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**The Roles of NGOs in Rural Poverty Reduction:
The Case of Indonesia and India**

Suharko

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**Graduate School
of
International Development**

**NAGOYA UNIVERSITY
NAGOYA 464-8601, JAPAN**

〒464-8601 名古屋市千種区不老町
名古屋大学大学院国際開発研究科

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*By Suharko***

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** The author is the Head of Post Graduate Program of Sociology, Faculty of Social and Political Sciences, Gadjah Mada University, Indonesia. He got Ph.D. in 2003 from GSID.

1. Introduction

Up to the early millennium, poverty remains to be the biggest problem of the world. One-sixth of the global population or about one billion people live in an extreme poverty. They struggle daily for survival. They suffered from lack of nutrition, health, water and sanitation, shelter and other basic needs for survival.

In order to end the poverty, the 191 UN members signed the United Nations Millennium Development Goals (MDGs) in 2000. The first goal of the MDGs is to eradicate extreme poverty and hunger. To achieve this goal, a target has been set that is, to reduce by half the proportion of people living on less than a dollar a day by 2015. If the target can be realized, there will be an opportunity to end the extreme poverty by 2025 (Sach, 2005: 25). It means that poverty is the greatest challenge of global society.

The greatest challenge to alleviate poverty can be reflected through the contemporary poverty situation in Indonesia and India where a huge number of people lives below the poverty line. Before the economic crisis hit Indonesia in 1997, the number of poor people had significantly decreased. There was clearly a sharp reduction in both urban and rural poverty from 1984 to 1996. The total poverty rate dropped from 56.7% in 1984 to 17.4% in 1996, a reduction of 39.3 percentage points in a twelve-year period. However, the economic crisis has evidently reversed the achievement of poverty reduction. Poverty in both urban and rural areas increased again from 1996 to 1999. The total poverty rate in 1999 was 27.0%, while urban and rural poverty rates were 16.3% and 33.9% respectively (Suryahadi et al., 2006).

Although there was a debate on the effectiveness of economic recovery, Central Bureau of Statistics (CBS) noted that the poverty rate decreased during 1998 - 2005. By 2002, the poverty rates in both urban and rural areas were the lowest since 1984. The national poverty rate was 9.8%; the urban poverty rate was 4.2%; and the rural poverty rate was 14.2% (Suryahadi et al., 2006). During the period of 2002-2004, the number of poor people dropped from 23.4% to 18.2% in 2002, 17.4% in 2003, and 16.66% in 2004 (Bappenas, 2006).

However, during the last three years there has been no significant achievement in reducing the number of poor people, and even since 2005 the number of the poor has significantly increased (INFID, 2007). By February 2005, CBS noted that the number of poor people was 35.10 million (15.97%) out of 220 million total population. During the period of 2005-2006, as released by CBS in September 2006, the national poverty rate increased by 2.22%, from 15.97% in 2005 to 17.75% in 2006. By March 2006, the number of the poor recorded to 39.05 million out of the 222 million total population (Kompas, 2 September 2007). In achieving the first goal of the MDGs, the Government of Indonesia plans to reduce the poverty level to 7.2% (Bappenas, 2006).

In India, according to the National Commission, the incidence of poverty has decreased on the basis of household consumer expenditure surveys. Between the periods of 1973-74 and 1999-2000, the incidence of poverty expressed as a percentage of people below the poverty line declined continuously from 54.9% to supposedly 26%. However, the pace of reduction in poverty varied considerably during

this period. Significant progress was made in poverty reduction especially during 1980s. The number of people below poverty line decreased from a high number of 328.9 million in the 1970s to 307.1 million towards the end of the 1980s. The percentage of population in poverty decreased from 54.9% in the early 1970s to 39% during the second half of the 1980s. However, in the early 1990s, as a consequence of financial crisis in 1991, there was a reversal in some of these gains as the number of people below poverty line increased to 320 million. During the period of 1999-2000, according to the Planning Commission, there was a substantial decrease in poverty in terms of the number of the poor (down to 260 million) and the poverty incidence (down to 26.1%) (Mehta & Shah, 2001).

In regard to the first goal of MDGs, India aims to reduce the proportion of people below poverty line from nearly 37.5% in 1990 to about 18.75% by 2015. As in 1999-2000, the poverty headcount ratio is 26.1% with poverty gap ratio of 5.2%, the share of poorest quintile in national consumption is 10.1% for rural sector and 7.9% for urban sector and the prevalence of underweight children is of the order of 47% (Government of India, 2006).

In order to achieve the first goal of MDGs, it is broadly assumed that NGOs have important roles. The role of NGOs in reducing poverty is not a new issue. Especially since the post World War II, NGO involvement in poverty reduction has become a mainstream. They have been engaged in relief, emergency or longer-term development work or the mixture of all three. Although the evidence on NGO performance in poverty alleviation is mixed, up to now, it is generally assumed that NGOs have the institutional capacity to reduce poverty. It is also frequently argued that compared to the government, NGOs have comparative advantages. As stated by van der Heijden, their comparative advantages are:

“their ability to deliver emergency relief or development services at low cost, to many people, in remote areas; their rapid, innovative and flexible responses to emerging financial and technical assistance needs at the grass roots level; their long-standing familiarity with social sector development and poverty alleviation; their experience with small-scale development projects as well as with those requiring a high degree of involvement by, and familiarity with, the concerned target groups” (as quoted by Riddell & Robison, 1995: 36).

As part of their commitment to realize the targets of MDGs in 2015, the NGOs have greater opportunity to increase their roles in reducing poverty especially in the developing countries.

The purpose of this article is to describe and to analyze the roles of NGOs in alleviating poverty in rural areas in two developing countries: Indonesia and India. In the two countries, since their independence, NGOs have important contributions in increasing the welfare of the poor people. Many NGOs have various activities to empower the poor people. Following this introduction, the second part of this article explains the general NGO approaches in the efforts to reduce poverty. Drawn from data gathering in the two countries, the third part describes two cases of NGO work dealing with the poor. To have a close picture on their works, the article describes two cases of NGO programs in improving the living conditions of the poor. The fourth part is an analysis of their successful performance in enhancing the quality of life of the poor. And in the final part of this article, some conclusions will be drawn.

2. NGO Approaches in Poverty Reduction

What kind of strategies should be developed to alleviate poverty? At a macro level, pro-poor growth combined with social development is now promoted by scholars, especially economists. At a micro level, promotions of small scale enterprises and microfinance including the Grameen Bank model have been recently referred to by various agencies.

