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## Canadian Journal of Development Studies Revue canadienne d'études du développement

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### Aims and Scope

The *Canadian Journal of Development Studies* provides an interdisciplinary, bilingual forum for critical research and reflection upon development theory and the complex problems of development policy and practice. The *CJDS* publishes peer-reviewed articles and review essays, and the journal aims to keep readers informed with commentaries, practical notes and reviews of recently published books on development. The *CJDS* is international in its outlook and encourages contributions from scholars and practitioners across the world, while, as a Canadian journal, having a particular concern for Canada's role in international development policy making and practice.

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Submissions are invited in English or in French. We welcome theoretical papers, particularly if they offer thought-provoking interdisciplinary analysis; preference is given, however, to articles based on empirical research, case studies, or field work having significant implications for development planning and policy. We welcome contributions from all areas of development studies but require that papers are written in a way that is accessible to a multi-disciplinary audience. Use of disciplinary jargon is discouraged. Papers which use econometric evidence should do so sparingly and ensure that the results are explained. We also welcome short, incisive articles concerning current development practice, policies or teaching, or which open a dialogue on questions raised in earlier issues of the *CJDS*.

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The *CJDS* is edited at the School for International Studies, Simon Fraser University (English) and at the Department of Economics, Research group on economics and international development, University of Sherbrooke (French).

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La *Revue canadienne d'études du développement* est un périodique multidisciplinaire bilingue qui vise à l'avancement de la recherche et de la réflexion critique sur la théorie, les politiques et la pratique du développement. La *Revue* publie des articles et des essais critiques évalués par des pairs, ainsi que des commentaires, des notes de terrain et des comptes rendus de livres récemment parus. Elle s'inscrit dans une perspective internationale, sollicitant des contributions d'universitaires et de praticiens de partout dans le monde. En tant que périodique canadien, elle porte néanmoins un intérêt particulier au rôle joué par le Canada dans l'élaboration de politiques et de pratiques de développement international.

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## Agribusiness and large-scale farming: capitalist globalisation in Argentine agriculture

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**ABSTRACT** In the past two decades, Argentina registered a strong growth of agricultural production, driven by major productive, economic and institutional changes, which led to concentration processes. This increased role of capital in agricultural production cannot be understood merely in terms of the expansion of farms' scales; its examination needs to consider the different forms of control of productive resources, accumulation and the organisation of production or the origin of capitals as well. In this paper, we address these issues, looking into the diversity that characterises capitalist concentration.

**RÉSUMÉ** La forte croissance de la production agricole qu'a connue l'Argentine durant les deux dernières décennies s'explique par d'importants changements dans la production, l'économie et les institutions, qui ont tous favorisé des processus de concentration. Le rôle accru joué par le capital dans l'agriculture ne peut être attribué à la seule expansion des exploitations agricoles. L'analyse doit prendre en considération les différentes formes de contrôle des ressources et d'accumulation, l'organisation de la production, ainsi que la source des capitaux. Cet article examine ces différents enjeux en étudiant la diversité des voies qui mènent à la concentration capitaliste.

**Keywords:** agribusiness; farming; Argentina; neoliberal food regime; agricultural firms

### Introduction

The growth of agricultural production in South America over the past 20 years has turned the region into one of the world's main food producers. Data from FAO (Food and Agriculture Organisation of the United Nations) show the significant contribution of South American countries to sugar cane and soy, two of the world's major crops. In 2012, these countries made up 42.8 per cent and 51.7 per cent of the global production of sugar cane and soy, respectively; these rates represent an increase in production, up from only 31 per cent and 29 per cent in 1992.<sup>1</sup> Moreover, in 2012, these countries contributed between 10 per cent and 15 per cent of the total global production of corn and wheat.

We highlight these crops (sugar cane, soy, corn and wheat) because they have contributed to the reorganisation of Argentine agriculture in the context of a new food regime, which can be understood through the convergence of three main forces, including: the introduction of biotechnologies in the mid-1990s; national neoliberal reforms triggered by the Washington

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Consensus; and the strengthening of multilateral organisations – such as the World Bank, the IMF or the WTO – as vehicles of reform in the international trade system.

There has been significant debate among scholars analysing the dynamics of the new food regime, the relative roles of globalisation, the state, regulation and the levels of analysis (global, world-system economy or nation-state economy) which are needed to properly understand the reorganisation of agriculture. These debates have even led scholars to develop different names for this new regime, including corporate food regime (McMichael 1997, 2000), neoliberal food regime (Otero forthcoming; Pechlaner and Otero 2008, 2010) and neoliberal globalised privatisation regime (Delvenne, Vassen, and Vara 2013). Despite the different labels, all draw attention to a key issue: how to conceptualise the interplay between global and local influences in reshaping national agriculture.

