International Non-State Actors and Social Development Policy

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Summary

This brief discusses the role of international non-state actors in the complex multi-lateralism of social and development policy marked as it is by a high, and sometimes seemingly unfathomable, degree of institutional fragmentation and competition. It focuses on two broad groups of actors, international NGOs (INGOs) and international consultancy companies (ICCs), who are key players in the global politics of aid and development but whose activities are rarely scrutinised with analytical precision and, indeed, rarely studied together. Adopting an historical perspective, the brief shows how international non-state actors must be situated within wider trends in aid and development policies.

Hence, in the context of a neo-liberal policy agenda, many leading INGOs reorganised so that they became closer to emerging ICCs, as consulting, outsourcing, and sub-contracting became key features of aid and development policy. Throughout the 1990s, in the context of declining Overseas Development Assistance (ODA), and increasing spending on emergencies, trends towards concentration and oligopolisation amongst private development actors grew apace, fuelling short-termism, projectisation, and intense competition within the aid market, and detracting from wider critical development thinking and action.

A new aid and development regime focused on co-ordinated poverty reduction has many positive elements, including an attempt to ensure greater coherence, co-ordination and consistency of policy actions, to meet the agreed, time-bound, and measurable Millennium Development Goals (MDGs). The brief outlines a number of possible scenarios for the role of international non-state actors within the new regime. Most likely is that the regime will provide added impetus to existing tendencies towards concentration, oligopolisation, mergers and consortia amongst non-state
actors, since it will be these emerging supra-national agencies and alliances who will be
the only ones with sufficient capacity to engage in the more complex and coherent
programming being developed and likely to increase in importance in the future. This
scenario has considerable implications for Southern NGOs and groupings who may not be
considered as 'leaders' of these consortia so that they may become locked, again, into
relations of dominance and subordination within a newly revitalised Western development
apparatus.

Notwithstanding concerns about the abilities and willingness of international non-state
actors to support the provision of public services and to address wider social policy
frameworks, the major problem identified is that the new regime is being implemented
within the core principles of the new public management which infuses all development
actors. In particular, the problematic effects of competitive tendering and contracting, in
the context of the obvious imperfections of the aid market, are noted.

The brief ends with a series of recommendations and broad suggestions for Finland and
like minded countries, in favour of a clearer rule-based international system. Suggestions
include: more research on the effects of subcontracting; greater attention to quality
control, standards, and appraisal; a renewed focus on gender mainstreaming within
consultancies; the enhancement of transparency combined with wider sectorally-based
evaluations; the removal of pricing anomalies; and a focus on local capacity building.

Defining International Non-State Actors

'International Non-State Actors' is a term
used in this policy brief to refer to both
International Non-Governmental
Organisations (INGOs) and International
Consultancy Companies (ICCs),
concentrating on their role in social
development policy, in terms of how they
influence and affect the state of the world's
welfare. Recent work combining social
policy analysis with insights from
development studies, has focused on the
'extended welfare mix', to explore the role

of global, supra-national, transnational or
international actors alongside that of domestic
actors in the production of welfare and
security in national and regional contexts.
Within a continuum of international non-state
actors, Multi-National Corporations
(MNCs), for profit, stand at one end, and
Global Social Movements, based on shared
values, stand at the other end (cf Gough,
2001).

In the middle are a growing group of
Service Contractors, oriented to providing
services in international aid and development
markets and instrumental in orientation. This
group can be discussed as a whole since they,
essentially, compete for many of the same
contracts, whether or not they are, technically,
not-for profit (INGOs) or for-profit (ICCs).
Income derived from providing these
services, running programmes and
projects and so on, is income whether or
not a part of it is distributed as a dividend
to owners and shareholders. In a sense,
it is these 'hybrid' organisations, with a
strong market-orientation but also a
public purpose, and who sell their
services to aid donors and government
agencies, which are the main focus of
this study.
In a sense, the whole focus has to be historically specific, tracing shifts over time in the development of what might best be termed the supranational intermediate sphere. Whilst the emphasis in this text is on group 8, this cannot be undertaken in isolation from interactions with all other parts of the matrix nor, within a broad political economy approach, from changing historical and structural processes and contexts.

International Non-State Actors in Historical Perspective

There is more information available on the changing role of INGOs in international development than on the emerging role of ICCs. INGOs emerge as a phenomenon in the industrialising world of the mid-19th century, and are a complex product of forces of imperialistic militarism, scientific rationalism (both also associated with the early international accountancy companies), religious evangelism, and political oppositionalism. Viewed in this context, debates about the complex nature of INGOs are, therefore, not new.

INGOs in development grew as world society grew, with 80% of today's development INGOs founded after 1946, in line with the establishment of the international development regime, first through the United Nations and its agencies, then through the role of the United States, during the Cold War, and in food aid programmes, and later in the early 1960s, through the creation of Ministries or Offices for Development Co-operation.

