

**ENVIRONMENTAL PROJECT FOR CENTRAL AMERICA (PACA)**

**CARE USA**

**SECOND-LEVEL ORGANIZATIONS**

**A Partnering Option**

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## Contents

Forward .....	iv
<b>I. INTRODUCTION AND EXECUTIVE SUMMARY .....</b>	<b>1</b>
<b>A. Why work with local organizations? .....</b>	<b>1</b>
<b>B. Second-level organizations .....</b>	<b>1</b>
<b>C. Sustainability .....</b>	<b>1</b>
<b>D. Building Partnerships with SLO .....</b>	<b>2</b>
<b>II. WHAT ARE SECOND-LEVEL ORGANIZATIONS? .....</b>	<b>4</b>
<b>A. Types of organizations .....</b>	<b>4</b>
<b>1. Definitions .....</b>	<b>4</b>
<b>2. First-level organizations .....</b>	<b>5</b>
<b>3. Second-level organizations .....</b>	<b>5</b>
<b>4. Other typologies .....</b>	<b>5</b>
<b>B. SLO structure .....</b>	<b>6</b>
<b>III. CRITICAL ASPECTS OF SECOND-LEVEL ORGANIZATIONS .....</b>	<b>8</b>
<b>A. Ownership .....</b>	<b>8</b>
<b>1. Elements of success and sustainability .....</b>	<b>8</b>
<b>2. Critical Aspects .....</b>	<b>9</b>
<b>3. Assessment of SLO Strengths and Weaknesses .....</b>	<b>9</b>
<b>B. Achieving Concrete Results .....</b>	<b>11</b>
<b>1. Elements of success and sustainability .....</b>	<b>11</b>
<b>2. Critical Aspects .....</b>	<b>11</b>
<b>3. Assessment of SLO Strengths and Weaknesses .....</b>	<b>12</b>
<b>C. Member Motivation .....</b>	<b>12</b>
<b>1. Elements of success and sustainability .....</b>	<b>12</b>
<b>2. Critical Aspects .....</b>	<b>13</b>
<b>3. Assessment of SLO Strengths and Weaknesses .....</b>	<b>13</b>
<b>D. Financial Sustainability .....</b>	<b>14</b>
<b>1. Elements of success and sustainability .....</b>	<b>14</b>
<b>2. Critical Aspects .....</b>	<b>14</b>
<b>3. Assessment of SLO Strengths and Weaknesses .....</b>	<b>15</b>
<b>E. Leader Skills and Motives (Personal Qualities) .....</b>	<b>15</b>
<b>1. Elements of success and sustainability .....</b>	<b>15</b>
<b>2. Critical Aspects .....</b>	<b>16</b>
<b>3. Assessment of SLO Strengths and Weaknesses .....</b>	<b>16</b>
<b>F. Leadership Processes .....</b>	<b>17</b>
<b>1. Elements of success and sustainability .....</b>	<b>17</b>
<b>2. Critical Aspects .....</b>	<b>17</b>

3. Assessment of SLO Strengths and Weaknesses .....	20
<b>G. Organizational Learning</b> .....	21
1. Elements of success and sustainability .....	21
2. Critical Aspects .....	22
3. Assessment of SLO Strengths and Weaknesses .....	22
<b>H. Networking</b> .....	22
1. Elements of success and sustainability .....	22
2. Critical Aspects .....	23
3. Assessment of SLO Strengths and Weaknesses .....	23
<b>I. Opportunities and Threats in an SLO's Environment</b> .....	23
<b>IV. THE PARTNERING PROCESS</b> .....	26
<b>A. Purpose of intervention</b> .....	26
<b>B. Objectives</b> .....	26
<b>C. Partnership principals</b> .....	26
<b>D. Success</b> .....	26
<b>E. Steps in partnering</b> .....	27
1. Stages .....	27
2. Deciding to Partner .....	27
3. Selecting a Partner .....	28
4. Maturity .....	29
5. Institutional strengthening .....	29
6. Formal Process: Setting the Game Rules .....	29
<b>F. Lessons</b> .....	29
<b>V. Partnering with SLO</b> .....	31
<b>A. External support</b> .....	31
<b>B. Advantages and Disadvantages to Partnering with an SLO</b> .....	31
<b>C. Factors ESOs should promote</b> .....	32
<b>D. Questions that should be asked before setting up alliances.</b> .....	33
<b>E. Suggestions for Partnering with SLOs</b> .....	36
<b>F. The SLO option</b> .....	37
<b>APPENDICES</b> .....	38
<b>Objectives and Methodology</b> .....	A-1
<b>Participants in the Collective Consultancy</b> .....	A-6
<b>Summary of Literature Review</b> .....	A-7
<b>Bibliography</b> .....	A-15



## Forward

Many experiences indicate that direct implementation of projects by external organizations raises the cost and generates dependency. Frequently, projects end when the external support organization (ESO) leaves.<sup>1</sup> Because of this, ESOs such as CARE often work through partnerships to strengthen development processes, which are already underway.

In some cases, second-level organizations can be natural partners for CARE. This study analyzes requirements for working successfully with second-level organizations (SLO).

The study is based on information from:

- \* A collective consultancy involving 26 experts, 14 of which are SLO directors, 5 are external advisors to second-level organizations, 4 are CARE officials, and 3 are facilitators for the study.
- \* A literature review.
- \* The experience of the Environmental Project for Central America (PACA).

The Environmental Project for Central America (PACA) was one of CARE's pioneer partnering projects. It was carried out between 1990 and 1995 in consortium with The Nature Conservancy and funding from USAID (G-CAP). This study was undertaken as part of PACA's mandate to document and share lessons learned. The original report, which was done in Spanish, was edited and expanded to produce the English version.

Requests for partnering tools, materials and technical assistance should be directed to Larry Frankel, TAG Director, CARE USA.

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<sup>1</sup> The term "external support organization" refers to outsiders who support development processes, but are not the "owners" and do not have to live with the results. External support implies a horizontal relationship; otherwise it would be imposition, not support. Some organizations that have worked with CARE as partners feel the Spanish term "colaborante", or collaborating organization, is less paternalistic than "donor" or "intermediary".

## **I. INTRODUCTION AND EXECUTIVE SUMMARY**

### **A. Why work with local organizations?**

CARE and other collaborating organizations form strategic alliances, or partnerships, with local organizations to increase the efficiency, coverage, and sustainability of their support. The objective is to strengthen existing development processes without creating dependency.

Sustainability depends on the degree to which interventions spring from and respond to local processes. To a great extent the sustainability of CARE's work depends on the capacity and continuity of local organizations.

### **B. Second-level organizations**

This study defines second-level organizations as those whose members are other organizations. They are formed to represent the interest of their member organizations. For an external support organization (ESO), the SLOs offer a means to multiply program scale and outreach.

SLOs are different from first level organizations. SLOs tend to be complex, fragile and sensitive to political processes. Experience in forming successful first level organizations does not necessarily prepare leaders to confront the challenges of building sustainable SLOs.

Some of the characteristics that distinguish SLOs from first level organizations (FLO) are:

- Multiple constituency groups with varying expectations.
- Greater distance between the problem the SLO focuses on and the felt needs of the first level organizations' members.
- Greater access to resources.
- Greater access to markets, political processes and decision-makers.
- SLO leaders tend to be ambitious and professional.

### **C. Sustainability**

Success may be defined as an activity, which achieves its purpose. Sustainability requires that success be maintained through time. The key to SLO sustainability is to offer services that satisfy the expectations of member organizations at a reasonable cost.

A successful SLO:

- \* Is respected by its members and other organizations.
- \* Responds to shared needs felt by member organizations.

- \* Has clear and appropriate objectives.
- \* Exerts capacity and leadership in its field.
- \* Offers concrete achievements at a reasonable cost.

A sustainable SLO demonstrates the characteristics of success in addition to the following elements.

- \* The SLO includes member organizations in the leadership process without becoming subordinate to them at the operational level.
- \* The SLO exercises and renews leadership through transparent, orderly and representative processes.
- \* Economic sustainability comes from member organizations and processes controlled by the SLO.
- \* Member organizations feel they receive greater benefits from the SLO than the contributions they make.
- \* The SLO maintains a clear vision of its own identity. It plans. It designs programs to take advantage of niches. It establishes short and long term plans. It generates resources in accordance to its strategic plan.
- \* The SLO has the capacity to learn. It develops the skills required in response to self-generated demands.
- \* The SLO establishes strategic alliances and interinstitutional support networks.

#### **D. Building Partnerships with SLO**

Partnerships with SLOs present special challenges for ESOs. The challenges often involve institutional strengthening.

- 1) The main challenge is to understand the political complexity that surrounds the SLO, to design adequate interventions, and to identify proper roles.
- 2) Interventions should reinforce positive tendencies within local processes to which the SLO responds.
- 3) Communication and participation are much more complex processes in SLOs than in first level organizations. This is because there are more kinds of stakeholders, and the stakeholders are

better organized. They are usually organizations, often with substantial power quotas, rather than individuals. The ESO should analyze participation as a relevant factor in choosing an SLO. It should offer adequate support to the SLO to increase the effectiveness of participation and communication processes.

- 4) The ESO has to precisely define its own role. It has to participate in the processes it supports. At the same time it must take care to not intervene in SLO internal affairs.

## II. WHAT ARE SECOND-LEVEL ORGANIZATIONS?

### A. Types of organizations

#### 1. Definitions

An organization is a tool created to achieve a specific purpose. The following definitions help understand organizations.

- \* **An organization** is a group of people working together to reach a common end.
- \* **The owners** are those who have the right to define or modify the purpose of the organization.
- \* **The clients** are those who use the organization's services.
- \* **Institutional strengthening** is the process whereby an organization achieves its potential.

In this study, we classify organizations according to their relationship with their constituent base, or owners.

- \* A **first-level organization's** owners are individual people.
- \* A **second-level organization's** owners are other organizations.

The constituent base of an organization must not be confused with a base group (or grassroots) organization. This terminology ("las bases de la organización" versus "organizaciones de base") can be especially confusing in Spanish.

