluntary organisations that are likely to have their own agendas that may diverge from those of the donor.

A third model of international assistance, one more consistent with the people-centred development vision, is diagrammed in Model 3 of Figure 2. The people-centred development vision draws attention to the reality that many elements of the current global crisis represent problems shared in common by all nations. The problems require mutual problem-solving action by both people and governments. Examples of such problems include preserving and strengthening the small farm, dealing with the chronically unemployed, ensuring the protection of human rights, housing the homeless, increasing citizen awareness of global environmental problems, restoring depleted soils and managing population growth and distribution. To address these problems it is necessary for people to work with one another, and with and through their governments, within and across national borders to empower themselves and their institutions.

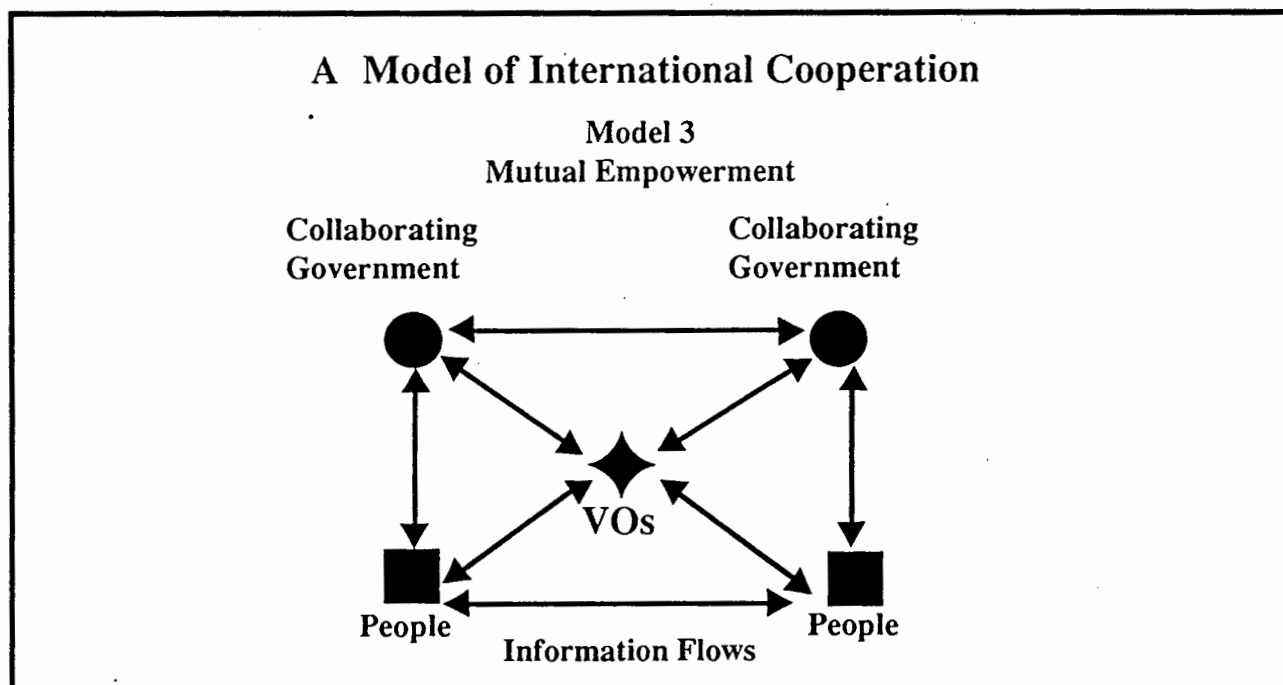


FIGURE 2: A Model of International Cooperation

The mutual empowerment model of international cooperation has several distinctive features:

- The primary resource is information, not money, and the flow is two-way. The focus is on people helping one another make better use of their existing resources.
- The emphasis is on shared or joint problems. The distinctions between developed and developing countries, North and South, East and West become immaterial.
- Mutual assistance relationships link governments and people at all levels within and across national borders.
- Linkages are established to provide feedback from people to governments and international donors on the consequences of government and donor programs and policies. The same linkages allow government and donors to inform people on the collective consequences of their local level actions.
- VOs play important roles as catalysts, mobilisers, feedback facilitators, analysts, advocates and educators. This includes important analytical, educational and action roles in developing new perspectives, values and behaviors consistent with a people-centred development vision.