In this context, it is worth referring to Jeffrey D. Sachs's strategy for alleviating poverty. According to Sachs (2005), a 'poverty trap' must first be solved in combating poverty. Although the poor have willingness to overcome their ill-being, they are not able to do it by using their own resources. There are so many factors that trap the poor until they are in powerless conditions, such as diseases, climate stress, environmental degradation, physical isolation, and also extreme poverty itself. Sachs states:

"The world's poor know about the development ladder: they are tantalized by images of affluence from halfway around the world. But they are not able to get a first foothold on the ladder, and so cannot even begin the climb out of poverty" (Sachs, 2005: 19-20).

Essentially, the poor must be helped to exit from the poverty trap. If it can be reached, there will be an opportunity to get a first foothold on the ladder of development.

In helping the poor to climb out of poverty, NGOs use two approaches: supply-side and demand-side (Clark, 1995). In a similar sense, Fowler (1997) identifies two types of NGO tasks: micro-tasks and macro-tasks. From the supply-side or micro-tasks approach, NGOs provide various basic public services to the poor. It is argued that especially in countries where government lack public services, NGOs play a significant role in the direct provision of social and economic services. In general, NGOs emerge and play the roles as service providers.

Unlike the supply-side approach where NGOs directly provide services to the people, the demand-side NGOs play indirect roles. The demand-side role of NGOs can be seen as being an articulator of the people's 'voice'. NGOs mobilize and clarify the demand for services, from both the government and the market, so that the people are able to achieve its development goals. In the context of service delivery, generally, NGOs seek to improve the access of the people to the services provided by the state. NGOs also engage in policy advocacy to influence public policies concerning the poor people. In line of this approach, NGOs have developed various strategies to influence the process of public policy making and to control the implementation of development programs or projects. This is also an area into which NGOs have been moving during the 1990s when they revised and re-strategized to move away from direct service delivery and prioritized policy advocacy and lobbying (Hulme, 2001: 136-142).

Clark (1995) identifies some potential NGO contributions by employing the demand-side approach as follows:

"Such NGOs assist citizens in finding out about activities of the government and others which might affect them; they use advocacy and political influence to hold local officials accountable for activities (or inactivity) which are damaging to the poor; they help communities mobilize and form societies to express their concerns, and help guard against reprisals; they construct fora in which officials can consult people about development plans and listen to alternatives presented by the people; and they help ensure that individuals disadvantaged by government decisions receive just compensation, negotiates with affected parties" (Clark, 1995: 345).

These two approaches are not mutually exclusive. In the recent trends, NGOs combine the two approaches for increasing their efficacy to reduce poverty. In practice, NGOs can function on both the

supply and the demand sides and even forge the linkages between the two sides. The latter is emphasized by Fowler (1997) by arguing that it is necessary for NGOs to make a linkage between micro-tasks consisting of provision of goods, of social and of financial services, capacity building, process facilitation, and fostering linkages, and macro-tasks consisting of policy advocacy, lobbying, public education and mobilization, monitoring compliance, and reconciliation and mediation (Fowler, 1997: 12-16).

3. a. Indonesian NGOs

The Indonesian NGOs have been involved in development activities since the colonial period. However, NGOs significantly grew in 1970s when the New Order government consistently limited the participation of society in development activities. Most NGOs were established as a counterpart agency to initiate an alternative development of the government development model. They generally used a bottom-up approach and stressed on participatory mechanisms.

Following the fall of the New Order regime in 1998, many new NGOs have been established in Indonesia. It is estimated that there are around twenty thousand NGOs throughout Indonesia concerned with community development and empowerment, advocacy, and litigation (SMERU, 2000). In the light of democratization process, the majority of new NGOs are usually engaged in specific issue and policy advocacy, such as the issues of good governance, electoral system reform, development watch, civil and political rights, civil society, and other specific issues.

Following the economic crisis in the end of 1990s, funded by foreign donors, a consortium consisting of 27 NGOs established the Community Recovery Program (CRP) as part of the efforts to overcome the crisis. The civil society was very enthusiastic in responding to the program. It was reported that many local NGOs or community based organizations (CBOs) were established in almost all regions of Indonesia. They were engaged in community development for overcoming the economic crisis (Suharko, 2003). Unfortunately, this program ended in 2006. In its Final Report (CRP, 2006), through the implementation of the 'bottom-up' mechanism, CRP claimed that the recovery programs had significant impacts on social, economic, gender, and policy issues. It was also stated that this development initiative has directly brought positive values for individuals and the group of the poor in helping in their struggle for survival.

In relation to the issue of development or specifically the issue of poverty, up to now, the number of development-oriented NGOs is most likely stable. Majority of them are old and established NGOs, such as LP3ES, Dian Desa Foundation, Bina Swadaya Foundation, and so forth. From the beginning, these established NGOs have continuously developed various development initiatives to provide basic services and to increase the livelihoods of the poor. To get a closer picture of how this type of NGOs attempts to reduce poverty, the next part will describe a case study of Yayasan Bina Swadaya.

Case Study: Yayasan Bina Swadaya (Self-reliance Development Foundation)

Bina Swadaya is a big and established NGO in Indonesia. It was established in 24 May 1967 by Farming Organization (*Ikatan Petani*). Previously, Bina Swadaya was an operational division of

Yayasan Sosial Tani Membangun (YSTM) or Development Farming Social Foundation. Since 1985, Bina Swadaya has become a foundation that provides various public services. The foundation has focused on developing human resource, strengthening local institutions, providing microfinance services, and selling and distributing various information and products. The foundation is also active in advocating the improvement of the grass roots standard of living.

Bina Swadaya provides services to the people through two main activities. The first is to provide services in order to empower the community. In this regard, Bina Swadaya has engaged in developing human resource, local areas and agriculture, and increasing community health including sanitation and environment. To support these activities, Bina Swadaya established education and training centers, research centers, and consultancy institutions.

The second main activity is the development of microfinance to increase the access of the poor to capital. To support this activity, Bina Swadaya has developed bank institutions (5 rural banks), or in Indonesian acronym, *Bank Perkreditan Rakyat* (BPR) and non-bank institutions (13 branch offices for serving microfinance). By establishing the two institutions, Bina Swadaya builds a connection between the poor and the financial institutions that provide credit for micro businesses.

In order to support all activities and to build self-financing organization, Bina Swadaya has progressively developed various business oriented activities. In the context of NGO activities, it is popularly called fund rising activities. These activities include building a training center, publishing books and its famous magazine, *Trubus*, establishing a tour and travel agency, developing a rural bank, selling agricultural products, and providing professional consultancy. As a result, the foundation has been able to reduce its dependence on foreign grants. At the beginning, almost 90% of the financial resource came from foreign funds. In 1980, it was able to reduce its dependence on foreign fund to 50%. By 1990s, the foundation could undertake self-financing up to 75%, and in 2000, it reached almost 90%. This achievement has made Bina Swadaya a self-reliant organization and enabled it to cut off its dependence upon foreign grants (Saidi et al., 2003).