- \* An organization's **constituent base** consists of those who exercise voice in determining the organization's purpose. These include members, clients, owners, and/or other supporters.
- \* A **base group (grassroots) organization** is one, which has been formed as a tool for promoting the interests of its owners. Examples of grassroots organizations include cooperatives, chambers of commerce and labor unions. People from all levels of society form grassroots organizations. In fact, those with the most resources are usually most successful.

For society, organizations represent **capital** -- an infrastructure for providing services and solving problems. This infrastructure includes households, community groups, user organizations (such as cooperatives and non-profit organizations), external support organizations like non-

governmental organizations (NGOs), private enterprises, and state organizations.

## 2. First-level organizations

First-level organizations (FLO) are composed of people. In an FLO, there is a direct and personal relationship between the members of the organization and the problem in focus. Members participate to promote their own interests, or out of concern for helping others, and because they consider the value of participation to be higher than its cost.

A first-level organization is not necessarily a grassroots organization.

<b>EXAMPLES</b>	
<b>A FIRST-LEVEL GRASSROOTS ORGANIZATION</b> (provides services to its members)	<b>A FIRST-LEVEL NON-GRASSROOTS ORGANIZATION</b> (provides services to others)
A cooperative, which processes the milk, produced by its members.	Businessmen who rehabilitate street children.
Businessmen who form a chamber of commerce.	Professionals who promote training/technical assistance programs for cooperatives or community groups.
Neighbors who organize to protect a forest, clean up a river, supply potable water, fix a road, or support a school.	

First-level organizations can be large or small, simple or complex. They include organizations such as families, community groups, churches, political parties, unions, businesses, cooperatives, and some NGOs. Even governments are very large first-level organizations, through their complex representative networks.

## 3. Second-level organizations

Sometimes first-level organizations join together to form a second-level organization. The purpose of SLOs is to benefit member organizations by offering them services, which would be difficult to organize or would not be profitable for an FLO alone. Therefore SLOs are technically grassroots organizations, ***although their constituent base (their owners) are organizations rather than people***. As in FLOs, member organizations participate to promote their interests, and because they consider the value of participation to be higher than its cost.

## 4. Other typologies

Thomas F. Carroll, (1992) classifies organizations according to their relationship to developmental processes.

Grassroots organizations At the first level, people organize to promote change, which directly affects their interests. For Carroll, first-level organizations are synonymous with grassroots organizations.

Support organizations Carroll defines second-level organizations according to their role of "**tending**" grassroots organizations. They are intermediaries, which provide access to information resources, contacts, technical assessment, and financing to grassroots organizations. In his classification of SLOs, Carroll includes organizations composed of individuals, and of other organizations.

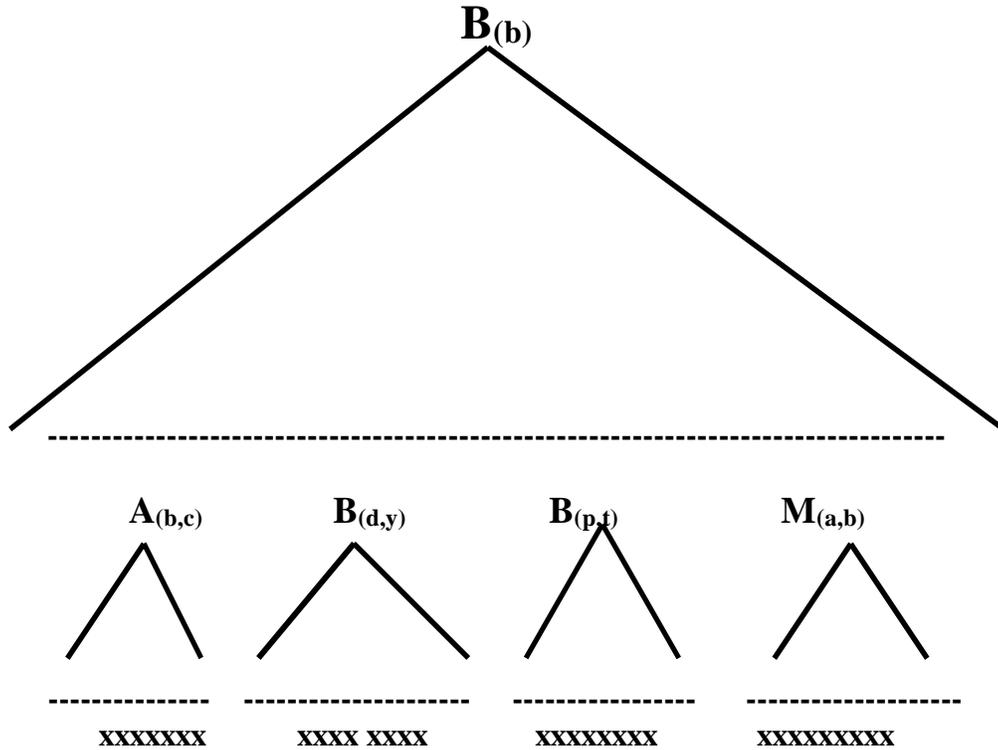
Carroll divides support organizations into Membership Support Organizations (MSO), which originate from grassroots organizations, and Grassroots Support Organizations (GSO), which are formed by outside people or organizations.

In this study, we define SLOs simply as *organizations whose members are other organizations*. In terms of Carroll's typology, our definition of SLOs would include MSOs and those GSOs whose members are other organizations. Appendix 3 includes a summary of the literature review.

## **B. SLO structure**

Second-level organizations can be visualized as a pyramid of interests and participants. The line (-----) represents each organization's constituent base.

## PYRAMID OF INTERESTS



- 1) At the base of the pyramid are the people (xxx) who make up first-level organizations. Each first-level organization has a principal focus (capital letter) and several secondary foci (lower-case letters).
- 2) In the middle of the pyramid are the leaders or representatives of first-level organizations. These form the base of the second-level organization. The purpose of the second-level organization is to provide benefits to member organizations around a common interest: **B**(b).

### **III. CRITICAL ASPECTS OF SECOND-LEVEL ORGANIZATIONS**

Participants in the collective consultancy identified various critical aspects, which affect the success and sustainability of SLOs. We have grouped their ideas into the following areas.

- Ownership.
- Achieving concrete results.
- Member motivation.
- Financial sustainability.
- Leader skills and motives.
- Leadership processes.
- Learning.
- Networking.

#### **A. Ownership**

SLOs are created in response to member organizations' needs. They are tools for achieving a purpose. This purpose is usually to strengthen member organizations by acquiring resources, representing their interests in higher level decision making processes, or providing services which all of the members are interested in, but which they can not individually provide.

The owners decide, and can change, the purpose of the organization. In order for the organization to be sustainable, they must be satisfied with its performance over time.

#### **1. Elements of success and sustainability**

A successful SLO:

- \* Is created in response to common needs felt by affiliated organizations.
- \* Defines its purpose in relation to its FLO members' needs.
- \* Represents homogenous interests in the FLOs.
- \* Provides resources or services to the FLOs.

A sustainable SLO:

- \* Develops a circle of mutual support between affiliated organizations.
- \* Integrates but does not subordinate affiliated organizations.
- \* Supports and facilitates planning processes and institutional strengthening in the

FLOs.

## **2. Critical Aspects**

### **Identifying Members**

An SLO must differentiate its services from those of its members.

The SLOs easily confuse their owners and clients with those of first-level organizations. SLOs exist to serve FLOs. FLOs exist to serve their members. It is sometimes difficult to remember that an SLO's members are the FLOs, not the FLOs' members. Organizationally, the FLOs' members are important to SLOs because they create the political support, which justifies the FLO being a member. However, it is the FLOs -- not the SLO -- who must serve the FLOs' members.

### **Mix of Services**

The SLO must decide what services it can realistically offer, and to whom. When an SLO becomes confused about who its members are or what their needs are, it runs the risk of offering services to the same clients that the FLO serves, as though it were a first-level organization. For example, an FLO offers technical assistance to its members who are small farmers. If the SLO starts to offer the same services to the same small producers, it would be competing with the first level organization

## **3. Assessment of SLO Strengths and Weaknesses**

### **Factors motivating the creation of SLOs**

The survey respondents who participated in the collective consultancy indicated that the following factors motivate FLOs to create SLOs:

- Similar activities and problems;
- The need to enlarge projects;
- Significant external threats such as lack of financing, difficulties in marketing, and growth of competition.

The majority thought that once SLOs are created, their goals change. Some reasons include:

- Adapting to environmental realities;
- Leaders incorrectly interpret member organizations' needs;

- Leaders pursue their own interests;
- Influence by ESOs;
- Unclear planning or management.

The consultants felt that SLOs often lose sight of their organizational purpose, and begin treating means as though they were ends.

### **Formation and design of SLOs**

Both groups of experts, the SLO directors and the ESO advisors, felt that the motivation behind how and why SLOs are formed is key to their success. However, the groups were divided over how the process works in practice. The SLO directors felt that their SLOs were formed "more from internal than external motivation". The ESO consultants believed the opposite. Opinions are similarly divided regarding SLO designs. The SLO directors felt that the organizational design is largely determined by insiders. The ESO consultants felt that SLOs are often designed by outsiders.

All the consultants felt that SLOs have a greater chance of becoming successful and sustainable if the impetus for organizing comes from members rather than outsiders, since there is likely to be more sustained commitment.

The consultants questioned the validity using external initiative to create SLOs on the grounds that:

- The outsiders often play a dominant role, perhaps unintentionally;
- Outside resources could provide an opportunistic reason for FLOs to work together, or mask a lack of cohesion between affiliates and the SLO;
- An SLO could be created where its members felt no real need;
- Member organizations might not feel they were part of the SLO, or that it belonged to them;
- The SLO would be more likely to be monopolized by a few leaders;
- Outsiders often have unrealistic expectations, creating conditions for failure.

The following arguments were presented -- especially by the SLO directors -- in favor of an external initiative and design:

- Increased opportunities (credit, training) for the SLO;
- Achievement of necessary initial cohesion among the affiliates;
- Increased legitimacy of the SLO.

## **B. Achieving Concrete Results**

Second-level organizations base their success on satisfying needs of member organizations. An SLO cannot respond to all the needs. It must choose a mix of services that are valued and which responds to a common denominator among the affiliated organizations.