Few international donors have yet thought much about NGO roles in dealing with issues of development and environment beyond the role of intermediary outlined in Model 2. To the extent that NGOs look to the donors and multilateral funding agencies to define NGO development roles they may expect to find themselves working primarily in intermediary service delivery roles. They will be implementing predominantly donor-defined agendas as non-profit contractors in support of the conventional vision.

This is one reason why it is important for those VOs that share a commitment to an alternative vision to maintain their independence in setting their own agenda. In most instances, they will need to choose donor partners on their own, rather than on the donors' terms.

A TWO-FOLD AGENDA FOR VOLUNTARY SECTOR ACTION

A two-fold agenda is suggested for voluntary sector action in support of the alternative people-centred development vision.

Agenda Item 1: Country assessments of development impact on people and environment

Governments and the multilateral banks are trying to restore the borrowing capacity of Third World nations so they can re-establish positive resource flows for their development. VO leaders are questioning the wisdom of debt financing and the policies that accompany it, suggesting that they only exacerbate the problems of poverty and environment. A balanced, pragmatic look at historical development experience from a poverty and environment perspective is badly needed to establish a basis for appropriate future action.

The issues

The current debt crisis, and its consequences for the poor and the environment, came about in part because debt financing was used for development projects. Perhaps the first question in an examination of historical development experience is: What did these investments contribute? Did they result in sustained contributions to growth in economic output consistent with the conventional vision? Did they have unforeseen social or environmental consequences?

The donors/lenders tend to rely on end-of-project reports to assess their performance. These evaluations generally apply highly optimistic assumptions regarding future flows of benefits. Nor do they consider the economic consequences, let alone the environmental or social consequences, of the resulting debt burdens.

A study done by the Operations Evaluation Department of the World Bank represents an important step toward a more realistic, self-critical examination. This study looked at twenty-five World Bank funded projects from four to ten years after project completion to assess actual economic performance. It is important to note that the sample of twenty-five projects was chosen to include only projects that had been rated as successful, with good long-term prospects, at the time of project completion. The follow-on studies concluded that only twelve of the twenty-five projects were able to sustain an acceptable level of economic performance. Thirteen had not. The recalculated average rate of return on the thirteen unsatisfactory projects was only 2.7 percent⁷.

We know from the Bank study that the money spent on these thirteen projects ultimately rated as failures was wasted. The debt generated to finance them, of course, remained. Whether these projects may also have had direct negative social and environmental consequences we do not know. Nor do we know how many projects were not included in the study because of low end-of-project ratings. We can be fairly certain that the debt burden that remained had negative social and environmental consequences.

Partly as a result of VO action, it is now widely acknowledged that some projects financed by the multilateral banks have directly detrimental human and environmental consequences. We do not know whether such projects are typical, or the exception.

Some of the more common targets of VO criticism have been power projects (eg. dam construction), and transmigration and road building projects that have resulted in the destruction of forests and the displacement of indigenous peoples. Particularly well known cases are commonly cited from Brazil, Philippines, Indonesia and India. Some of the projects challenged have been cancelled or redesigned as a result of VO initiatives. The World Bank has been particularly responsive to VO criticism and is seeking increased VO input to its project selection and design decisions.

While the banks offer convenient targets for criticism, there is no reason to believe that their projects are either better or worse than those of bilateral donors, governments, and large corporations. Indonesia's environmental VO, WALHI, recently sued the Indonesian government for allowing environmental violations by a major corporation.

7. Michael M. Cernea, 'Farmer Organizations and Institution Building for Sustainable Development', *Regional Development Dialogue*, 8(2), Summer 1987, 1-19. (Published by the United Nations Centre for Regional Development, Nagoya, Japan.)

It appears that VOs are becoming more aggressive in their challenges. They are also moving beyond challenging individual projects to challenge the broader system. VOs in the Philippines are now questioning a proposed supplemental foreign assistance package, sometimes called the Philippine Mini-Marshall Plan. They are concerned that the program will serve only business interests, while in the long-term leaving the Philippines burdened with additional debt.