Through provision of services in many activities, Bina Swadaya put its commitment to alleviate poverty. A senior staff of Bina Swadaya stated: “poverty reduction should be properly perceived and understood, especially in terms of its backgrounds and current obstacles and subsequent impacts. In this case, Bina Swadaya employs a modern approach through human resource empowerment and development” (as quoted in Saidi et al., 2003: 394).

Bina Swadaya provides services in the regions of Lampung, Jakarta, West Java, Central Java, Yogyakarta, East Java, Papua, Central Kalimantan, and East Nusa Tenggara. In order to run its program and activities, today, the foundation maintains 23 representative offices in these regions.

In the viewpoint of Bina Swadaya, in order to alleviate poverty, the poor is not the object of any anti-poverty programs. The poor is the subject that can actually address their own problems. Although they are poor, it does not mean that they do not have anything at all. The poor have a resource although it may be a small thing. They are not ‘the have not’ but ‘the have little’. If their resources can be organized and fostered in a collective activity to form a self-reliant group, they are able to address their problems with their own resources (Ismawan, 2003).

In the context of the pervasive problem of poverty, Ismawan¹ argues that Bina Swadaya merely facilitates the poor to address their own conditions. He argues that "We do not offer a solution. We only listen to the people and help them find the best solution. It is really something to see their faces light up when they find a solution to their problems," (the Jakarta Post, 3 January 2007).

Bina Swadaya facilitates the poor through developing local institutions such as the 'Self-Help Groups' (SHGs). A group consists of 20-30 members. Through SHGs, Bina Swadaya facilitates the poor to solve their own problems. In general, the group develops various activities, mainly micro finance and micro business in order to improve their members' standard of living.

In relation to the development of the group, Ismawan stated "I want Bina Swadaya to become a vehicle for individuals and groups that struggle to be self-reliant. By encouraging their spirit of struggle, Bina Swadaya supports the poor and marginal people to be able to be self-reliant. I want their stories to be written so that the poor will be able to know their big potentials" (Kompas, 7 June 2007).

As part of its strategy, Bina Swadaya also develops a partnership with other main stakeholders in its poverty reduction program, mainly the government and corporations. From the beginning, Bina Swadaya puts the government as a partner in achieving its missions. For instance, Bina Swadaya has cooperated with Indonesian People Bank (BRI) to increase the access of the poor people to the bank institutions. Especially in fund rising activities, Bina Swadaya has built partnership with the corporations.

Microfinance: An Approach to Empower the Poor

As previously explained, in order to alleviate poverty, Bina Swadaya has used microfinance as an approach. Why microfinance? Bina Swadaya proposes two reasons. The first is that money can be an effective tool for educating the poor. The second reason is that saving and credit activities are the alternatives for the poor in gaining capital because of their limited access to formal financial institutions.

In the viewpoint of Bina Swadaya, building and strengthening of the SHGs is the basis of microfinance development. Through SHG, the poor cultivates their spirit of mutual cooperation and build collective actions. In relation to this approach, community facilitators encourage people to establish SHGs. Bina Swadaya put the establishment of SHGs as a first and main step in the efforts to help the poor to be self-reliant.

When an SHG is established, Bina Swadaya provides human resource training for the members of the group especially on how to do savings and credit activities. It is a step to be passed by all the members before they learn how to do business activities. In other words, Bina Swadaya develops savings and credit activity as a basis for enhancing micro business. To do micro business, the people

¹ In early 2007, Bambang Ismawan, the founder and director of Bina Swadaya received an award from the Ernst & Young Inc. as "Social Entrepreneur of the Year 2006". He stated "It (the award) is a surprise. It is not only for me. It is a recognition of a long dedication to serve the poor community" (the Jakarta Post, 03 January 2007; Bulletin Bina Swadaya, February 2007)

need an access to financial service institutions. Therefore, Bina Swadaya sets up a formal financial institution (rural bank).

In order to strengthen the group, community facilitators encourage the group to follow three main guidelines. Firstly, the group should focus on income generating activities, such as the formation of savings and capital, and the development of production enterprises and marketing. Secondly, the members of the group should have openness of mind and attitude especially in managing various ideas and interests of the members. And thirdly, participatory or democratic mechanisms should be used in formulating the group decisions. The relationships between Bina Swadaya and SHGs are illustrated by a case below.

Case of Arta Mekar Mulya Group²

The group is located in Sidamulya village, the District of Subang, the Province of West Java. A majority of the village population (91. 5%) are peasants. There are 425 owners of irrigated fields; there are also 261 owners of non-irrigated land and the rest work for them. Most of the so-called owners of fields possess less than 0.5 hectare. There are several agriculture equipment such as 5 hullers, 26 hand tractors, and 26 traditional ploughs in the village. They do not have shops or markets. The nearest bank is 22 kilometers away.

The economy of the Sida Mulya village is dependent on rice harvesting. The village economy is active in the event of a good harvest but when the harvest fails, the economy is flaccid. The economy is also dependent on the seasons. In the dry season most of the wet rice fields become unproductive. This enforces many villagers to move to the town in search of new jobs. As a result, the village economy becomes inactive. In contrast, the onset of the wet season brings back the villagers to their homes to commence agricultural work.

Those who return from the towns bring with them the money, which is used to buy seed, fertilizer, etc. The lack of financial institutions in the village, had forced the villagers to depend on the services of moneylenders for years.

Bina Swadaya's first economic intervention in the village was in 1985 when the pump irrigation project was started. The project was designed to increase the productivity of uncultivated wet rice fields. The project was successful as the productivity of the fields increased dramatically from three tons to eight tons per hectare.

At the same time, Bina Swadaya facilitated the development of SHG in this area. The main purpose for developing SHG was to offer the services of alternative financial institutions for the villagers since the people have been dependent on moneylenders for many years. As a result, 12 SHGs were established in 12 neighborhoods.

Unfortunately, the pump irrigation project could not be sustained especially because of high operational costs. As a consequence, most of the SHGs were unable to survive. The need to borrow money from the SHGs was much higher than the ability of the SHGs to provide funds. The failure of SHGs, to some extent, has been related with the facilitating scheme. Forming the SHGs was a part of the

² This part is drawn from data available on a paper written by Bambang Ismawan (2000).

pump irrigation project, so when the project was over in 1989, the facilitation process also stopped. The SHGs were left to continue on their own.

In 1994, Bina Swadaya changed its approach. The foundation defined that the most urgent need of the people was the availability of microfinance scheme and the strengthening of the SHGs. Bina Swadaya established the rural bank, BPR *Abdiarta Swadaya* in the area. The bank has two main missions: (i) to provide microfinance services to the SHGs and (ii) to develop and facilitate SHGs in the area.