The services must strengthen first-level organizations. The SLO cannot compete with them. It must produce concrete results at an acceptable cost.

### **1. Elements of success and sustainability**

A successful SLO:

- \* Has clear and appropriate objectives.
- \* Is considered a tool at the service of its ends, not as an end in itself.
- \* Works with already-existing organizations which have acquired internal cohesion and external legitimacy.
- \* Responds to real and felt needs of member organizations. Provides relevant services. Presents concrete achievements.
- \* Accepts external support in response to its institutional priorities.

A sustainable SLO:

- \* Carries out functions in defense of sectorial interests of member organizations. Is a leader in its sector.
- \* Plans strategically. Establishes short-term and long-term goals. Designs programs to take advantage of niches. Continually conducts a situational analysis.

### **2. Critical Aspects**

#### **Unrealistic Expectations**

Members sometimes treat their SLO as a catchall of expectations for services that could make their organizational lives easier. Similarly, an SLO may generate unrealistic expectations in an effort to entice members to join or to contribute. Finally, driven by outside agendas, external support organizations frequently encourage SLOs to assume responsibilities for which they are unprepared.

### **Long Term Benefits**

SLOs frequently work to improve the environment in which the FLOs operate. Their objectives are often long range. Yet in order to keep the FLOs interested and participating, short-term results must also be produced. The SLO must establish clear and realistic expectations, which balance short and long term goals. Then it must demonstrate results to its members.

### **Distance Between Member's Members and the SLO's Priorities**

One of the principle challenges SLOs face is to overcome the distance between the interests and priorities of the members of the FLOs, and the problems the SLOs focus on. By definition, members join FLOs to receive benefits, which are important to them. FLOs join SLOs for the same reason. However, the FLO members who are named to be representatives at the SLO level have varying degrees of personal interest in the SLO's activities. For example, a milk producer will gladly sacrifice time to participate in SLO lobbying efforts to raise the milk price. However, the producer may be only marginally concerned about supporting a national program to improve the genetic quality of dairy herds in general.

## **3. Assessment of SLO Strengths and Weaknesses**

The literature suggests that SLOs are often effective at what they do, but have a limited scope.

The respondents felt that the short-range expectations of their FLOs, and the outside agendas of ESOs often sidetrack SLOs from their central purpose. They agreed that organizational planning processes are infrequently used, and are often not effective management tools when they do exist.

### **C. Member Motivation**

Members are motivated by satisfaction of needs. They lose interest and withdraw their support if their needs are not met in a cost-effective manner.

#### **1. Elements of success and sustainability**

A sustainable SLO develops strategies, which permit simultaneous strengthening of the SLO and the FLO, without threatening affiliated organizations.

#### **2. Critical Aspects**

## **Multiple Interests**

SLOs have multiple stakeholders. This diversity of interests is the most critical aspect of SLOs.

Theoretically, second-level organizations are simpler than grassroots organizations because they have a homogenous focus. In practice they are more complex due to the many agendas promoted by the individuals and organizations at each level of the pyramid, as well as those from outside who interact with the SLO.

To begin with, each FLO expects the second-level organization to reflect the FLO's own institutional objectives. To complicate matters, local and national governments as well as external funders may also be stakeholders. They see SLOs as a way to further their own agendas by gaining access to a large base of people and organizations. Each constituent group has a power quota. FLOs have structural legitimacy (voice and vote) as owners, and may contribute resources as well. Outsiders offer resources, contacts, and other kinds of support that the SLO may need to survive.

The political atmosphere of negotiating multiple interests makes choosing institutional priorities difficult.

## **Umbrellas and Shade**

The SLO umbrella should not provide too much shade for the FLOs. SLOs are created to represent the interests of their member organizations. An FLO is primarily interested in its own agenda. From its viewpoint, the SLO exists to strengthen the FLO. Members bear the cost of participating in the SLO when they receive benefits they value.

There is always a degree of tension between the interests of affiliate organizations and those of the SLO. The SLO needs resources and support to expand its programs. The affiliate organizations wish to see the SLO strengthened. But not too much. They do not want the SLO to be strengthened to the point of depriving them of opportunities, resources, or political space for their own organizations. They will not permit the SLO to shade them out.

### **3. Assessment of SLO Strengths and Weaknesses**

#### **Cost-benefit in FLO-SLO Relationships**

The SLO Director experts felt that FLOs generally demand short-term benefits and always "expect more." SLOs' achievements are quickly forgotten. Sometimes FLOs do not even recognize that it was the SLO that obtained the benefit. Consequently, SLO responses seem partial, and give the FLOs only limited satisfaction. This lowers the SLO's credibility, and decreases the FLO's level of participation and support.

## **Inadequate Response to Needs**

The ESO consultants felt that the SLOs do not respond to the expectations and needs of first-level organizations. They agree that the FLO's expect very short-term benefits, while SLO programs are often geared to produce long-range benefits. In addition, rapid changes in the operating environment constantly change members' needs and SLOs are generally unprepared to respond.

### **D. Financial Sustainability**

A sustainable organization produces services that are sufficiently valued, through time, so that new resources become available to continue producing. Member satisfaction is critical to ensuring financial sustainability.

#### **1. Elements of success and sustainability**

In a sustainable SLO:

- \* Economic sustainability is due to the support of affiliated organizations and to income generating processes controlled by the SLO.
- \* The SLO uses efficient resource management systems.
- \* Program results are achieved at a reasonable cost.

#### **2. Critical Aspects**

### **Cost of services**

The sustainability of an SLO depends on its capacity to cover the cost of the services it offers through time. There are two obstacles to covering costs.

- (1) Organizations expect the benefits of participation to outweigh the costs. This implies receiving a subsidy.
- (2) There is a natural tendency for first-level organizations to treat SLO services as public goods, preferring to receive the benefits and let others pay the costs.

If the SLO does not charge the real cost, it must eventually eliminate the service or find perpetual subsidies. The important challenges for the SLO include:

- Reduce intermediation costs;

- Offer services for which members are willing to pay the actual cost;
- Develop productive activities that permanently subsidize some services.

### **3. Assessment of SLO Strengths and Weaknesses**

#### **Resources**

The respondents identified the SLOs' main **resource strengths** to be knowledge, abilities (including negotiation) and physical infrastructure.

Their main **resource weaknesses**, are inadequate or unsustainable income sources and inadequate technological resources (for example, marketing information). They felt that the majority of SLO resources come from outside sources, and member organizations.

#### **The Economy of Mutual Incentives**

An SLO must establish a circle of mutual support with its affiliated organizations. Participation in an SLO involves substantial cost, be it in time or in money. Affiliates should not only receive benefits that are greater than the costs; they must *perceive* the value. Otherwise, they will become unmotivated and begin to withdraw support from the SLO.

If an SLO does not establish an economy of incentives which favors first-level organizations, the SLO will cease to exist, or it will be forced to become a first-level organization.

#### **FLOs Investment in SLOs**

Both groups of experts agree that FLOs invest little in their SLOs. The incentive system is designed to receive, not give. FLOs assume that belonging, and perhaps participating, gives them the right to receive benefits. FLOs feel that SLOs should be self-sufficient. Most FLO contributions consist of ideas and political support. It is extremely hard for SLOs to convince FLOs to provide economic support. FLOs perceive contributions as a cost, rather than a profitable investment. One consultant observes that the SLOs may perpetrate these problems by generating unrealistic expectations.

#### **E. Leader Skills and Motives (Personal Qualities)**

Leadership greatly influences success or failure in SLOs. Good leadership facilitates internal management and builds confidence with external support organizations.

#### **1. Elements of success and sustainability**

In a sustainable SLO:

- \* Leaders are motivated, skilled and committed to achieving the SLO's purpose.
- \* Leaders represent the collective interests of the owners.

## **2. Critical Aspects**

### **Distinguishing Between Leaders and Owners**

Leaders are often charismatic, and invariably are the driving intellectual authors behind the organization. However leaders are usually hired or appointed by the FLOs, which are the SLO's owners. Leaders represent the owners, but are not themselves the SLO's owners. Everyone involved must be clear about this. Clear roles must be established. The leaders' function is to serve the *collective* interests of the owners, not their own personal vision, or interests, or the interests of a single FLO, or those of an external support organization.

## **3. Assessment of SLO Strengths and Weaknesses**

The group of ESO representatives who participated as experts in the collective consultancy felt that leadership was inadequate in the majority of the SLOs, for the following reasons:

- Opportunism among leaders;
- Leaders often appropriate the organization and use it for their own ends;
- Some leaders treat the SLO as an end, rather than a means to serving the first-level organizations;
- Some board members treat the SLO simply as an arena to promote the interests of their own first level organization.

The group of SLO directors who participated as experts in the collective consultancy felt leadership problems included:

- Poor image of leaders;
- Autocratic leadership style;
- Lack of commitment from the leaders;
- Absence of positive leadership.

They felt that these problems result from:

- Inadequate or non-existent training;
- Inability of organizations to adequately support and promote leaders;
- Excessive workload.

## **F. Leadership Processes**

Leadership processes involve participation, communication, and decision making. Processes should involve the appropriate people, at the appropriate time, sharing appropriate information in the appropriate way, both internally and externally. Transparent processes produce legitimacy and support throughout the whole organizational structure, especially among the FLO members and outside organizations.

### **1. Elements of success and sustainability**

A successful SLO:

- \* Has the respect of its members and other organizations.
- \* Has the ability to bring together member organizations.
- \* Maintains communication with state and private institutions, and negotiates concrete yet flexible agreements which meet the goals of both parties.