With the combination of Western radicalism and Southern decolonization in the late 1960s, it is widely accepted that the conditions were created for the emergence of a 'golden age' for INGOs in the 1970s and 1980s, with considerable increases in funds, particularly from official sources. In particular many non-US INGOs were able to play a role as a 'countervailing power' constructing ‘chains of solidarity’, linking increasingly engaged constituencies at home with Southern NGOs and social movements.

The crisis of INGOs coincided with the emergence of the 'neo-liberal' policy agenda from the late 1980s. The effects of this are complex, not least because, in one sense at least, the neo-liberal agenda saw actors in civil society as key motors for economic growth and democratisation. Given the central role of the United States in the development of the policy, the split between US and non-US INGOs became more pronounced, and more ideological, in this period. Many European INGOs struggled with the tension between developmental imperatives, and a broad concern with social change and social justice, on the one hand, and institutional imperatives, the need to chase aid contracts to survive in a competitive market place, on the other hand. This became even more crucial in the context, for the first time, of declining development spending by official donors, and a general 'aid fatigue' amongst traditional publics.

The public development discourse began to exhibit increased doubts about, and hence concern with, efficiency and effectiveness, fuelled by official reports and popular exposées which demonstrated INGOs' poor performance, lack of accountability, and financial profligacy. An increasing share of donor funds was channelled to emergency situations, so that this also fuelled short-termism, projectisation, and intense competition within the aid market, and detracted from wider development thinking and action. Southern NGOs also became increasingly important, often being preferred by donors as more efficient and effective partners, and themselves critiquing the neo-colonialism and interference which Northern and Western INGOs brought to the aid relationship. Indeed, the complex merging of neo-liberal economics with grassroots emphases on 'participation' and 'sustainable development' further eroded the space for Western INGOs to continue as before.

Insofar as many of the leading INGOs reacted to these pressures by undertaking reorganisations based on modern business methods, then this inevitably led to a degree of convergence with a new generation of emerging development ICCs some of which

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included development assistance and advice as a new or expanding arm of their work, and others of which were newly formed as niche companies. ICCs were of growing global importance as global markets created opportunities for the expansion and proliferation of Western knowledge-based service systems. However, it is the revolution in information technology in the last decade, and its massive impact on the nature of ‘work’, which provides the conditions for an explosion of International Consultancy, not just by companies but by an emerging army of free-lance consultants able to sell intellectual services in real and virtual space, either directly to clients or through mediating agents, companies or institutions. Consulting, together with outsourcing, and subcontracting, become key features of the ‘detraditionalization’ of some aspects of employment in the West, in general terms, and specifically in terms of aid and development.

Whilst it is certainly true that this expansion of scientific rationalism, through new kinds of organisations, engaging a class of flexi-workers able to innovate and integrate through participation in and control of knowledge and information networks, has led to a narrowing of the profile of development workers and consultants, increasingly specialised to particular niches in the market, this is not the whole story. The informational revolution has allowed for a mushrooming of policy institutes, think-tanks, and flexible advice agencies with a much more critical stance towards the orthodoxies of development and the stance of major IGOs and donor agencies. Many of these combine monitoring, advocacy and advice-giving with a broader political orientation and a keen desire to search for alternatives. Critical development studies scholars also offer alternative positions and programmes, seemingly not unduly co-opted by their increasing involvement in consultancy. Donors themselves are increasingly interested in funding initiatives which offer a longer-term perspective on social change from within developing countries.

The Significance of International Non-State Actors

Nevertheless, trends in the development of the international aid market do resemble trends in other global markets. Unlike these other markets, however, reliable data on the size and significance of international non-state actors is difficult to find. Traditional studies have relied on donor figures which are widely recognised as unreliable. A recent OECD/DAC study of European INGOs, tracks INGOs' own responses in a database established in 1993 (Woods, 2000). The results are surprising, and, when analysed together with other information, shows the following broad trends:

1. Those European INGOs responding had a total income in 1993 of 7.3 billion USD, approximately the same figure as had previously been assumed as the total for all OECD countries.

2. Extrapolating from this, the study suggests an OECD figure of 15.5 billion USD or 28% of then OECD total ODA, again a much higher proportion than previously assumed. Indeed, official and private sources are of equal importance amongst INGOs surveyed (at 42% each; 16% of income is derived from trading and consultancy).

3. There is a high degree of income concentration in the sector with the top 20% of INGOs accounting for 90.5% of total income; the middle 60% accounting for 9%; and the bottom 20% accounting for less than 0.5%.