The rural banks started their operations in 1994 and in the early 2007 they recorded a paid up capital of Rp. 175,000,000, total assets of Rp. 1,790,129,063, savings and time deposits of Rp. 480,940,804 with dues to third parties at Rp. 897,886,77, to the Central Bank at 1,058,980,360 and outstanding loans at Rp. 1,422,622,129.

The bank attempted to activate the SHGs in the area. Among the 12 SHGs established during the pump irrigation project, only three SHGs survive. But, there was only one SHG capable of improving and developing its activities, i.e. the Arta Mekar Mulya group. The group was established in 1985 with an initial membership of 34 people. Although the pump irrigation project was completed, the group continued its regular activities such as meetings, rotating credit and savings among its members. Today, the members of the group have risen to 206, consisting of regular and temporary members. There are 188 male and 16 female members. Even though the women are the minority, they are more active than the males in group activities.

The majority of the members of the group work as micro entrepreneurs and peasants. The members of the group have the right to participate in the annual meeting and to decide the policy of the group. They also have an opportunity to borrow money up to Rp. 400.000 without any form of physical guarantee. Their savings in the rural bank amounts to Rp. 1,260,000 and Rp. 60,000,000 worth of credit has been given. The credit that has to be paid is 36,000,816. The assets of the group are worth Rp. 86,671,000. The SHG has its own office and two mini shops.

It is interesting to note that the group membership has significantly expanded during the last five years. This expansion has occurred since the people from both the host village and other villages learned about the financial services provided by the group. The interest rate charged by the group is 4%. This rate is much lower than the interest rate stipulated by moneylenders in the area. They charge 50% for the money borrowed for three months.

Even though the villagers are successfully able to develop the SHG, they do not want to form a new one. The main obstacles are (i) to find a good honest person who is willing to lead the group, (ii) the villagers are skeptical about SHG business since many SHGs established during government projects did not survive. As a result Arta Mekar Mulya became an alternative financial institution in the area.

From the profit earned, the SHG established the shops that provide the daily needs of the villagers. The shops are really useful since there are no other shops in the area. The nearest shops are 10 kilometers away. There is a positive response from the people since the group not only focused on its members but also pay attention to the social problems and social activities in the area. The SHG also built bridges, roads, and other community infrastructures.

The existence of SHG has some social-economic implications to the village. The routine meeting of the group enhances the knowledge and skills of the SHG members. The SHG has also become a place where the villagers meet and discuss their problems. The economic activities of the SHG take over the role of moneylenders. When the villagers find problems of community infrastructures, such as broken roads, damaged bridges, and destroyed irrigation systems, they can discuss to find solutions in the group, and mobilize collective action to address these problems. The results of the group activities enhance their self-confidence to improve their lives by their own means and resources.

3. b. Indian NGOs

NGOs or voluntary agencies in India have a history of involvement in a wide range of social welfare and development work. They have existed and played various roles since the colonial period. Given diversity in types, scale of activities, approaches, and so forth, it is very difficult to count the number of Indian NGOs. Riddell & Robinson (1995) estimate that up to early 1990s, the number of NGOs active in rural development would be in the 15-20,000 range, including local and regional branches of national organizations which operate as NGOs in their own rights. By the end of 1990s, as quoted from an NGO directory published by DAINET (Development Alternative Information Network), the number of Indian NGOs was 21,828 (Sato, 2002: 61). In regard to the type of activities, almost all NGOs are engaged in education and campaign activities, with one-third involved in advocacy activities. Most NGOs are also active in economic activities aimed at low-income groups, such as income generation, appropriate technology, agriculture, and micro-credit besides activities in social sectors especially in the issues of health, education and environment (Sato, 2002: 60).

Given the development of Indian NGOs, and the apparent limitations of government poverty reduction programs, there is a widespread agreement among development scholars that NGOs play an important role in helping to alleviate poverty, complementary to that of government, both in terms of providing additional resources and in making government programs more effective (Riddell & Robinson, 1995: 138). To have a closer picture on how Indian NGOs attempt to alleviate poverty, it will be described a case study of Gram Vikas.

Case Study: Gram Vikas

Gram Vikas has been working in the State of Orissa since January 1979. Previously, the NGO was composed of a group of student activists at Madras University. They formed the Young Students Movement for Development (YSMD) committed to social change on the regional and national level. YSMD became involved in relief operations in Cuttack district after this area was hit by a massive cyclone in 1971. YSMD then moved to Ganjam District in 1976, and in 1979, they formed Gram Vikas. Up to 2001, Gram Vikas had staffs with the strength of 224 persons, and with more than 400 volunteers at the villages (Gram Vikas, 2001).

From the beginning, the aim of Gram Vikas is to support the people to help themselves. The NGO claims that it only believes in two parties- 'the have' and 'the have not', and its mission is to convert

‘the have not’ to be ‘the have.’ In order to achieve its mission, Gram Vikas formulated a compact development strategy, namely the process of MANTRA (Movement and Action Network for Transformation of Rural Areas) (Gram Vikas, 2006: 5). The MANTRA is based on some core values: inclusion, social and gender equity, sustainability and cost sharing.

Inclusion means that all families in every village/habitation are covered by a program specifically the poorest and most marginalized people. They must be involved in the development processes and benefit from such. The principle of social equity is understood as the representation of all sections of the community in decision-making processes across caste, class and other societal barriers. Gender equity implies that men and women have an equal representation and participation in the community level decision-making and control. They can articulate their concerns and interests, take responsibility, and actively participate in the development processes. In regard to sustainability, the development programs are based on sound environmental values and necessarily have built-in institutional and financial mechanisms to sustain beyond the life of the project. Finally, cost sharing means that poor people can and will pay for the development services but there are some social costs which society at large must meet. These ‘social costs’ are provided by government, donor agencies and individual donations. These core principles must be reflected in all development programs and institutional features.

In the light of such principles, Gram Vikas reach out its target groups. Gram Vikas’ program is concentrated in predominantly *adivasis*³ and poor districts of Orissa. The NGO puts the target to work with 1% of Orissa’s population (80 to 100,000 families) over the next decade. The total population of Orissa is more than 32 million, and 80% of the population live below poverty line (Gram Vikas, 2001). In rural areas, less than one-fifth has access to clean water and fewer than 5% have access to adequate sanitation. Apart from periodic cyclones, the population is disrupted by regular floods and chronic water-borne disease, causing widespread illness and death (Todd & Palakudiyil, 2004). Up to 2001, it reached out to nearly 20,000 families in 500 villages in 12 districts of the state of Orissa (Gram Vikas, 2001).