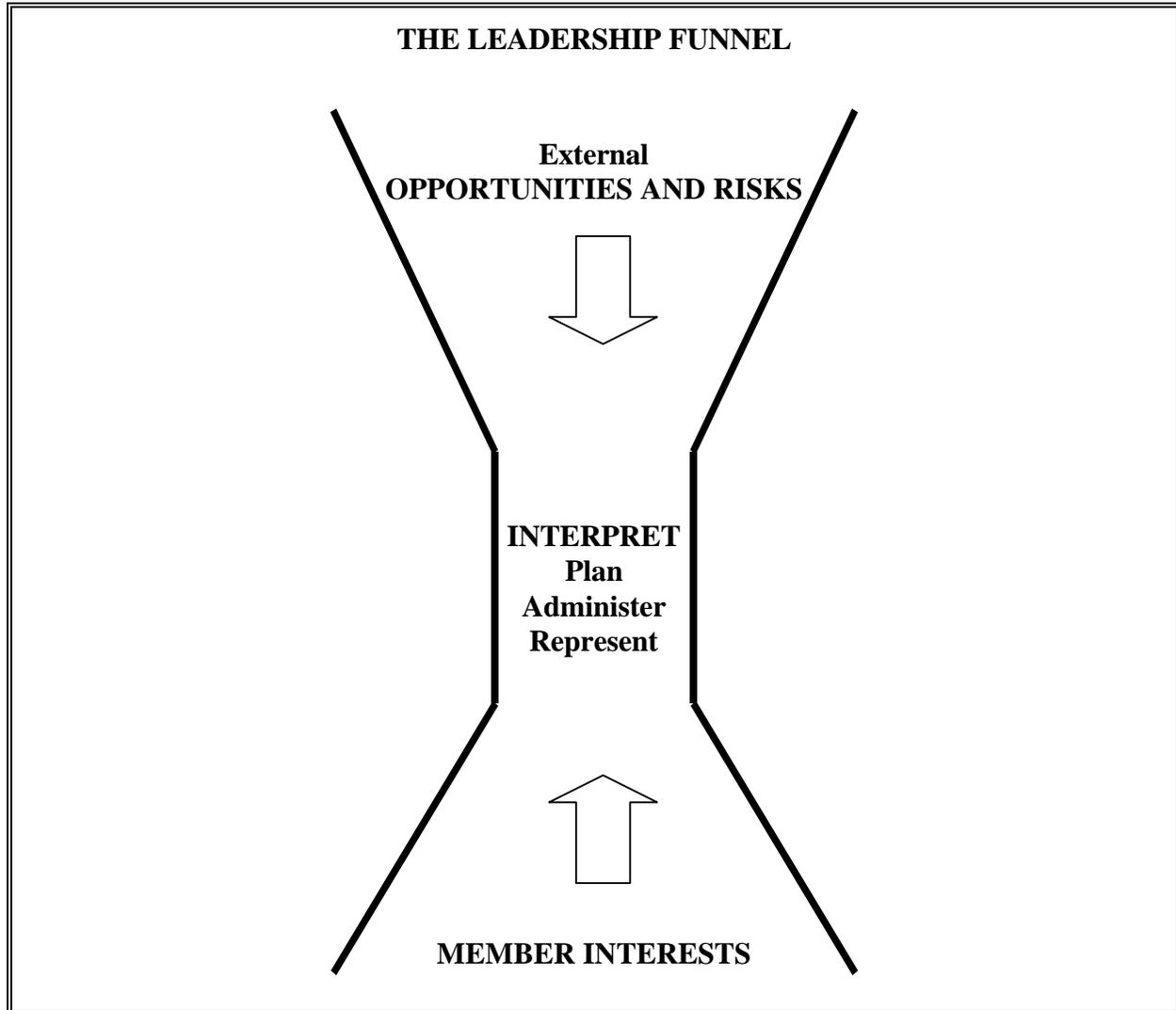
A sustainable SLO:

- \* Uses participation and transparent and communication processes to secure the legitimacy.
- \* Has transparent processes for changing leaders.
- \* Exercises democratic and participatory leadership.
- \* Has a structure of vertical participation that guarantees the flow of information, access to decision-making and distribution of benefits between the SLO and its members.
- \* Has well educated members.

## **2. Critical Aspects**

### **Leadership**

The key role of SLO leaders is interpretation. Leaders must correctly interpret the felt needs of member organizations, and the perceived risks and opportunities in the outside environment. Only when they interpret correctly can leaders plan and administer adequate responses, and represent the interests of the affiliates.



The leadership of an SLO is a delicate and political process, given the diverse stakeholder interests and the distance between the SLO and the bases of its affiliate organizations. The key question is: *To what extent do the leaders of second-level organizations understand and work towards the interests of first level organizations, and how can first level organizations control SLO leaders?*

Democratic leadership combined with a channel of vertical participation from the FLO members to their directors, and from these to SLO directors, helps create member trust in the directors.

### **Participation**

Participation is the means by which the expectations are negotiated. The quality of the participation is one of the determining factors in the sustainability of the SLO.

Since participation processes are costly, it is important to clarify the purpose.

Participation has two functions: (1) to validate or enrich the quality of decisions and (2) to promote public relations.

<b>TYPES OF PARTICIPATION</b>	
<b>DECISION-MAKING</b>	<b>PUBLIC RELATIONS</b>
Member organizations participate in decision-making through a formal system of representation.	The organization's users develop a sense of belonging. They identify with the organization's goals because of the benefits they receive.  Potential leaders become interested in getting involved.
<u>Purpose</u> Support leaders in interpreting the vision of the members.	<u>Purpose</u> Create support bases for the organization.

Participation in an SLO is frequently accomplished through representative democracy. This requires: (1) effective participation of the members within the first-level organization; (2) effective participation of the FLO representatives within the SLO; and (3) effective two-way communication between representatives and the people who appoint them.

The SLO cannot control the quality of participation within the first-level organization. This can cause the SLO to try to create a structure for direct communication with members of the first-level organizations.

Direct communication with the FLO's members is an appropriate public relations strategy. However, resorting to direct consultation for routine decision-making may indicate defects in the representative leadership structure.

Direct consultation should be used for clear reasons, for example, to validate a decision, or to gather information.

**Autonomy**

FLO members should be involved in long range strategic planning. However, the SLO must maintain autonomy in its everyday operation. Member organizations must be prevented from interfering at that level.

### **Communication and ownership**

SLOs depend on the support and sense of ownership of their member organizations, and of their members' members. Communication is often weak between the SLOs and their affiliated organizations, and practically nonexistent between the SLOs and the first-level organizations' members.

Generally, the SLOs' boards of directors are made up of representatives from the boards of directors of first-level organizations. It is assumed that the directors will inform FLOs regarding the SLO activities.

In practice, this channel of communication often functions poorly. FLOs have full agendas. A five-minute report to an FLO's board of directors does not allow the directors to fully identify with the SLO's priorities, or to develop a sense of ownership. The FLO sees the SLO is "they" rather than "we." The FLOs become involved only when their interests are brought into play.

SLOs must find creative and meaningful ways to involve their member organizations. The key is to respond directly to the interests of first level organizations, without deviating from the SLO's purpose.

## **3. Assessment of SLO Strengths and Weaknesses**

### **Participatory Processes**

Both the SLO directors and the ESO experts felt that leadership should be representative of member's interests, and should be based on participatory processes. Participation enables member organizations to be involved in the SLO's affairs. They felt that representative leadership increases the SLOs negotiating power and administrative capacity.

The group of ESO experts felt that in the majority of the SLOs with which they are familiar, leaders lose contact with the organization's members. As this happens, leaders **assume** that participatory processes are functioning, and neglect to maintain them.

### **Solidarity and Involvement Among Member Organizations**

The experts felt that what they called "integration" is a critical factor in an SLO's sustainability. Integration has two parts: (1) The degree to which the SLO serves as a focal point to unite the interests of member organizations, and (2) the degree of involvement that the FLO's have in directing the SLO.

Both groups of experts felt that in most SLOs, both types of integration is inadequate. They attributed lack of solidarity to structural problems in defining the SLO's purpose and roles. They attributed lack of involvement more to leaders who fail to observe established mechanisms for participation.

### **Transparency**

The participants in the collective consultancy considered transparency and participation to be the most important factors for the sustainability of a second-level organization.

The legitimacy, confidence, support and attitude of the affiliate organizations depend in large measure on the transparency with which the SLO is managed. An effective vigilance committee which independently reports to the members about how effectively the board is functioning, clear economic results, and timely information to affiliates are key elements in maintaining transparency.<sup>2</sup>

The majority of ESO consultants felt that SLOs often are not transparent enough. They mentioned specific examples of embezzlement, loan default, and general lack of clear organizational purpose and program goals.

### **Participation**

Participation allows democratic control of an organization, more informed decision-making, and makes possible greater contributions by experienced people. Participation is key both in SLOs and FLOs.

Both groups of experts felt that participation is usually inadequate in the SLOs they knew. They believed that SLOs do not have clear channels for participation and that decision-making may be subjugated to the interests of external supporters or a small group of leaders.

## **G. Organizational Learning**

### **1. Elements of success and sustainability**

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<sup>2</sup> Costa Rican law provides for a General Assembly of Members who are the owners of the organization. The General Assembly elects a Board of Directors, which acts on behalf of the General Assembly when it is not in session, and a vigilance (overseer) person or committee. The Overseer acts as a kind of auditor, and independently reports to the General Assembly any anomalies, which it might detect in the Board's functioning, or at any other level of the organization.

A sustainable organization has the ability to learn, evolve and gradually change. It can identify and develop the skills required to meet the demands which it generates itself.

## **2. Critical Aspects**

### **Institutional Memory**

Organizations, regardless of their size, and including many ESOs, are frequently motivated by activism. Little priority is placed on documenting or transmitting lessons. Institutional memory often is limited to the experience of current employees, but is not documented. When they leave, the organization loses their accumulated memory. Best practices, which could enrich future programs, are lost.

### **Planning**

Strategic planning is especially important in SLOs. It is simultaneously a participatory tool to help sort out the complex political agendas of the various stakeholder groups, and a tool for building institutional memory, as well as a guide for future programming.

## **3. Assessment of SLO Strengths and Weaknesses**

Both the literature and the respondents recognize that many SLOs and FLOs are weak in the areas of planning, evaluating, and learning from experiences. As SLOs gain experience in these areas, one of their potential roles can be to help their member FLOs become institutionally stronger.

The respondents felt that one of the strongest justifications for external support to SLOs lies in the area of institutional strengthening, and facilitating planning processes. They felt that ESOs should be sensitive about not interfering in the SLO's internal affairs or infringing on its autonomy.

### **H. Networking**

Networking involves working with outside organizations and people to further the SLO's objectives. From an SLO's perspective, networking includes establishing strategic alliances with ESOs.