There is good reason for concern. The World Bank recently announced a loan to the Philippines of US\$100 million to revive the coconut industry, in part by replanting existing coconut plantations to increase their productivity. Coconuts are a low value crop that occupies as much as a third of all agricultural land in the Philippines to serve export markets. Much of this land is controlled by powerful land owning families. The Bank loan directly undermines prospects for a much needed reform of the ownership of these lands and their conversion to diversified production of higher valued crops, including food crops for local consumption. If the coconut loan is an example of the best uses that donors/lenders and the Philippine government can find for existing external assistance resources, then there is obvious reason to question the utility of a substantially expanded aid package.

NGOs and others are coming to take greater note of the indirect consequences of foreign assistance. Pressures on national governments from the IMF and others to reduce services to the poor and to increase the exploitation of natural resources to repay international debts have made a major contribution to this consciousness raising. It becomes increasingly evident that the trade and investment policies recommended by the IMF and other international agencies as a part of structural adjustment can lead to increased environmental damage.

There are well documented examples of how open trade and investment policies allow industrial countries to 'export' their pollution and the environmental consequences of their demands for resources to the Third World. For example, Japanese VOs have pointed out that while Japan has strict policies to preserve its own forests, it accounts for 50 percent of global imports of forest products. Its demand for timber has made a major contribution to the destruction of the forests of Southeast Asia.⁸ Japan has also been accused of exporting its pollution by locating its pollution generating industrial plants in Southeast Asia.

The consequences of trade and investment policies are sometimes highly complex, with unintended consequences. With the best of intentions, the United States recently increased its Philippine sugar quota in the hope of eliminating pockets of extreme poverty in depressed sugar growing regions of the Philippines. The actual result of the increase in sugar prices has been to increase the value of the sugar lands. Thus the plantation owners have expelled the landless from the plots they were allowing them to use to grow their own food. These land owners have also increased their resistance to badly needed land reform initiatives that over the long-term would have allowed the poor to break their dependence on the low and uncertain wages offered by the sugar estates.

Careful assessment of the environmental and social consequences of individual development projects is important, but it is inadequate. There is also a need to examine the overall dynamics and impact of the broader foreign assistance process and its related trade and investment policy prescriptions on people and environment.

A study done by Sheldon Annis concludes that Costa Rica, by adopting policies encouraging industrialisation, foreign investment and export earnings, ended up destroying its ecology and accumulating an enormous foreign debt that crippled its economy. Particularly damaging were policies, supported by foreign borrowing, intended to generate foreign exchange earnings through converting forest land to cattle lands to produce beef for the US market.⁹

These debt funded policies provided Costa Rica with a temporary economic stimulus and short-term foreign exchange earnings, but contributed to the destruction of the country's forest cover and a deterioration in the productivity of its soils, leaving a foreign debt that hamstrings further economic progress. Costa Rica's problem did not arise from a single development project. Nor do international agencies carry the entire responsibility. Rising oil prices, combined with excessive dependence on foreign energy sources, precipitated the crisis and set in motion a complex set of dynamics involving numerous projects and policy choices that in the aggregate were seriously detrimental to Costa Rica. Such broadly based assessments are rare. More are needed.

8. See Francois Nectoux and Yoichi Kuroda, *Timber from the South Seas: An Analysis of Japan's Tropical Timber Trade and its Environmental Impact*, World Wildlife International, Gland, Switzerland, April 1989.

9. Sheldon Annis, 'Costa Rica's Dual Debt: A Story about a Little Country that Did Things Right', prepared for the World Resources Institute, U.S. Stake in Global Resources Project by the Overseas Development Council, Washington, D.C., May 1987.

A proposal

VOs in four countries of Southeast Asia (Indonesia, Malaysia, Philippines and Thailand) are planning a series of country consultations and regional assessments dealing with people and environmental issues. These will provide inputs to a regional consultation. The sponsors of this initiative are ACFOD, ANGOC, APROTECH ASIA, MINSOC and WALHI.

The participating VOs will assess the social and environmental impact on their respective countries of:

- international development assistance
- government policies relating to environment, international trade and technology transfer, and
- foreign investments and transnational corporations.

This Southeast Asian initiative represents an important effort to ask basic questions too often neglected. Similar initiatives are needed throughout the world. The current proposal from Southeast Asia is a first step. It will help to define the issues and contribute to a framework for further analysis. Subsequent rounds of data collection and analysis should involve collaboration with leading independent research centres able to add depth and international credibility. The following are among the issues that should be addressed.

