

# **Non-Governmental Organisations (NGOs) and Poverty Reduction**

David Lewis

London School of Economics  
and Political Science

# NGOs and their diverse roles

- Basic definition of NGOs:
  - formal structure
  - non-profit distribution,
  - self-governance,
  - constitutional independence from state,
  - meaningful degree of voluntarism

- main areas of development work: service provision, research, policy advocacy, self-help, awareness raising
- types: 'Northern NGOs', 'Southern NGOs', 'local NGOs' 'international NGOs etc
- values: charity, solidarity, reciprocity, modernisation
- policy domains: social welfare, environment, rural development, education etc

- 3 key NGO roles:
  - **catalyst**
  - **service provider**
  - **partner**

- Arguments made for NGOs by their supporters:
  - flexibility
  - cost-effectiveness
  - closeness to the ground
  - ability to innovate
  
- Arguments against NGOs by their critics:
  - small scale of impacts
  - malleability to other interests
  - lack of accountability
  - low level of professionalism

# Historical perspectives

- the recent high profile of NGOs in development during the past two decades
  - donor frustrations with prevailing models of government to government development assistance
  - broader ascendancy of neo-liberal policy orthodoxies requiring flexible governance
  - citizen action against authoritarian regimes in Latin America and Eastern Europe
- far longer existence of NGOs which goes back two centuries or more, with continuities and change across national, regional and international contexts.

- increased interest in NGOs is an outcome of changing ideological and political ideas about the role of the state and the market
- analysis of NGOs needs linking to broader policy ideas about 'good governance' - i.e. a virtuous triangle of state, market and 'third sector'

# NGOs and development theory

- NGOs have helped to create political spaces for critical debate in relation to neo-liberal development paradigms
- NGOs implicit in newer theoretical ideas such as ‘social capital’, ‘social entrepreneurship’ and ‘civil society’
- NGOs have contributed to development theory in relation to gender, poverty, indigenous knowledge and participation - ideas about ‘development alternatives’

# NGOs and development practice

- NGOs have influenced development practice - e.g. participatory methodologies, gender mainstreaming, livelihoods and rights-based development approaches.
- NGOs operate at two main levels
  - ‘on the ground’ working within poor or vulnerable communities
  - ‘within the policy process’ as NGOs seek to influence government, corporations and donors

# NGOs and the aid system

- NGOs both shape, and are shaped by, the changing Western aid system. At the level of institutions, current ideas about 'good governance' have both facilitated and limited NGO roles and activities.
- At the level of funding, issues of power and sustainability characterise relationships between NGOs and bilateral and multilateral donors, as well as questions of coordination and accountability within the increasingly ubiquitous policy language of 'partnership'.
- Increasing efforts by certain NGOs to remain outside the aid system.

# NGOs and poverty reduction in Bangladesh

- **Micro-credit:** evidence suggests tangible enhancement of capabilities of the poor, through asset enhancement and positive effects on socio-economic environment:
  - **positive economic effect** on clients (e.g. building non-land assets, consumption smoothing), though effects are often small, and all may not benefit equally
  - microfinance and associated MFI activity have had **positive social effects** (e.g. ‘women’s empowerment’; education; health; fertility)

# **NGOs as catalyst, service provider and partner in microfinance field**

- Grameen innovated a new approach to poverty reduction through experimental work
- NGOs now distribute microfinance services to over 18 million borrowers across country
- Institutionalised microfinance as public policy since 1990s through PKSF parastatal 'on-lending' to NGOs, providing 15% of total microfinance resources

# Conclusion

- NGOs are likely to remain important actors in development processes in the years to come.
- While there are strong pressures for homogenisation and uniformity, NGO creativity is linked to the continuing diversity of organisations and activities.
- NGOs play key roles in poverty reduction but are not 'magic bullets' offering total solutions