4. The top ten income earners account for 21% of the sector’s income. In reality, concentration is higher given increasing internationalisation and oligopolisation so that eight ‘families’ of INGOs (including CARE International, Oxfam International, World Vision International, Save the Children Alliance, Caritas International) may have up to half of all aid income dispersed through INGOs and up to 80% of emergency aid income, itself increasingly important.
5. The income of ICCS has grown considerably in the 1990s - many now have portfolios similar in income terms to some of the larger INGOs. Whilst the overall share of income to ICCs is difficult to estimate, the rise of competitive tendering has led to a greater role for ICCs, individually, or within emerging programme consortia.

**International Non-State Actors and the New Aid and Development Regime**

The emergence of what may be a new aid and development regime, based on a set of rules, institutions, and structured interests, and focused on co-ordinated poverty reduction, is an important phenomenon, with implications for the role of international non-state actors which are rarely discussed. The nature of the new regime is complex but includes some or all of the following core features:

- Development co-operation should be based on strategic partnerships owned and led by developing country Governments and civil society;
- Efforts should be concentrated on achieving the time-bound and verifiable Millennium Development Goals (MDGs) by 2015;
- Core policy actions to achieve these goals should include: pro-poor economic growth; pro-poor governance; basic social services; human security; gender mainstreaming; and mainstreaming environmental sustainability;
- There is a need for improved policy coherence, consistency and co-ordination - between foreign, trade, and development policies; between different development agencies; and within these agencies themselves;
- Planning frameworks, including Poverty Reduction Strategy Papers (PRSPs), play a vital role in translating the MDGs into national poverty reduction policies;
- The preference for free-standing aid projects needs to be replaced by a focus on Sector-wide approaches (SWAs);
- Social Investment Funds should be established to ensure that social provision is demand-driven and responsive to the needs of poor communities;
- Aid should be increasingly output-based to ensure the efficient achievement of desired results.

A number of possible scenarios can be envisaged in terms of the implications for the role of international non-state actors within the new regime:

1. A much reduced role for international non-state actors as bilateral and multi-national agencies play a much greater role, through increased staffing, and increasing decentralisation, in managing and supporting programmes. The extent of this is in danger of being over-stated, however, so that it is likely to have only a marginal effect overall.

2. The emergence of a new group of 'poverty reduction advisors' within existing INGOs and ICCs and, also, as freelance consultants, increasingly important in translating policy pronouncements into programmes, evaluating them, and rendering them meaningful to a range of agencies in the system. Again, this is likely to occur but to have only a small impact on one part of the overall regime.

3. Added impetus to existing tendencies towards concentration, oligopisation, mergers and consortia amongst non-state actors, since it will be these emerging supra-national agencies and alliances who will be the only ones with sufficient capacity to engage in the more complex and coherent programming being developed and likely to increase in importance in the future. This is the most likely scenario and one with considerable implications for Southern NGOs and groupings who may not be considered as ‘leaders’ of these consortia so that they may become locked, again, into...

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4. An increasing role for Western INGOs in monitoring policies and in keeping open channels of communication between diverse actors in the system, as well as building the capacity of Southern NGOs to be more involved in advocacy. This is a possibility for one group of INGOs but, again, of relatively marginal importance. In any case, there is a strong disjunction between INGOs’ statements at the global level, and their operational focus within particular national contexts.

A wider concern is that the emerging regime is itself a product of the orthodoxy of ‘new public management’ which applied management concepts originating in the for-profit sector to Western welfare states and, later, to development contexts, as a key element of their ‘marketization’. The tenets of the approach have certainly infused development agencies, INGOs and ICCs, including a sharper focus on quantifiable results or outcomes and an elevation of cost-management and economic efficiency enhancement approaches to the use of public resources (cf Ramia, 2003). Most importantly, the effects of the application of a key component of the new public management, ‘competitive tendering and contracting’, need to be addressed. Proposing such a fundamental shift towards poverty reduction programmes, whilst leaving untouched a ‘marketised’ sub-contracting regime, does look a little too much like seeking to use ‘the master’s tools’ to dismantle ‘the master’s house’ - with the new aid and development regime using market principles to correct the inequities of the market.

There is a need for much greater attention, therefore, to the operation of aid markets, including:

• Who has a dominant position in the market: is it private sector companies, new consultancy firms, and individual consultants from the private sector?

• Are there barriers to new entrants or is the market becoming more diversified including: a new group of early-retiree international consultants who are more oriented to traditional Western notions of ‘public service’, more Southern activists and scholars; new generations of transnational volunteers; and so on?

• Is there a tension between the formal, and ever more complex and tight, rules of contracting and sub-contracting regimes and the continued existence of informal personal and friendship networks amongst the global professional development community?

• To what extent is the market dominated by ‘price fixing’, with oligopolistic consortia able to charge very high rates per day for their consultants?

• Is there ‘differential pricing’ between international and local consultants and what are the effects of this within particular contexts?

• Are service users, the poor people and their movements, able to enter the market?