Foreign assistance - projects. This element of the study would look specifically at foreign assisted development projects, including those financed by government borrowing from commercial banks. The first concern should be to determine the economic viability of projects that have been loan financed. This could be done by applying the methods of the studies carried out by the World Bank's Operations Evaluation Department to a random sample of major development projects financed by foreign borrowing. The same sample of projects, plus a random sample of grant funded projects, might be assessed for long-term environmental and social consequences. This would provide a basis to determine how well foreign assistance funds have been used.

Foreign assistance aggregate assessment. There should also be a broader assessment that looks beyond individual projects to the aggregate consequences of foreign assistance and international trade and investment policies on people and environment. This might use the approach of the Annis study of Costa Rica. It would consider the influence of the IMF and international lending agencies on trade and investment policies, the composition of accumulated debt, and the overall consequences for the country's current economic, social, and environmental performance. It would also consider whether on balance foreign assistance has contributed to, or worked against: 1) the more equitable distribution of control over productive assets (particularly land and water); and 2) the development of accountable representative government at both local and national levels. It will be important to consider the role of military, as well as economic, assistance.

Trade policy. This element of the study would look at the extent to which each country studied has focused on export-led, import-substitution, or domestic-market development oriented trade policies. It should consider the extent to which these policies were a response to debt repayment obligations and the policy guidance of international donors. The consequences would be assessed with respect to:

- the availability of basic goods and services to the bottom 50 percent of the population
- preservation of environmental resources
- distribution of economic and political power
- the competitiveness of local industry
- the competitiveness of local and regional domestic markets
- local labour conditions and
- foreign exchange position.

The impact of trade policies of trading partner nations on social and environmental outcomes would be assessed in the same terms. This would consider, for example, the impact of an increase in US sugar quotas on land reform in sugar growing areas of the Philippines; or the Japanese policy on importing timber in order to preserve its own forests.

Corporate investment policy. This element of the study would examine the extent to which investment policies favour large or small, foreign or domestic investors, and the social and environmental consequences of these policies.¹⁰ This assessment would look at the same range of consequences to be examined under trade policy.

10. There is no particular reason at this time to expect a systematic difference between foreign and domestic owned corporations concerning environmental practices, monopolisation of land and water resources, or the treatment of labourers. The study would, however, attempt to assess such differences and their implications.

These are complex issues. Definitive answers would require substantial research investment. Initial rounds of the study would necessarily be exploratory and would depend heavily on available secondary sources. The goal at this stage would be to achieve an overall picture and to stimulate debate on the issues involved. Each succeeding round of the study should lead toward more thoroughly documented and definitive analysis.

A number of such country studies from throughout the world would provide insights into the broad pattern of consequences of development assistance projects guided by the conventional development vision. We would then have a better basis for determining whether the conventional vision merely needs fine tuning, or whether more fundamental changes are needed.

In each assessment, attention should be given to how problem situations might have been addressed in ways consistent with a people-centred development vision and in retrospect how the outcomes of people-centred choices might have compared with the outcome of the choices actually made.

Agenda Item 2: Mobilizing community-based action

There is a growing body of experience around the world with initiatives aimed at building productive, self-reliant, sustainable local economies. It is a central premise of the people-centred development vision that such local economies are the necessary foundation of a sustainable society.

Community self-reliance

The greater the extent of local control over environmental resources and the more the local community relies on these resources to meet its basic needs, the greater the natural incentives for responsible environmental stewardship. The principle is illustrated by the success of the family planning program on the island of Bali in Indonesia. On Bali every male member of the community belongs to a local organisation called a banjar. The banjar is responsible for insuring the well-being of all its members using the resources of the community. Family planning workers pointed out to banjar members that population growth might make it impossible for future generations of the community to sustain themselves with the resources available. Banjar members immediately grasped the implications and worked out their own systems for limiting family size by mutual consent.

Many things are possible at the community level - if the people have the necessary vision and organisation. In the Philippines, a Communist insurgency and the military response have disrupted the lives of the rural people for decades. The problem has long remained beyond the control of the central government. Now some communities are finding their own solutions by creating local 'zones of peace'. The community negotiates with both the rebels and the army to stay out of their designated peace zone. Once the peace zone is established, there are reports that some communities have decided to address other 'mutual security' issues, such as local environmental problems.