#### **1. Elements of success and sustainability**

A sustainable SLO:

- \* Uses outside support to further its strategic plan.
- \* Negotiates agreements with collaborators to reach common interests.
- \* Defines roles which integrate each party's responsibilities and commitments into a shared workplan.
- \* Develops alliances with related social or productive sectors.
- \* Is active in centers of political and economic power, when appropriate to its objectives.
- \* Is flexible enough to meet the needs of its partners, yet preserve its own autonomy.

## **2. Critical Aspects**

### **Clear Strategic Vision**

The SLO must have a clear sense of its own identity and objectives. It must develop the ability to say "no" to proposals that do not reflect its strategic interests.

### **Flexibility**

The SLO must be aware of the interests and needs of the organizations with which it works. It must decide what is negotiable and what is not negotiable in accordance with its own strategic vision. In the negotiable areas, it must work to adapt to the needs of its partners.

## **3. Assessment of SLO Strengths and Weaknesses**

Respondents felt that SLOs often respond to the agendas of ESOs in order to obtain resources, even if the proposals do not fit the SLO's agenda.

SLO often have a significant advantage over FLOs in access to national and international contacts.

### **I. Opportunities and Threats in an SLO's Environment**

Respondents identified the availability of external support as being the principle opportunity that SLOs face from the external environment.

They identified the principal threats that SLOs face from the external environment as being:

- Excessive dependency on outside funders;

- Fewer funds available from outside supporters;
- Lack of support and bureaucracy of state institutions;
- Politicizing of SLOs;
- Structural adjustment policies;
- Competition and attack of powerful economic groups.

### **Conditions for Successful SLOs**

The following **positive factors** promote successful SLOs:

- Strong internal motivation and member commitment for forming the SLO;
- Clarity of purpose and expected results;
- Operating structure which enables concrete results.
- SLOs' facilitate valued processes, such as marketing;

The following **negative factors** limit SLO development:

- Dependency on external support;
- The implementing projects which are considered ends in themselves;
- A paternalistic attitude by ESO toward SLOs, or of SLOs toward members;
- Lack of ability to respond to a changing environment;
- Lack of clarity about purpose and expected results.

### **Sustainability Strategy**

The respondents felt SLOs could become more sustainable by building:

- A continual situation analysis which permits a clear, current definition of the SLO mission.
- A relationship of mutual respect with member organizations, efficient mechanisms

for communication and participation, transparency on all levels.

- Support by member organizations.
- Equilibrium in the cost-benefit relationship.
- Viable plans. Strategic planning (medium and long-term). Reaching objectives. Concrete results.
- Strong financial structure.
- Alliance with similar social sectors.
- Coordination with related state and private entities. Strategic placement in the operating context, especially in production and marketing issues.

## **IV. THE PARTNERING PROCESS**

### **A. Purpose of intervention**

Respondents felt that the role of external intervention should be to increase the society's capacity to solve its own problems. External intervention should support positive elements of the society's ongoing social, economic and cultural processes.

Projects are sets of resources and objectives that seek to influence processes. To have the necessary impact, they should be in tune with the process in which they are immersed.

External support organizations unavoidably interpret needs according to their own value systems and organizational priorities. This limitation can be overcome by shifting the focus of outside intervention towards partnerships rather than resource transfer.

### **B. Objectives**

In general terms, external support organizations such as CARE partner with SLOs in order to:

- \* Strengthen processes in which people and organizations act as protagonists in their own development.
- \* Maximize impact of programs that generate real benefits.
- \* Incorporate the beneficiaries' perspectives into programming.
- \* Reduce costs.
- \* Strengthen the SLO, its member organizations and the external support organizations.

### **C. Partnership principals**

Successful partnering is based on clear objectives. The agenda should respond to the shared interests and abilities. It should be determined through transparent negotiation based on mutual respect.

### **D. Success**

Successful interventions depend on:

- (1) the degree to which project objectives are achieved, **and**

- (2) the degree to which the project is compatible with the processes within which it is immersed.

Two key elements of success are control and ownership.

Project managers must maintain control over resource use in order to attain project objectives. However, in order for the project to mesh with the processes in which it is involved, the essential question is not how to control the project, but who is its owner.

To be compatible with processes, a project must be promoted by those who best understand and identify with the problems and who have to live with the results. Projects must not fit into the processes; they must spring from them.

To improve chances for success, ESOs must relinquish more than control. They have to learn to let go of their role as "owners". They also have to learn to facilitate and support, so that the owners maintain enough control to achieve their objectives.

## **E. Steps in partnering<sup>3</sup>**

### **1. Stages**

The stages of a strategic alliance are:

- Deciding to partner;
- Selecting a partner organization;
- Negotiating;
- Working together;
- Closing the relationship

Following are some aspects relevant to the development of relations with SLOs:

### **2. Deciding to Partner**

The ESO must be clear about its objectives. Then it must choose the implementing strategy that is best suited to achieving the objectives. Partnering and direct implementation are both valid options.

Direct implementation may be more efficient in emergencies, or when there are no organizations already working on similar objectives whose work can be expanded or strengthened through the project.

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<sup>3</sup> These steps are developed in detail in Steps to Partnering...A Process Guide. (Stuckey and contributors, CARE-USA, June, 1995).

If the purpose is to develop the capability and sustainability of grassroots and support organizations, partnering is often the best choice. Partnerships may also be more effective in moments of political instability, or when the partner organization has infrastructure, capabilities, or access to a target population, or a sphere of influence that would be difficult for CARE to develop.

### **3. Selecting a Partner**

When the decision to partner has been made, a partner organization with the potential to have an impact on some key aspect of the development process should be found. The history of the local development process and the organization's role within that process should be analyzed.

The ESO must decide whether to work with an FLO or an SLO. It must also decide whether to work with an existing organization, or to create a new one.

The ESO and the partner should have shared objectives and methodologies. They should be interested in learning from the shared experiences. Both organizations should have the capacity to fulfill their obligations, or the potential to acquire them through institutional strengthening activities.

In general, the criteria for partner selection are:

Essential: Adequate relations and ties with the target population; credibility of the organization with the grassroots and its own members; ability to work in the area; interests, vision and values compatible with CARE's; institutional commitment to work in partnership; political feasibility.

Desirable: Presence in the project area; adequate administrative and operating capacity for the chosen model; potential impact of institutional strengthening; self-help potential; potential for organizational sustainability; potential for maintaining services; presence in the country; legal status; and positive human relations.

When selecting SLOs as partners, the following factors should be carefully considered:

- \* Capacity and motivation of leaders;
- \* The degree of involvement and support of member FLOs;
- \* Previous track record;
- \* The degree to which the organization is politicized;

- \* Capacity to promote institutional strengthening with FLOs;
- \* The degree of social and political affinity with other sectors of the population;
- \* The organization's ability to influence decision making processes at the regional or national level;
- \* The educational level of its members;

#### **4. Maturity**

Working in partnership requires a certain amount of maturity. Both organizations have to negotiate so that their joint efforts will contribute to reaching each organization's objectives, and neither dominates the other. Both organizations contribute resources, acquire responsibilities and yield a certain level of control. Each organization needs to simultaneously preserve and to share autonomy. They must know how to work together politically and technically.

#### **5. Institutional strengthening**

Institutional strengthening is the central point of any strategy to increase the participants' capacity to be protagonists in their own development. It should be an objective in each project with this goal.

Nevertheless, institutional strengthening should be an objective only if both organizations decide it should be so. If the ESO feels that institutional strengthening is a condition for offering support to the SLO, this should be openly discussed during the negotiating stage. Generally organizations are interested in pursuing institutional strengthening when they feel it is for their benefit, and does not weaken the organization's or leaders' image or authority.

#### **6. Formal Process: Setting the Game Rules**

From the beginning, the partnership should be guided by a formal process that is clear to each party. The process for planning, decision making, evaluation and supervision must be mutually acceptable. The conditions and procedures for ending the project must be spelled out from the start.

The supervisory process needs to be negotiated. Financial-accounting and programmatic controls should satisfy the ESO without undermining the partner's autonomy. Controls should be adaptable to the needs of both organizations. They should simplify the processes of project implementation, monitoring and evaluation. They should promote the documentation of lessons learned.

#### **F. Lessons**

Experience has taught us lessons for forming strategic alliances.

- 1) A partnership should reinforce positive tendencies in local development processes. External support should stimulate the SLO and its members to actively promote their own development.
- 2) Partnership decreases the level of control each member has over the use of resources and ability to achieve project objectives. In exchange for this, the probability of achieving sustainability in the development process increases.
- 3) The initiative to form a partnership may come from either the external support organization or the SLO.
- 4) It is better to select an already established SLO than to create a new one, because:
  - \* SLOs that exist due to local initiative have a greater chance for sustainability than those created by external motives.
  - \* An organization's track record can be used as criteria for selection.
  - \* It is often less costly to take advantage of existing organizational capacity than to create it.
  - \* External support frequently ends before the organization can consolidate.
- 5) Partnerships should strengthen both organizations.
- 6) Horizontal relations in negotiations, planning, and implementation, promote mutual autonomy and the opportunity to learn from shared experiences.
- 7) The relations should be based on realistic expectations. The SLO and the external support organization may entertain unreasonable expectations about the partnership, and give insufficient thought to the necessary internal capabilities needed to fulfill these expectations.
- 8) Organizations should jointly evaluate errors and make corrections. This facilitates a horizontal relation in the partnership, stimulates learning on the part of both organizations, and continually improves the project.

## **V. Partnering with SLO**

### **A. External support**

External support is not necessary for the sustainability of SLOs, but it is a relevant factor.

Advantages of external support:

- Increases the scale of services the SLO can offer.
- May become an incentive for increased participation of member organizations.
- Increases the image and legitimacy of the SLO with its member FLOs.
- May stimulate institutional strengthening processes.

Disadvantages:

- May easily create dependency.
- May divert the SLO from its purpose.
- Often stimulates abnormal, unplanned, and non-sustainable growth in the organization.
- May stimulate internal conflicts.
- May not respect autonomy of the organization and local processes.

Currently, the worldwide decrease in external support and government services represents a threat to the SLOs that have been dependant on external support. However, for the SLOs that survive, this provides a strong incentive to develop greater sustainability.