In relation to the target groups, Gram Vikas plays the dual role of an implementer and facilitator to achieve the group collective action. It involves mobilization of communities in identified clusters, initiation of development processes, supervision and management. It is followed by a gradual role transformation enabling communities to manage processes and eventual withdrawal upon handing over full controls to communities. Generally, this process takes five to seven years in each village or community. The Gram Vikas facilitators work with a network of small and medium non-government and community-based organizations, which mobilize communities and engage in direct field action. Gram Vikas’ support involves transfer of knowledge, skills and resources (Gram Vikas, 2006: 5).

In designing the development program, Gram Vikas highly consider a context specific approach, based on the needs and priorities of the communities. Because of the diverse social and economic situation of the communities, the relative importance of the sectors varies across regions and communities. Considering these reasons, the core development interventions are focused on a

³ *Adivasis* are the indigenous people, designated as Scheduled Tribes under the Constitution of India.

combination of four focal areas: self-governing people's institutions, education and health, enabling infrastructure, and livelihoods and food security.

In line of these four focal areas, Gram Vikas has developed many development programs. Some development programs that have very significant achievements are support to people's movement (in 1980s), biogas program (1983-1993), social forestry program (since 1985), housing program (since 1985), residential schools for *adivasi* children (since 1982), and water and sanitation program especially under Rural Health and Environment Programme (RHEP) (since 1992) (Gram Vikas, 2001). Because of some significant achievements and the pioneering efforts in development, Gram Vikas has received several national and international awards⁴ in recognition of their work.

RHEP: a Threshold Level of Life

The RHEP is an integrated rural development intervention. The main goal of RHEP is to improve the quality of life of the rural communities in terms of both physical conditions of living as well as economic opportunities. RHEP focuses on *adivasi*, *dalit*⁵, and the poor and marginalized people like landless, small and marginal farmers. RHEP was designed as a development intervention to address the main problem faced by these groups of people.

A main reason behind poverty and backwardness in this area, based on Gram Vikas experiences are the lack of sanitation and unprotected water source. It caused the widespread morbidity, high mortality, and other water borne diseases. It was found that the people were using the same source of water, normally the village pond, for all their water needs. Very few villages had access to any safe source of drinking water. Essentially, unclean habits of sanitation and unprotected drinking water were affecting not just the health of the people, but each and every aspect of their life (Gram Vikas, 2001; Johnson, 1999).

In order to address this core problem, by harnessing the physical capital, natural capital, social capital, and human capital in each village, Gram Vikas together with the people, have constructed sanitation infrastructures (a separate toilet and bathing room for each family), and supply of piped drinking water. Moreover, after these infrastructures were successfully constructed, supported by Gram Vikas, the families constructed 'pucca' (permanent disaster proof) houses. It is not an end of the efforts. The people continue to build other community infrastructures like roads, drainage systems, community halls and grain banks.

Before a project is implemented in a village, Gram Vikas staff members establish contact in the village, identify key opinion leaders and work through them to initiate discussions among all the households. The time taken for motivating the communities is quite long. In this stage, there are certain

⁴ The Awards include the Allan Shawn Feinstein World Hunger Award for 1995-96 from Brown University, USA; the Most Innovative Development Project Award 2001 from the Global Development Network and the World Habitat Award 2003 for Gram Vikas' Rural Health and Environment Program (RHEP). In 2005, Mr. Madiath, the Gram Vikas director, was awarded the Social Lifetime Achievement Award for Social Services from The Godfrey Phillips Red & White Bravery Awards for his contribution in improving the plight of the rural masses.

⁵ *Dalits* were labeled 'untouchable' in the Hindu Caste system. Mahatma Gandhi called them 'Harijan' or Children of God, during India's freedom movement. They are designated as Scheduled Castes under the Constitution of India.

conditions that the community needs to agree to at the beginning of the process: full participation of all households in the village, creation of corpus fund with contribution from all families, and development of monitoring systems to ensure the full usage of facilities.

The implementation of RHEP begins when the villagers and Gram Vikas come to an agreement. This is followed by setting up an organization of the village general body. There are separate general bodies of men and women, consisting of all male and female heads of households in the village. The separate body is needed because in the patriarchal societies, it is difficult to get the women to come forward to sit together with the men and discuss common issues from the beginning of the program.

The two general bodies then form the village executive committee which assumes all decision-making powers with respect to the program in the village. The committee formulates the procedures for forming the 'village corpus fund' and mechanism of the collection. The fund is created with the contribution of cash and kind from all families in the village. Each family has to contribute an average of Rs. 1,000 to the fund, with the better-off paying more and the poorer families paying less. The creation of the fund is a condition for Gram Vikas to start contributing to the program. The fund is invested and the interest income is used by the Committee to extend the RHEP facilities to new families that may come to the village in the future. In the long term, the creation and accumulation of the fund is an indication of sustainability of the program.

In the next stage, in financing the construction of sanitation infrastructures, the people organized by the village executive committee and Gram Vikas share the costs. However, all families must prepare a soak pit and the foundation for the toilet/bathing room before Gram Vikas provides its share of the cost. In constructing toilet and bathing room, for instance, Gram Vikas contributes cement, bricks, aggregate, sand, steel, material for roof, ceramic pan, water seal, foot rests, door for toilet and skilled labors. Meanwhile, the people contribute quantity of stone, mud, centering materials, all unskilled labor, etc. The cost for constructing toilet & bathing room is approximately Rs. 4,000 depending on the type of the materials used. Gram Vikas contributes around Rs. 2,500 and the family contributes the rest. Similarly, the people contribute about 30% of the capital cost of setting up a piped water supply system (Gram Vikas, 2002; Johnson, 1999).

Maintaining the infrastructures is the responsibility of the villagers. A system is built right from the beginning. Generally, each village decides its own method to collect the fund to cover the repair and maintenance of the pumps and the salary of the pump operator.

As part of the program, Gram Vikas develops the human capacity of the villagers through training programs. Training programs are conducted for members of the village to share the various facets in RHEP and to enhance their capacities in managing the program. In order to support the livelihood of the villagers, Gram Vikas facilitates various economic and capacity development activities, especially for women. Women saving groups are formed and are encouraged to undertake collective and individual income generating activities. It also includes the efforts to link up these groups with government schemes (like the Development of Women and Children in Rural Areas Scheme) and banks. For individuals who are not eligible for bank credit, Gram Vikas provides loans for undertaking small business activities.

To address the limited employment opportunities, Gram Vikas motivates the community to undertake land and water development measures. Water harvesting units and irrigation infrastructure are developed to ensure food security and generate surpluses for better incomes. Gram Vikas focuses on the marginally unemployed, seasonally unemployed and totally unemployed poor in the livelihood interventions. Through training men and women in masonry, stone cutting, wire bending, carpentry, etc., Gram Vikas increases and develops the skills of the poor. Gram Vikas also promotes village industries involving value addition to local agricultural and forest products (Johnson, 1999).