In North America, the Institute for Local Self-Reliance is helping cities think in terms of developing more sustainable self-reliant local economies. This involves thinking more creatively about local resources, especially opportunities for recycling¹¹, that reduce external dependence and give the community more control over its economy.

There is a need for documented models of comprehensive efforts to develop productive self-reliant communities based on sound social and environmental management. An example is the Soufriere Development Programme being proposed for Santa Lucia in the Caribbean to promote 'adventure tourism'. The plan features the conversion of local residences into home stay units and the development of a large variety of supporting services by local residents. It is linked to the creation of a national park that would preserve one of the Caribbean's most important and beautiful natural environmental sites and provide nature trail excursions. The plan estimates that 789 jobs would be created by 1992 with an investment cost of \$4.4 million¹².

11. David Morris, 'The Self-Reliant City', in David C. Korten and Rudi Klauss (eds), *People-Centred Development*, Kumarian Press, West Hartford, 1984, pp. 223-239.

12. An alternative plan for the same area proposed by a foreign investment consortium would involve an investment of \$25 million to build a major hotel facility in the middle of the area being proposed for a national park. It would destroy the local watershed and its unique flora and fauna, and would disrupt the local marine environment to provide long-term 200 jobs. The Prime Minister is said to favour the foreign investment because of the investment capital it would bring into the country.

What is distinctive about the Santa Lucia plan is its comprehensive approach to linking preservation of an important ecological resource to a broadly participatory economic development scheme. It involves assessing an area's environmental assets and economic potential and seeking a development strategy that preserves the environmental assets while creating maximum opportunity for entrepreneurial participation, investment and employment generation by the area's residents. This contrasts favourably with most conventional tourism development schemes controlled by outside investors.

Challenge for VOs

Many VOs are working with communities on a wide variety of local self-help activities. These seldom add-up, however, to the kind of local transformation that is required to achieve a prosperous, sustainable people-centred development. Four challenges must be addressed.

Challenge 1: Comprehensive resource planning. VOs normally concentrate on individual community level projects. They are inclined to leave it to governments and donors to do more comprehensive planning. It is rare for a VO to undertake, or facilitate, more comprehensive analyses of local resources and how they might be reorganised to achieve sustainable improvements in well-being. There is a need for VOs to take a broader view of their roles in this regard, recognising the need to bring an alternative people-centred vision to local planning.

Challenge 2: Inclusiveness. Many social development VOs are highly conscious of conflicting class interests. Consequently, it is common for them to focus their attention on the organisation and empowerment of the marginalised classes to assert their rights in opposition to other groups. The environmental crisis brings a new dimension to the challenge. Resolution of the environmental crisis will require the cooperation of all social classes. Both the rich and the poor contribute to the crisis and ultimately both bear its consequences. This calls for a different and more comprehensive type of mobilisation. It may require use of different organising methods.

Challenge 3: Scale. Social development VOs characteristically limit their attention to locality-specific initiatives. There remains the dilemma of how small scale local initiative can be encouraged successfully on a large scale. The most powerful approaches may involve use of mass media and the organisation of forums in which one community learns directly from another. For many VOs such approaches may require the development of new perspectives and new skills.

Challenge 4: Self-reliance. The most powerful local action is likely to come from the realisation among the members of a community that they have to assume the responsibility for their own future. Self-reliance is a key element of the ideology of most social development VOs. Yet whenever outside agencies are involved there is always a risk of creating dependence. This risk escalates as large donors/lenders become interested in environmental action and seek out VOs as intermediaries to channel resources to communities for environmental projects. It is easy for assisting agencies to communicate, even unintentionally, that an external saviour is at hand to save the community from its own folly through injections of money. People's attention then turns away from self-help to the task of dividing up the money in ways that will maximise their personal gains.

A proposal

There are a growing number of local initiatives underway throughout the world to develop sustainable self-reliant local economies. Attention must be given to identifying, documenting, and disseminating successful experience to facilitate the expansion of such efforts. Particular attention should be given to those cases that demonstrate effective ways of dealing with the four challenges outlined here. VOs engaged in such efforts are urged to develop mechanisms for collaborating on the development and dissemination of such cases.