### **B. Advantages and Disadvantages to Partnering with an SLO**

**Advantage for the ESO when partnering with an SLO:**

- a) Greater client population coverage; multiplier effect.
- b) Potential to strengthen SLO's program capacity.
- c) Greater SLO member participation is stimulated.

- d) ESO and SLO images both improve.
- e) Institutional infrastructure is built up in the SLO rather than in the ESO.

### **Disadvantages**

- a) SLO administrative costs may be high.
- b) FLOs' development may be limited.
- c) ESOs that offer large amounts of financial support can frequently dominate SLOs. Paternalism, dependency and interventionism may be stimulated if partnering is improperly done.
- d) SLO may distance themselves from member organizations.
- e) It may be expensive to build institutional capacity.

### **1. ESO roles in partnerships with SLOs**

ESO roles in partnership with SLOs include:

- a) Maintain a horizontal and direct relation with the SLO, not mediated by the government.
- b) Provide resources and support for SLO programs of mutual interest.
- c) Engage in joint planning, implementation, supervision, monitoring and evaluation.
- d) Offer training. Serve as an advisor, facilitator and mentor.

### **C. Factors ESOs should promote**

In partnerships with SLOs, the ESOs should promote:

- a) Clear ends, means and roles in the SLO and in the partnership.
- b) Leadership which is democratic, participatory, well intentioned, and accepted by members.
- c) Transparency and mutual support in relations between SLO and member organizations.

- d) Capacity to multiply the effect of programs.
- e) Solid and efficient operating structures.
- f) Institutional strengthening in the SLO and FLOs.

**D. Questions that should be asked before setting up alliances.**

**How much external influence should be present in an SLO?**

There are instances of successful and sustainable SLOs that were formed at the initiative of state institutions, non-governmental organizations or international agencies. Nevertheless the challenge is greater when the initiative for organizing comes from the outside. The organization's members must be strongly motivated. When outsiders create an organization, there is a risk of:

- Not interpreting people's needs and priorities correctly;
- Imposing external agendas;
- Over-estimating the SLO's potential and capabilities
- Creating dependency.

**Who is the organization's owner?**

A sense of ownership is a vital factor in developing responsibility and participation in SLO members. Decisions central to the organization's destiny should be in the hands of its "owners", and not outside agents or supporters. Outside support offered to SLOs should not impose changes in this aspect.

**Who is owner of a project?**

In a partnership, both organizations share the responsibility of defining the problem, the proposed solution, and the implementation strategy. Both share responsibility for living with the results. How this responsibility is shared varies in each relationship. Participants in the collective consultancy felt that the more responsibility the local organization assumes, the greater will be the possibility that the project will strengthen the long-term process.

**What Should Be Sustainable?**

ESOs package their resources as projects and they strive to build sustainability. But what, exactly, should be made sustainable?

In some cases, project activities themselves provide services that must be sustainable through time. This is not always the case. Project activities are sometimes means to increasing an FLO's, or an SLO's, capacity to solve problems through time.

When capacity building is an objective, the important point is not whether the project's **activities**, per se, become sustainable and institutionalized, but rather, whether CARE's partner has an institutional commitment to achieving **objectives** similar to the project's objectives, through time.

For example, a reforestation project may provide technical assistance to farmers. This in itself is important. However, if CARE's partner is committed to long term objectives like improved watershed management, or effective environmental education, the increased institutional capacity that it gains in working with CARE will likely be used in creative ways to design future programs that will continue meeting similar objectives, albeit with different kinds of activities.

The lesson in this is that CARE must carefully chose partners which are not only capable of carrying out specific activities, but which also share the institutional values and objectives upon which the project is based.

### **Should the ESO create an SLO or work with an existing one?**

If the ESO proposes to strengthen local processes and capacity, it can be advantageous to work with existing SLOs for reasons explained above.

It is often difficult to find an appropriate SLO if the ESO wants to install its own technology. Usually organizations that have technical experience have their own methodology and programs and these may not be coincide with those the ESO wishes to promote.

Although it may be tempting for an ESO to create an SLO instead of adapting its program to strengthen one the SLO already has, both the literature and the experience of the experts who participated in the collective consultancy indicate that this option is difficult and risky.

They recommend that ESOs should not create SLOs unless there are overwhelming reasons, and the ESO is prepared to make a substantial long-term commitment to supporting the organization.

However, they felt the ESOs should respond to local initiatives to create SLOs, as long as the ESOs are careful not to dominate the process.

### **Should the ESO concentrate or disperse its program focus?**

More concrete results can usually be achieved if resources are concentrated either geographically, demographically, organizationally, or according to some other relevant criteria. The answer depends on the objectives. The ESO should negotiate these aspects with the SLO.

This question is especially relevant when the ESO is deciding whether to work with an SLO or to

work directly with first level organizations. When the objective is to strengthen local organizations, it may be preferable to work with an SLO in order to increase the program's coverage.

### **How much risk is acceptable?**

Partnering **increases the risk** of losing control over resources and the project objectives, but **lowers the risk** that the progress made will be lost when the ESO leaves. Considering that projects are temporary means to influence perpetual processes, partnering, well done, should **lower the total risk** and increase the effectiveness of development processes.

Partnering at the lower socio economic levels, where the need may be the greatest, may involve more risk. There are successful organizations that work at low social and economic levels. CARE can learn to work with these kinds of organizations.

CARE is willing to take risks, as long as its reputation with donors is not diminished. The way CARE has traditionally managed this kind of risk is by assuming the role of direct implementer.

As CARE increases its partnering role, it can manage risk by formalizing a flexible process of partnering, and by developing a strong technical assistance capacity to support institutional strengthening. Strategies to manage risk include:

- Develop programs based on a participatory long range strategic planning process.
- Make institutional strengthening an objective in each partnership.
- Systemize a flexible methodology for partnering.
- Establish procedures to document and evaluate risk.
- Invest in participatory project design and review, partner selection, technical support and mentoring processes.
- Build CARE's technical capacity to support, supervise, and facilitate partnerships. Create technical assistance teams by integrating personnel from various departments and projects.
- Diversify funding sources. Work to educate donors to accept the risks of less control and greater local participation.
- Prioritize documenting and sharing lessons learned, especially from mistakes.
- Build a more formal institutional memory so that lessons are incorporated as best

practices into future projects.

- Create an incentive structure in CARE that stimulates a learning culture based on self-criticism. Share experiences both within CARE and with other organizations.
- Develop projects that encourage experimentation and innovation.
- Promote pilot projects and programs.

#### **E. Suggestions for Partnering with SLOs**

We offer the following suggestions for ESOs who wish to partner with SLOs:

- \* Offer limited but targeted outside assistance to SLOs. Prioritize the importance of reducing dependency and of responding to initiatives that spring from ongoing processes.
- \* Play a facilitator, technical assistance provider, and mentor role.
- \* Assure member commitment if the SLO is created as a result of outsider intervention.
- \* Make sure that the SLO generates services that are valued by members.
- \* Know when to influence and when to stay out of the SLO's internal affairs. For example: although the temptation may be great, and seem justified, it is not appropriate for ESOs to influence the process of naming board members, unless the ESO is one of the SLO's members.
- \* Be aware of the complex political processes. It is not necessary or possible to completely understand them. Respect them, and respect the SLO's autonomy.
- \* Consider supporting income generating schemes which the SLO can establish to permanently subsidize beneficial but economically non-viable activities.
- \* Keep expectations realistic. The SLO was created to promote its members interests, not to promote the ESO's agenda. Do not push the SLO to do more than it is capable of doing now, or more than it will be capable of sustaining when the ESO's support ends.
- \* Support the SLO in strengthening its long range strategic planning processes. Help it become clear about who its members are, and its organizational purpose, relative to their expectations. Help it devise long range strategies for financial

sustainability.

- \* Work to identify creative ways to interest and involve the member organizations. Work to facilitate two way communication and strengthen participation.
- \* Build internal capacity so that the SLO can help its member organizations improve their strategic vision, programs, administrative capacity, and communication with their own members.

#### **F. The SLO option**

In conclusion, SLOs represent a potential way for ESOs to attain broader coverage and access to first level and to grassroots organizations. Nevertheless, SLOs tend to be weak. Typically, SLOs lack participatory structures for adequately involving the FLOs. Economically, SLOs are weak because there are strong pressures to offer services without covering costs.

In theory, partnering with SLOs is an excellent option for ESOs. In practice, ESOs tend to be fragile and politically complex. SLOs offer opportunities to stimulate participatory development processes, especially if the ESOs and the SLOs themselves accept the challenge of institutional strengthening.

## **APPENDICES**

## **Objectives and Methodology**

### **General Objective**

*Orient funders in developing positive partnerships with second-level organizations.*

### **Specific Objectives**

- Identify the factors for success and sustainability of second-level organizations.
- Determine some of the advantages, disadvantages and risks of working with SLOs.
- Identify key factors that funders should take into consideration when working with SLOs.

### **Issues**

1. What is a second-level organization?
2. Why are SLO created?
3. Who are the owners of the second-level organizations?
4. What services do the SLOs offer, and for whom?
5. Which factors characterize the second-level organizations in the areas of:
  - Relationship with member organizations;
  - Leadership;
  - Communication;
  - Control and supervision;
  - Financing?
6. What problems frequently effect SLOs in their work, and how are these overcome?
7. How are success and sustainability defined in SLOs?
8. What factors influence the success and sustainability in SLOs?
9. What strategies are recommended to achieve sustainability in SLOs?
10. What are the key factors that CARE and other funding organizations should take into account to work with SLOs?

## **Methodology**

1. The methodology was based on the following criteria:
  - obtain results based on broad and deep professional and practical experience;
  - reach generic conclusions, not specific to a single country, type of SLO or type of funder;
  - obtain rapid results at low cost.
2. The study was based on the experience of SLOs in Costa Rica and complemented by a literature review.
3. An intense, short-term collective consultancy was conducted to analyze the experiences of experts. 26 experts participated, of which 19 were contracted. Four were CARE staff and three were the consultants and the CARE regional advisor who organized the study.