Gram Vikas has implemented RHEP since 1992. During the two decades of implementation, RHEP have changed the standard of living of the villagers. At the beginning, the program was implemented in five pilot villages covering 337 families in the districts of Ganjam and Bargarh. Based on the pilot projects, in the first phase of implementation between 1995-1998, all 3,000 families in 40 villages spread over 11 districts of the state were covered. The second phase of implementation (1999-2001) showed that the spread of the program was 27 villages (2,008 families) in the clusters around the first phase villages (Johnson, 1999). By November 2002, RHEP covered 67 villages in the most backward districts of the state (Gram Vikas, 2002). By 2003, the coverage extended to 8,114 families (about 46,000 people) in 105 villages across 12 districts of Orissa (World Bank & DfID, 2004). Gram Vikas aims to have reached 100,000 families in the rural areas of Orissa by 2020 (Gram Vikas, 2003).

Gram Vikas identifies several impacts of RHEP. In term of financial assets, especially because of the accumulation of the corpus fund, the community is able to build various community infrastructures. There is also a salient indication that the dependence on exploitative moneylenders is ended. In the social aspect, there is enhanced village social solidarity, in which all families can share the corpus fund and involve equally in decision-making process. Fully utilization of all sanitation facilities has significantly reduced water-borne diseases, and at the same time there is a general improvement in the health status. Experiences gained by the people in implementing RHEP, to some extent, increase the access of the people to the development funds from government. The villagers are also active in monitoring and controlling any public works in the village. Finally, in regard to local governance, given a value experience in managing the development program through the village committee, there is a culture of transparency and accountability, with the leaders playing a proactive role in sharing information (Gram Vikas, 2001: 22-23).

On December 2001, Gram Vikas was given the Award for the Most Innovative Development Project for RHEP from the Global Development Network (GDN). On the side of the people, RHEP provides them a way to realize a 'threshold level of quality of life'. It refers to a situation where communities have satisfied the most crucial basic needs of life and are in a position to dream of further improvements. This is a critical step for the people to charter sustainable development process towards improving their quality of life (Gram Vikas, 2001: 25).

To illustrate how the program has achieved the threshold level of quality of life, below is a story from Samiapalli village.

Case of Samiapalli Village

This village is located in the district of Ganjam, Orissa, five kilometers from the coast of the Bay of Bengal, the most cyclone-prone region in the world. The village was one of the five villages selected as pilot project of RHEP in 1992. The total population at that time was 365 people, 181 male and 184 female. It consisted of 76 families or households, 72 of them were the *dalit*, and 4 were part of the general caste. The majority of families live below the poverty line. They depended on daily wage labor for a living like constructing roads and crushing stone. Their livelihoods were unpredictable and subject to seasonal fluctuations⁶.

In the initial stage, the women of Samiapalli were very enthusiastic to be involved in the program, since they were spending much time and energy collecting water for their families. In contrast, the men were reluctant to get involved. Many of the men were heavy drinkers and the incidents of domestic violence were common. Gram Vikas started the program by helping the women to change their condition. The women were persuaded to form self-help groups as a vehicle to save money and discuss the ways of improving their life. They found that the first main problem that must be addressed were alcoholism. In 1994, they formed a committee and decided to punish men who were abusing their wives. Because of the women's threats of sanctions, a lot of men stopped drinking. The women rule combining with much discussion and awareness-raising stopped alcoholism. Liquor was no longer brewed or sold within the village (Todd & Palakudiyil, 2004: 60).

The success in stopping alcoholism, to some extent, helped Gram Vikas in getting all people involved in the program. However, it took at least 20 meetings with the village leaders and a further 40 meetings with the entire community to arrive at a consensus on how to proceed with the program. Construction of sanitation infrastructures could start after an agreement was reached to form the village committee, and followed by creating the village corpus fund. The corpus fund has grown from the initial Rs.100,000 to over Rs.300,000 (Jayapadma RV, 2004).

Construction consisted of building a community water tank (with capacity of 35,000 liters) supplied from a safe source, with piped connections and bathrooms in each family. The total numbers of toilet and bathroom constructed are 78 units.⁷ The total cost of infrastructure was Rs.3.4 million (about US\$105,000 at the time), of which the villagers contributed 38% in cash and kind, with the remainder financed by loans (39%) and grants (23%) (Todd & Palakudiyil, 2004: 61).

The benefits were immediately tangible. The maximum benefit of this program goes to the women. The women were no longer subjected to all the pressures and inconvenience of bathing. The women no longer needed to work hard for fetching enough water for household needs from the closest available source. They could also irrigate their kitchen garden with waste water. The incident of water-borne diseases was reduced, while skin diseases and gynaecological problems decreased as the polluted village pond was no longer used for bathing. One villager said "our toilets are better than our house" (Gram Vikas, 2001: 14).

Construction of sanitation infrastructures was not the end of the story. To improve the quality of their lives, they decided to build better and stronger houses. They lived in mud and thatch houses of less

⁶ Gram Vikas secondary data, 2006, collected during fieldwork in Orissa, August 2006

⁷ Gram Vikas Secondary data, 2006, collected during fieldwork in Orissa, August 2006

than 10sq.m, which had to be repaired each year. Armed with a loan support arranged by Gram Vikas (of Rs.22500 per house of at least 41sq.m each) and their own labor and dedication, the villagers build their own permanent, disaster-proof houses. Their investment paid rich dividends in October 1999 when a killer super cyclone devastated every other village in the area: the houses of Samiapalli were left undamaged (Gram Vikas, 2001: 14).

The village committee has been powerful and has functioned as an agency of further transformation. They have learned to use the corpus fund to obtain loans for more development projects, such as raising cattle and selling cashew and coconut. They are now represented at local government level, through which they were able to access public funds to build a village road and a temple. The committee supervises village education to increase school attendance. The landless families have purchased land for cultivation. They are no longer depending on working as contractors or doing stone-crushing to earn their livelihood. Through the activities of two self-help groups, the women of the village save Rs.96, 683 in their savings and provide credit for their members (credit given Rs.68, 000)⁸. They have been using their ponds now to raise fish, which are harvested for household consumption and also sold in the market (Todd & Palakudiyil, 2004: 62). With all these impacts, they are building their dignity, not only toilets and bathrooms.