Overall, then, the embracing of the new aid and development agenda by development agencies has unclear implications for the role of international non-state actors in the future. It may well introduce more complex and diverse markets, discourses and organisational forms which will require new kinds of standards, regulations, and frameworks to ensure a balance between innovation and quality control; incorporation and critique; and flexibility and coherence. Unless the role of these international non-state actors is grasped, however, it could prove to be a major Achille’s heel of the entire framework.

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Strategies for Finland and Like Minded Countries

The recommendations of this policy brief are pitched at a very general level, and may at times appear to be too vague to be practical. At other times, where they are more specific and practical, they may already have been thought of, implemented, or improved upon. They are framed in such a way as to stimulate debate rather than to be a fixed agenda.

1. Researching sub-contracting regimes: more research is needed to examine the effects of sub-contracting regimes within aid and development. The implications for the preservation of institutional memories and the incorporation of lessons learning are particularly important here. In addition, a study would need to address how far such regimes maintain biases towards the purchasing of Western personnel as opposed to building genuine local capacity.

2. Ensuring Quality Control: the movement towards standards in all spheres of human service activity should not, and must not, pass development agencies by. It would not seem to be over-constraining for annual registers of organisations, including INGOs and consultancy companies, to be kept, either within donor agencies or co-ordinating bodies such as the DAC, which contained broad information on their interests and track record. There is also a need for a register of individual consultants since, in a sub-contracted aid market, it is the role of such actors which are increasingly important, which should seek to ensure a greater degree of ‘appraisal’ of consultants’ performance, based on best practice of internal staff appraisal.

3. Promoting Gender Mainstreaming: ensuring that aggregated figures for consultancy assignments include gender data would bring sub-contracting work closer to development agencies’ routine gender monitoring and equal opportunities requirements. This would, at least, provide evidence as to whether new sub-contracting and consultancy regimes are reinforcing gender inequality.

4. Enhancing Transparency and Engaging in Cumulative Evaluations: the need for cumulative evaluation of the performance of all external development actors, in particular countries, in regions, and according to particular themes, would be of immense importance in building much greater learning into all development organisations.

5. Removing Pricing Anomalies: competitive tendering suggests that pricing is a matter between the contractor and contractee. However, the need to discuss pricing issues collectively and, perhaps, reach a broad level of agreement might help to avoid a situation where differential pricing leads to unintended effects in terms of capacity issues, amongst international agencies and between those agencies and local actors, counterparts and stakeholders. The issue of the unintended effects of high salaries for international and local staff or of international agencies, also needs to be addressed, particularly in emergency environments.

6. Trusting the Local: long the mantra of the international development community, the logic of sub-contracting has not been adjusted accordingly. A fundamental shift in thinking is needed so that the involvement of any actors outside of a local environment and situation needs to be carefully justified at every stage, including project design, project development, tendering and implementation. The ‘value added’ of, initially, regionally-based organisations, groups and individuals followed by those outside of the region, should be explicitly stated and justified in all project documentation so as to minimise a kind of implicit ‘foreign is best’ modality which creeps into a project simply because of the realities of sub-contracting and tendering.

7. Building Capacity: if the trend is to longer term programmes then this requires real capacity building of local partners and an explicit recognition, built into programmes, of a decreasing, strategically oriented, external capacity building component. It also requires direct support for new organisations to emerge who can play a leadership role in development projects in the medium-term. This should be the goal of framework

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partnership agreements which could require demonstration of increasing work and responsibility for local actors over a given time period. It also may mean encouraging more flexibility in terms of swapping and twinning arrangements so that local stakeholders are able to play decision-making roles in Northern development agencies.

8. Guaranteeing Social Rights Through Public Provision: if there is increasing attention to poverty reduction, then this must be in a wider structural framework and, above all, one which gives attention to issues of social rights. Much of the most recent thinking on issues of poverty, already embrace wider questions of social exclusion and inequality. This suggests the need for analysis of livelihoods, social justice and social rights, including the importance of universal entitlements and public provision, going far beyond the current emphasis on basic education and primary health care. A social rights perspective needs to continually move between micro-, meso- and macro-levels so that the links between issues of governance, provision, innovation, access and voice are continually addressed.

Perhaps above all, partnerships for social justice cannot be technical but, rather, must involve attention to power issues. In this way, allies can be found amongst international non-state actors, providing many of the ‘rules of the game’ are changed in the interests of a genuine move to a more inclusive globalisation. As stated in other policy briefs, part of this must involve Ministries or Departments of Aid and Social Development ensuring that Foreign and Trade Ministries also understand these shifts, and are engaged with a range of international, regional and local non state actors. The Government of Finland can play a leading role in articulating a vision which is responsive to the critiques of globalisation as disenfranchising large parts of the world and a leader in a new dialogue for global social justice. Many in the international aid and development community would be responsive to such a lead.

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References