Two groups were formed:

- Leaders who have formed and administered SLOs and first level organizations;
  - Professional representatives of external organizations which support SLOs.
4. The collective consultancy consisted in filling out a detailed questionnaire, and attending a one day workshop to analyze the questionnaire results, and the key questions.
  5. The survey results were tabulated for each group.
  6. On June 2, 1995, the workshop with SLO leaders was conducted. The following day, the same workshop was repeated with the funding organization experts. The analysis was separated into two separate events to permit each type of experts to candidly express their viewpoints.
  7. The final report summarizes the conclusions of the collective consultancy and the literature review.
  8. A first report was prepared in Spanish. It was edited and expanded after being translated into English.

## **SLOs in Costa Rica**

The study generalizes about SLOs based on Costa Rica's experience. Costa Rica has provided a lot of support for non-profit organizations.

In 1938, Costa Rica established a legal framework that facilitates forming Non-profit Associations. During the 1960s and 1970s, the state prioritized expanding the sector. It established institutions to provide technical assistance and financing to cooperatives and Community Development Associations. The laws which support non-profit associations also provide for the creation of federations and confederations, that is, second and third level organizations.

During the 1970s and 1980s, numerous subsidies were available to non-profit organizations at all three levels. Many organizations grew rapidly. However, few achieved long term sustainability.

In the 1990s, there has been a significant reduction in the level of external support, be it governmental or international. Many organizations are fighting for survival. Some are closing, and others are diversifying their economic sustainability strategies.

We decided to base our work on the experience of Costa Rican SLOs because:

- It was relatively easy to bring together a group of experts with broad theoretical and practical experience.
- Costa Rican FLOs and SLOs have had many advantages. In contrast to other countries, they have been stimulated by the state, not repressed. This allows us to examine a relatively pure case, and focus on the strengths and weaknesses of SLOs as an organizational model.

### **Advantages and Limitations**

The collective consultancy approach has advantages and disadvantages.

- The methodology was simple. It permitted a fast, in depth analysis based on a wealth of collective experience.
- It combined theoretical and practical viewpoints.
- The experts served both as sources of information and as the analytical body.
- There was a strong sense of shared learning. People who normally do not meet together as colleagues compared their ideas and challenged each other's assumptions.

- The work was based on the participants' subjective opinions, and was well founded on their practical experience.
- Their collective experience was mostly limited to Costa Rica.
- The participants had lived through the historical evolution of the non-profit sector in Costa Rica, and could examine it from multiple perspectives.
- It was not possible to analyze individual experience in depth.
- The literature review expanded the analysis beyond the Costa Rican context.

### **Detailed Aspects of the Methodology**

#### **Design:**

The design team drew up a list of key areas related to the success of SLOs and their relationship with funding organizations.

#### **Survey**

A survey instrument with approximately 50 questions was devised. Most were closed questions, with space to expand and explain answers. The instrument was customized for each group of experts.

#### **Selection Criteria for Experts**

"External" expert was defined as being a person from outside an SLO that supports and advises an SLO.

"Leader" expert is a person who has participated as a leader in second-level organizations.

Experts were selected to reflect a broad diversity of organizational types and geographic distribution.

#### **Collective Consultancy:**

The collective consultancy was carried out in the following way:

- Each expert was contracted for a day and a half. CARE staff did not receive an honorarium.

- Each participant was personally given a survey to be completed by a specific date. Clarifications were made by phone. All surveys were completed on time.
- Two workshops were designed based on the results.
- The first was with SLO leaders. It was based on a synthesis of their survey results and the key questions.
- The workshop with outside experts was held the following day. In addition to the survey results from that group, it also incorporated an analysis of the previous day's conclusions.

## Participants in the Collective Consultancy

NAME	ORGANIZATION
<p><b>DIRECTORS OF SECOND-LEVEL ORGANIZATIONS</b></p> <p>Edgar Rojas            Carlos Vargas            Enrique Chavarría            Erlin Rojas            Patricia Rodríguez            Raúl Ramírez            Carlos Murillo            Felipe Vega            Dimas Rojas            Guido Vargas            Basilio Rodríguez            Jorge Barrantes            Daniel Leiva            Grettel Solano</p>	<p>CoopeBrisas, CECOOP, ASODER            Monteverde 2020, CoopeSanta Elena            Confederación de Centros Agrícolas Cantonales            FUNDECA            Fundación Mujer, CANOPDE            FECOPA            COOCAFE            AGUADEFOR, JUNAFORCA            Centro Agrícola Cantonal de Hojancha            UPANACIONAL            UPANACIONAL            CoopeInpesa, Fedepesca, Cámara de Pescadores            ARADIKES            Unión Cantonal de Asociaciones de Desarrollo de Tres Ríos</p>
<p><b>ADVISORS TO SECOND-LEVEL ORGANIZATIONS</b></p> <p>José Carlos Vásquez            Allen Cordero            María Elena Vásquez            Marcelo Jiménez            Luis Rojas</p>	<p>ACIAR            Independent consultant            DINADECO            CoopeSuiza            Independent consultant</p>
<p><b>CARE STAFF</b></p> <p>Auxiliadora Cascante            Arvid Solheim            Juan Carlos Romero</p>	<p>CARE Costa Rica            CARE Costa Rica            CARE Costa Rica</p>
<p><b>FACILITATOR</b></p> <p>John C. Ickis</p>	<p>Institution Centro Americano de Administración de Empresas (INCAE)</p>
<p><b>STUDY DESIGN</b></p> <p>Joseph Stuckey            Rafael Luna            Miguel Mondol</p>	<p>CARE, PACA Regional Office            Consultant            Consultant</p>

## Summary of Literature Review

# Second-Level Organizations: Experiences and Lessons Learned

A Literature Review  
by  
Allan J. Hruska  
June, 1995

### Executive Summary

In seeking to both amplify direct implementation, and to build local capacity, second-level organizations may be natural partners for CARE.

Thomas F. Carroll, (1992) classifies organizations according to their relationship with development processes.

Grassroots organizations. At the primary level, people organize to work for change that will improve their lives. Primary level organizations are composed of community members. For Carroll, primary level organizations are grassroots organizations.

Support organizations Carroll defines second-level organizations according to their function of supporting ("tending") grassroots organizations.

Carroll identifies two broad classes of second-level organizations, grassroots support organizations (GSOs), which provide services to primary-level organizations, without a direct membership link. GSOs often act as intermediaries, or brokers, securing resources from and forging links with often-remote government, donor, and financial institutions. In contrast, membership organizations (MSOs) have an accountable link to the primary-level organizations, through membership.

Important distinctions between primary and second-level organizations include: 1) members (community representatives versus representatives of the primary-level organizations, or outsiders, who work on behalf of the primary-level organizations), 2) geographic area of focus (local communities versus broader-scale departments, regions, or countries, and 3) the origin of the leadership (community members versus a select group of community members, or outsiders).

The literature shows that the single most important characteristic of successful second-level organizations is what Carroll (1992) terms "tending", which is a complex relationship between a "tender" who provides sympathetic assistance to the other, with a growing trust and capacity for self-improvement. Other authors refer more directly to "local capacity building". Organizations that are most successful in their mission of supporting primary-level organizations are those that work with

existing organizations which have already acquired internal cohesion and external legitimacy.

These indicators of successful organizations point to recommendations for CARE's work with second-level organizations. Key factors to be included in an institutional analysis in seeking a possible partnership are: the track-record, motivations, and competence of the leadership, the firm establishment and credibility of the organization before being "helped" by outsiders, the compatibility of missions of all organizations involved. Despite the conventional wisdom that MSOs are preferred over GSOs because of the formal accountability structure of MSOs, this is not supported by the literature. One of the clearest roles for CARE in seeking to enhance capacity of second-level organizations is to strengthen management capacity, including strategic planning, budgeting, accounting, and resource-control systems. This is often an area where second-level organizations recognize their limitations and seek strengthening.

## **Background**

CARE works with numerous non-governmental organizations, as part of its development activities. The partnering between CARE and NGOs is done to achieve both short-term development goals of implementation, and longer-term goals of organizational capacity- building. The NGOs that CARE works with range from small community organizations to large organizations staffed by professionals. The professionals are often not members of the communities that are the targeted participants of development initiatives. The community-level organizations are composed of community members, and are termed primary-level organizations, base organizations, or community organizations. Another group of organizations supports the activities of the primary-level organizations, by providing services. These second level, or intermediary organizations, are either staffed by "outsiders" to support primary-level organizations, or are composed of member primary organization.

Seeking lessons learned from the experiences of other organizations working with second-level organizations, PACA (a consortium of CARE and The Nature Conservancy), a regional conservation and development project which has worked with primary and second-level organizations over its five year history, decided to contract a literature review. This review presents a synthesis of the available literature, which should be of use in both understanding what second-level organizations are, as well as providing recommendations for organizations, such as CARE, which are interested in developing partnerships with second-level organizations.

## **Typology**

Although "intermediary" often well describes the functional role of second-level organizations, the term is viewed as insulting by some, and therefore usually avoided. Here the term "second- level organization" will be used exclusively.

Carroll (1992) divides the second-level organizations into grassroots support organizations (GSOs)

and membership support organizations (MSOs). He defines them as:

A GSO is a civic developmental entity that provides services and allied support to local groups of disadvantaged rural or urban households and individuals. In its capacity as an intermediary institution, a GSO forges links between the beneficiaries and the often-remote level of government, donor, and financial institutions. It may also provide services indirectly to other organizations that support the poor or perform coordinating or networking functions.

A MSO also provides services and linkages. The difference from a GSO is that due to the membership relationship, MSOs represent and are accountable to members, at least in principle.

In contrast to MSOs and GSOs, primary grassroots organizations have as their member's people, often from a limited geographic range, and therefore represent the smallest grouping of individuals.

### **Common Features**

Despite the differences between GSOs and MSOs, they share important features. Both groups have as their stated or unstated goal the achievement of benefits for their member organizations. The benefits are sometimes direct, tangible ones, and sometimes indirect, such as information or mediating contacts.

The term "brokers" is sometimes used to describe their role, and it is often an apt one: often their functions consist mainly of brokering an exchange of information or resources. More rarely do intermediaries get involved in the direct transfer process.