4. NGO Contributions and Challenges

4. a. NGO Contributions: Islands of Excellence

This paper is not trying to assess the overall NGO activities in rural poverty reduction. Assessing NGO performance in poverty reduction is a difficult task. However, it is worth learning from other observations conducted on NGO performance in alleviating poverty. It has been noted that, NGO contributions in poverty reduction are limited. Edwards & Hulme (1995:6) stated that it is difficult to find general evidence that NGOs are close to the poor. There is a growing evidence that in terms of poverty reduction, NGOs do not perform as effectively as had been usually assumed by many agencies. More specific evidence is provided by Riddell and Robinson (1995) who conducted a case study on sixteen NGOs undertaken in four countries in Asia and Africa. They found that while NGO projects reach the poor people, they tend not to reach down to the very poorest. NGO projects also tend to be small scale. The total numbers assisted are also small. Furthermore, it is also rare for NGO projects to be financially self sufficient. Finally, although NGOs execute a number of very imaginative projects, many of them appear to be unwilling to innovate in certain areas or activities. Therefore, because of these limitations, the roles of NGOs in alleviating poverty cannot be exaggerated.

The aim of this paper is not to provide counter evidence to these assessments. Yet, drawing on the evidence from the two cases, it is clear that the two NGOs have significantly contributed in reducing poverty in rural areas where the majority of populations live below the poverty line. Some lessons learned can also be generated from their best practices.

⁸ Gram Vikas Secondary data, 2006, collected during fieldwork in Orissa, August 2006

In general, the development interventions of Gram Vikas and Bina Swadaya have reached the poor and increased their standard of living. Gram Vikas has been able to reach out the poorest in India: *adivasi*, *dalit*, landless people, and other marginal groups. Although there is no program clearly set up for and exclusively benefited the poorest, Bina Swadaya has had a long history of engagement in its efforts to deal with the poor especially in the rural areas of Indonesia.

The two NGOs also posit the women not only as the main target but also as the main agency of program interventions. As clearly indicated by the success of Grameen Bank in Bangladesh, the involvement of women is widely believed by many agencies as an influence as to whether the poverty reduction program will succeed or fail in achieving its goals. In the context of the very established patriarchal system in India, Gram Vikas is able to involve the women in every stage of the program sequences. In the similar sense, from the outset of microfinance scheme, Bina Swadaya puts the women in the central position.

The successful program interventions of the NGOs are actually results of long endurance and engagement in accompanying the poor. From the beginning, these NGOs are formed as a part of their response toward the ill-being of the poor. Their long engagement provides them with worthy experiences and knowledge in dealing with complex and structural problems of poverty. Raised from such experiences and knowledge, these NGOs formulate and implement their genuine and innovative strategies and approaches of poverty reduction.

The main characteristic of their approach is that they put the core problem of the poor first. The program intervention is designed as an entry point to address the core problem. Given that the core problem of each area or community varies, a similar and rigid program intervention cannot be practiced. In the case of Gram Vikas, the core problem of the poor is the lack of sanitation infrastructures, while in the case of Bina Swadaya it is the lack of access to capital or financial resources. The inception of RHEP by Gram Vikas and microfinance by Bina Swadaya are part of their efforts in searching a suitable intervention scheme to address the core problem of the poor. Only in a condition where the core problem of the poor are addressed, can NGOs expand their interventions to enhance the well-being of the poor. This fact provides a lesson to be learned that there is no short-cut to sustainable poverty reduction.

It is very reasonable to help the poor exit from the poverty trap. Different with Sach's thesis, both Gram Vikas and Bina Swadaya prove that external aids or resources are not everything. The principle lying behind their program interventions is that the poor have their own resources and they can use them to address their problems. The successes of RHEP (Gram Vikas) and microfinance program (Bina Swadaya) indicate that the poor are able to improve their living conditions by their own resources. In this regard, the role of the NGOs is not more than a facilitator and catalyst in enhancing the quality of their life. In the case of Gram Vikas, it is clearly proven in the schemes of cost sharing provided by Gram Vikas in RHEP. Meanwhile in the case of Bina Swadaya it is shown in the functions of the rural bank. The services they delivered to the poor are designed to facilitate the self-reliance of the poor

Furthermore, the two NGOs combined the roles of service provider with the efforts of strengthening local institutions or local organization (Uphoff, 1986). The scheme of the program interventions (RHEP and microfinance) broadly confirm the view that most NGOs place importance on

the formation of new groups, or the strengthening of existing groups, as a means of raising awareness, empowering the poor, and promoting self reliance (Riddell & Robinson, 1995: 69). It also confirms Edwards's thesis that in order to make a difference to livelihoods and capacities among poor people, NGOs must foster autonomous grassroots institutions (Edwards, 1999). In the case of Gram Vikas, the establishment of local institutions is a condition that must be fulfilled before the program can start. Although it will take much time and energy, Gram Vikas seeks to convince the villagers that the village committee is essential for the success and sustainability of the projects. Bina Swadaya also convinces the community that only through the formation of the SHG can they initiate collective actions for improving their standard of living. Local institution is placed as the main vehicle to generate various collective activities and become the main entry point to long term sustainable poverty reduction programs. Therefore, through training programs and other technical assistance, the two NGOs seek to enhance the organizational capacity of the local institution, and in turn make it a self-reliant organization.

The importance of local institution is clearly indicated by the Samiapalli case. Through the village committee, the villagers are not only building social capital on their own, but they also successfully accumulated local financial resources. As a result, apart from sanitation infrastructures, they are able to construct various community infrastructures. The case of Arta Mekar Mulya group is also evidence. The saving activities provide the group with straightforward access to credit from Bina Swadaya rural bank, and in turn the members of the group are able to initiate small business activities. If this scheme continuously works, the poor can meaningfully decide their own way to get a first foothold on the ladder of development (Sach, 2001). This supports Siebel's findings (2001) that rural finance is closely linked with poverty reduction. The growth of outreach to the poor is contingent upon the dynamic growth of self-reliant institutions. The essence of self-reliance of the poor is rested on the capacity of their institutions in managing local financial and non financial resources. These resources come from saving activities. Savings deposited and accumulated by the poor in local financial institutions are the basis of self-financing and household risk management. Saving mobilized by local institutions is the main source of growth of funds and it makes them independent from external subsidies and interference. In short, institutional self-reliance of the poor is a key to sustainable poverty reduction.

Of course in a macro perspective, the successful performance of the two NGOs is limited or just 'episodes' of the story of poverty reduction efforts. However, given the pervasive incidence of poverty and the very slow progress in reducing the number of the poor in the two countries, the performances of the two NGOs in improving the well-being of the poor offer and keep an optimistic hope that although there is no short-cut, there is a way to find an alternative model for alleviating poverty. The schemes of the program intervention and the achievements of the two NGOs, as shown by the awards they received, are part of 'islands of excellence' in the vast array of efforts to end the poverty in the world.