As part of their brokering function, second-level organizations often play an important advocacy role. Because second-level organizations leaders are often more closely tied to local and national political leadership circles, the advocacy role can be very important for local community groups without ties to political leaders. This is especially important in repressive societies, where second-level organizations can provide legitimacy and protect primary organizations.

### **Services offered by Second-level organizations**

Second-level organizations provide access to resources, in the form of information, contacts, technical advice, and financing. Because of the ability to write proposals, interact with donors and development agencies, manage resources, and their personal contacts, second-level organizations can make available to primary- level organizations an array of services which otherwise they would have great difficulty accessing. In this way second-level organizations act as brokers, sometimes providing little more than a brokering service. At other times the second-level organizations receive the resources directly, and distribute them to primary- level organizations.

Less often these services include capacity building of the primary-level organizations. One of the main reasons that capacity-building is not prioritized is because often the second- level organization itself

requires capacity enhancement, so that it may achieve that goal with the organizations which it supports.

### **Distinguishing Features between Second-level organizations and Primary Organizations**

Some of the primary distinguishing characteristics of primary organizations, and second-level organizations are:

1. Primary organizations are composed of community members, and represent the most basic level of community organization. Second-level organizations are composed of the primary-level organizations (in the case of MSOs) or individuals that work towards supporting the activities of primary-level organizations (in the case of GSOs).
2. Primary-level organizations usually represent individuals from a small geographical area, from one community. As collections of primary-level organizations, MSOs represent a wider geographical range. "outsiders", individuals from outside the communities, sometimes from urban centers often staff GSOs.
3. The leaders of primary-level organizations are often community leaders. Leaders of second-level organizations often come from a more educated, ambitious group of individuals, either from the communities or outside. Sometimes they see their future in the communities, but often not. In the case of GSOs, the leaders are often urban, rather than rural, and have a professional approach to their activities.

### **Second-level Organization Formation**

Why, who, and how second-level organizations are formed reveals much about their mission, their future, and the role that CARE might have with them. Some organizations are born out of a natural formation from the ground up, when local organizations begin to see the advantages of working together and having a forum at a regional or national level to represent their interests. Other organizations are born out of "outside" intervention, sometimes a motivated individual, and other times other organizations, including international development organizations. The results from the literature show successes from both the "natural" formation, groups formed by outsiders, and even government-assisted groups. The evidence for long-term success for internationally started groups is not abundant.

### **Indicators of Success**

In the most complete analysis of success among second-level organizations, Carroll (1992) surveyed the characteristics of thirty organizations in Latin America, determining characteristics of successful organizations. He ranked the NGOs along three groups of criteria: service delivery, participation, and the wider impact of the organizations. Under service delivery he included service effectiveness and

poverty reach, under participation is responsiveness and reinforcing base capacity, and under wider impact innovation and policy impact. The thirty organizations scored highest on service delivery, medium on participation, and low to medium on wider impact. These findings reinforce the widely held belief that the organizations are effective at what they do, but have a limited impact. The participation score came out lower than conventional wisdom, while a measure of potential impact on policy higher than conventional wisdom.

In seeking explanatory variables of success for these organizations, Carroll found one over-riding factor, which he terms "tending". He defines this term as a complex relationship between unequal partners in which one, the "tender", provides sympathetic assistance to the other, uncompensated in the commercial sense, but embodying reciprocity, especially in the form of a growing trust and a growing capacity for self-improvement by the "tendee". In other words, he is talking about local capacity building. He reiterates that the organizations that are most successful in their mission of supporting primary-level organizations are those that work with existing organizations which had already acquired internal cohesion and external legitimacy.

Thus the choice to partner with second-level organizations goes beyond the simple categories of GSOs and MSOs. The important aspect, of being able to truly partner with an organization to enhance their own capacity, cuts across those categories.

This conclusion, that it is the ability of an organization to become empowered, to take control over, and manage resources in the interest of families and the community, is one that comes from most studies of community management. Korten (1986) comes to the same general conclusion from a series of experiences in rural Asia.

### **Advantages of Second-level Organizations**

Second-Level organizations have a number of advantages for both primary level organizations and development organizations, such as CARE, which seek to have a significant, efficient impact, which simultaneously achieves a significant impact in the short-term, while building local capacity for long-term impact. Among the advantages are the following:

1. Because the majority of second-level organizations are closely tied to regional and national political leaders, development agencies, and financial resources, they are able to build bridges between isolated primary organizations and resources from which they can benefit. This bridge can take the form of a conduit, where the second-level organization receives the benefits, and transmits them to the primary organizations, or the form of a bridge, where the second-level organization links organizations for the direct transfer of resources.
2. In this function, second-level organizations are very attractive to international development organizations that seek to reach large number of individuals quickly and

effectively, while building local capacity.

3. In the case of MSOs, there is a formal accountability system, which should ensure that leadership of second-level organizations does not stray from their assigned task. As discussed below, this formal system does not always work. In the case of GSOs, committed individuals who have the experience and capacity to help improve local capacity often lead them.

### **Disadvantages of Second-level Organizations**

Along with the above advantages, second-level organizations have several disadvantages.

The over-riding disadvantage of second-level organizations is that they are not composed of the actor who is sought as the ultimate partner: community members. This removal from the ultimate partner introduces a barrier to direct communication between an agency such as CARE and the community members, leaving open the possibility for mis-communication, mis-interpretation, mis-representation, mis-direction, and mis-management.

Because second-level organizations do not have as their members community members, the members are not formally accountable to their clients. The lack of accountability means that the leaders of GSOs are neither placed in their positions, nor can be removed from them, by community members.

The essential question becomes this: to what extent do the leaders of second-level organizations understand and work towards the interests of the primary organizations, and how do primary-level organizations keep control over the leaders of the second-level organizations.

The lack of accountability can lead to special-interest groups, which in some cases have been demonstrated to create further inequalities and conflict among the poor.

Beyond the lack of accountability, three issues come out of the literature: a conflict between service and policy change, the issue of too many activities, and sound management.

The issue of providing direct services versus working for policy change is a difficult one, which many second-level organizations struggle with, and the results are so varied that the only conclusion to be reached is "it depends". Like international development agencies seeking greater impact, many second-level organizations feel that they may be able to contribute more to their members by pushing for policy changes that benefit their clients, over working in direct service delivery. In some cases this has been born out, in others not.

Another common disadvantage of second-level organizations is that they are weak in some of the very areas in which they attempt to support activities of others. This is especially true in the area of management. The literature points out weaknesses in the areas of the lack of minimum standards or critical self-evaluation, cost-effectiveness, affordability, and cost recovery.

## **Lessons and Recommendations for CARE**

In determining whether to work with second-level organizations, and under what arrangements, CARE should carefully consider the following conclusions:

1. Despite the conventional wisdom that MSOs are less susceptible to mis-direction and leadership alienation, due to formal accountability, the experiences in the literature do not bear this out. The formal accountability systems of MSOs can provide a shield for small groups of active individuals, which can run an organization according to its own agenda, under the guise of democracy and accountability. Because GSOs don't have formal systems, their leadership is often more suspect, or under greater scrutiny. Despite the fears that strong leaders are more likely to abuse a system of little accountability, the experiences are equivocal: often the charismatic leaders do work for the best interest of the constituents. The informal and flexible nature of the organizations, and the leader's style, contributes to the dynamic nature of the organization. Strong leaders without accountability are potentially problems, and in many cases relations between leaders and the organizations have not worked out. Strong leadership is also usually correlated with weak secondary leadership. The sudden departure of a strong leader can leave an organization with untrained, inexperienced individuals to assume leadership. Formal accountability systems are no guarantee of good leadership. Before initiating a partnering process, the accountability systems, both formal and informal, must be understood, and a judgement about the motivations and dedication of the leadership to the organizations mission.
2. In the case of an organization lead by a charismatic, driving leader, the partnering process must be approached very cautiously. The literature reports many cases where this type of leader does an excellent service to his or her organization. But equally there are many experiences where this type of leader is trying to fulfill several agendas simultaneously, or are using their positions as political or economic stepping-stones. These leaders are especially drawn to international development agencies such as CARE, and the attraction often is mutual. Unfortunately, this attraction is sometimes fatal for an organization.
3. Look for second-level organizations that have a high- level of participation of the groups that compose it. All indicators of successful second-level organizations rank active participation as among the most important.
4. Be wary of organizations that have current or recent conflicts that have de-stabilized an organization. They have probably suffered a leadership crisis. This may well indicate more systematic problems with the organization, including a low-level of accountability or participation.
5. Creating second-level organizations is fraught with problems. In few cases does this result in

sustainable organizations. Only in the case of credit committees is there some evidence of sustainability through loan recovery, but Tendler (1981) doubted that credit is a good organization-builder among the poor.

6. After determining a clear system of accountability, the next steps for a second-level organization are to determine what services they offer, and how they offer them. Here the discussion of services versus policy changes is highlighted. The discussion should be made given a particular context, and with the clear approval of both the primary-level organization, as well as the development organization.
7. One of the clearest roles for a development agency to play in strengthening a second-level organization is in strengthening management capacity. Taken in the broad sense, this includes aspects from strategic planning to financial accounting systems. This is an area that second-level organizations often identify as a limitation and seek strengthening. This is especially true for the "hard" management areas such as budget development, accounting procedures, and financial and resource control procedures. The goal of capacity enhancement should be the over-arching one. CARE should approach its partnering with second-level organizations as a process to strengthen that organization's ability to in turn strengthen the capacity of the organizations which it supports.
8. Before developing a partnering idea very far, CARE should carry out an institutional analysis of the organization to ensure that the second-level organization is dedicated to capacity building as its primary mission, and wishes to in turn become strengthened to carry out that mission.
9. The match of missions at the outset is essential. PACA and others have learned the lesson of what happens when a development agency goes looking, under the gun of getting activities in place, for compatible partners. If a development organization begins to work with a second-level organization, based on the mission or agenda of the development organization as the driving force, then the relationship between "partners" cannot become one of true partners. What happens in many cases is that the second-level organization adopts whatever agenda is put forth, tempted by the access to resources. In the process, the second-level organization becomes essentially a consulting firm, carrying out the project of the development organization, often at the expense of the original (often-unstated) mission of the second-level organization. Beyond distorting the action of the second-level organization, the consulting-firm relationship does little to build the local capacity of an organization.

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