4. b. NGO Challenges: toward Synergy among Three Main Agencies

Poverty is not caused by a single factor at the local level. Many variables working at macro-global context influence the persistent poverty in the world. In such context of poverty, to be 'islands of excellence' is not sufficient for NGOs. It is difficult to see how NGOs could significantly contribute to alleviate the global poverty through stand-alone projects at the local level, funding, or the delivery of

basic social and economic services. In this regard, there is an imperative need for NGOs in ‘moving from development as delivery to development as leverage’ (Edwards et al., 1999). In other words, in order to enlarge their level of achievements, NGOs must deal with some challenges.

- a) Strengthening local institutions and building linkages with development agencies at the supra level of the village.

It is widely confirmed by many studies that strengthening local institutions is the best way for NGOs to make a lasting impact on poverty (Uphoff, 1986; Edwards, 1999; Pettit, 2000; Howes, 1997). Gram Vikas and Bina Swadaya put the efforts to strengthen local institutions as part of the main approach. It is also evident that one of their keys to successful program interventions rests on the formation of local institution. However, there is no systematic effort taken by these NGOs to link local institutions with supra village agencies. As concluded by Edwards (1999), in order to make a difference in the livelihoods and capacities among poor people, in the same process, NGOs must foster grassroots local institutions and link them with the markets and the political structures at the higher level. Linking the poor with the markets will provide the poor with more access to economic agencies in selling their products. Linkage with political institutions provides the poor more access to engage in decision-making process that in turn influence their life.

- b) Scaling up the program intervention

Without scaling-up the program intervention, the successful performance of NGOs remain little more than islands of excellence in a wider economic and institutional environment which is detrimental to the poor (Uvin et al., 2000: 1409). There are two main models of scaling up. The old model is about scaling up through expansion, whereby NGOs become larger, more professionally managed, and more efficiently programmatic institutions. The two NGOs seem to take this model. In the aspect of the development of the organization, they expand and increase the scale of activities and outreach of the target groups.

Apart from these, NGOs have to explore a new model of scaling up of multiplication and mainstreaming through spinning off organizations, encouraging innovations, creating alternative knowledge, and influencing other social actors. In this model, NGOs are the creators of innovative program that can spin off and/or be integrated in the two mainstream sectors of society: the governments and the markets. The task of NGOs is not to compensate for the government failure or market deficiency. It is also not primarily expected to manage development projects. Rather, the role of NGOs is about innovation and subsequent mainstreaming and multiplication (Uvin et al., 2000: 1417).

- c) Building synergy with the government and business sectors.

In the two countries, and also in other developing countries, in the context of poverty reduction, although governments place NGOs as partner in development to complement the government development programs, cooperation and collaboration remain difficult to be institutionally developed. Up to now, as can be seen from the government regulation on NGOs, the Government of India tends to constrain the political space of NGOs (Sato, 2002). In the democratic Indonesian regime now, although there is a wide political space for NGO activities, distrust in both sides of NGOs and government remains a hindrance to a genuine collaboration in the development activities. The NGO-government

partnership is still difficult to set up as a country grand strategy in poverty reduction. State-society synergy, as recommended by Evans (1996), is still rarely emerging in development activities.

More encouraging phenomenon comes from the relationship between NGOs and corporations. The two sectors appear to be moving forward in building a partnership scheme in running the development activities (Yamamoto & Ashizawa et al., 1999). Along with the efforts to find various schemes of sustainable financing, NGOs seek to develop the corporate-NGO partnership. The establishment of the Asia Pacific Philanthropy Consortium (APPC) is a prominent example of this development. In Indonesia, there is an emerging indication that NGOs is getting more familiar with financial resources from the corporations (Saidi, 2003). In the other side, in the context of increasing demands for realization of corporate social responsibility (CSR), there is a strategic opportunity to build collaboration between the corporate sector and the NGOs. In the sense of growing interest to realize CSR, collaboration will be fruitful for both parties. Through collaboration, there will be more chances for them to compensate their weaknesses. NGOs provide expertise and experience in running community development. The corporation provides funds for financing and sustaining the development activities. The mutual collaboration between NGOs and the corporations are emerging in developing countries and it will have fruitful implications in the efforts of empowering the poor.

d) Engaging in policy advocacy

In Edwards's term, NGOs have to move forward to 'development as leverage'. Many NGOs are now combining their delivery of services with advocacy activities. In this context, NGOs work on the demand side of the poor. NGOs play a role as the representative of the poor. NGOs may not have any rights to vote in the political process, but they are able to articulate the voice of the poor. To some extent, Gram Vikas and Bina Swadaya appear to engage in policy advocacy. In the case of Gram Vikas, the experience in development action for more than two decades allows the NGO to make a significant impact in development interventions, and therefore it is essential to reach out to a larger number of people, constituting the 'critical mass'. The critical mass is the minimum size required to achieve a given set of expectations (defined as 1% of the total population of Orissa). The formation of critical mass will afford the community with effective bargaining positions in dealing with the decision making processes that directly affect their socio-economic life (Johnson, 1999).

Unlike in the New Order authoritarian regime, Bina Swadaya seems to be more active in policy advocacy. In early 2007, for instance, supported by some national leaders, Bina Swadaya declared a 'Cimanggis statement' (Bulletin Bina Swadaya, February 2007), criticizing the inadequate government policy in dealing with poverty reduction. The statement is a consensus among various groups of society to put the year of 2007 as "the year of community empowerment and poverty reduction". It is likely to be a new paradigm that the NGO community is now moving toward development as leverage, or at least they are simultaneously combining the demand and supply sides approach in a single and compact approach in dealing with the structural roots of poverty.

5. Conclusion

The involvement of NGOs in alleviating poverty has changed the life of the poor in developing countries. By designing and implementing innovative program interventions, they have enhanced the

quality of life of the poor. They have facilitated the poor to reach a first foothold on the development ladder.

The two cases of NGOs explained in this paper indicate that at the local level, NGOs have intensively engaged in poverty reduction. As shown by the two cases of poverty reduction programs, the two NGOs appear to have performed reasonably well. The conditions of the poor have improved, sometimes quite significantly, as the result of the NGO intervention. Given their valuable experiences and the development of their organizational capacity, it is most likely that their contributions to poverty reduction will increase in the future.

From a macro perspective, given a huge number of the poor in these two countries, NGO contributions in poverty reduction is reasonably limited. However, they provide an inspiring work to find alternative models or ways in enhancing the standard of living of the poor. Their works actually constitute as islands of excellence in the context of the very slow progress in alleviating poverty in the world. In order to address the limitations and to enhance their performance, NGOs have to deal with some challenges: strengthening local institutions and linking them with supra-local level of development agencies, scaling up their innovative development program, building synergy with the government and the private sector, and engaging in advocacy for pro-poor development policy. The NGO capacity in dealing with these challenges will determine NGO contributions in achieving the MDGs.

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