For McMichael (2009, 153), the corporate regime refers to “a set of rules institutionalising corporate power in the world food system”, which is centered on the elimination of barriers to capital in social and natural relations. This definition points to a deeper integration of transnational agrifood capital and global sourcing in contexts in which national regulatory policies are defied by corporate assaults and multilateral free-trade organisational pressures (McMichael 2000). In short, the corporate regime is characterised as a “politically-instituted process of economic liberalisation privileging corporate entities and rights in the food system, with respect to crop development” (McMichael 2009, 151). McMichael (2000, 22) also points out that the strength of the corporate regime depends on its political sustainability; as a political project, it is “open to continual modification from the constraints imposed by the natural environment as well as the social counter-movements”.

While agreeing with some of the features identified by McMichael to characterise the current food regime, others, like Perlachner and Otero (2008, 2010), find this definition weak due to its inability to account for national differences. Although it addresses the political nature of the new food regime, “[McMichael’s] view of resistance places it on a transnational level” (Perlachner and Otero 2010, 154).

In contrast, Perlachner and Otero (2010, 154) consider the nation-state to be the central sphere of struggle. They conceptualise the food regime as a neoliberal regime and emphasise the role played by states and local forms of social resistance. This allows them to recognise how “significant inequality and power imbalances between different nation-states affect their specific modes of incorporation into the project of neoliberal globalism” (Pechlaner and Otero 2010, 180). In their comparison of the evolution of neoliberal food regimes in the US, Canada and Mexico, they conclude that “the globalisation of agriculture and food will be tempered not only by the differential interests and abilities of individual nation-states, but also by the resistances to neoregulation that arise between them” (2010, 182). Similarly, Delvenne, Vassen and Vara (2013, 160) argue that “it is not enough to postulate that the neoliberal globalised privatisation regime will just unfold and progressively expand to more countries at the expense of most Southern actors at the periphery. Rather, combined with the commercialisation of science, ‘peripherality’ creates protest, activism and regulation at the margin”. For Newell (2008, 373), even if corporations wield their enormous power to ensure their strategies throughout Latin America, “there is a great deal of pressure being brought to bear upon governments throughout the region into accepting agricultural biotechnology”, because “countries in the region operate in a context of ‘bounded autonomy’”.

These authors, thus, highlight national differences and particularities by addressing the role of nation-states as well as local resistances in shaping the new food regime. However, little attention is given to how local agricultural companies have been integrated into the current food regime. Even when scholars assert the need for nation-specific investigations to properly understand



how globalised agriculture is shaped, they rarely analyse the consolidation and role of local businesses engaged in large-scale farming.

Our theoretical framework rests on Pechlaner and Otero's characterisation of the new food regime as neoliberal. For them, the broad scope of food regime perspective fails to account for the myriad influences that shape the regime at different levels, including that of the nation-state. They have also analysed in detail the role of biotechnology as a driving technological force in capital accumulation, showing the various ways in which it has unfolded in the South (Pechlaner and Otero 2008, 2010; Otero, forthcoming).

In this article, we offer a meso-level scale of analysis of large-scale farms to examine how globalisation and the neoliberal food regime have materialised in Argentine agriculture. It is worth noting that, far from being unaffected, large-scale local farming has expanded. Moreover, the expansion of the neoliberal food regime has not only displaced family farmers and generated increasing social resistance since the 2000s (though not to the same extent as Mexico or Brazil), this expansion has also entrenched the presence of large-scale local firms. Although aligned with the neoliberal regime agenda, these firms develop their own economic strategies, which cannot simply be considered a product of transnational corporate needs. In this article, we are not able to address fully the relationship between large local agricultural firms and global corporations (which, in Argentina, are mainly located in input supply and export trade). Nevertheless, we intend to offer a first step by examining large-scale local farming. Our argument is that the analysis of the reorganisation of large-scale firms and the different modes in which they have appropriated the productive logics associated with the neoliberal food regime are key issues in understanding fully the way in which Argentina has been integrated into global agriculture markets. Our analysis provides insights that will further our understanding of the role of large land holdings and their effects on family farms that are small and medium-sized holdings, representing 75 per cent of all farms in Argentina (Murmis and Murmis 2012, 490).

Argentine agriculture has undergone deep transformations since the 1990s, which have been linked to extended technological changes and a widespread reorganisation and intensification of production. The introduction of genetically modified soybean seeds in 1996, combined with new agriculture techniques, have demanded higher amounts of capital from farmers than in the past, triggering the concentration and consolidating of large-scale agricultural firms.

This has also led to widespread public and political debates on the role of agriculture since the mid-2000s. As Newell (2009, 28) points out, "the extent of Argentina's commitment to and acceptance of the technology, where so many other countries have rejected it or adopted a precautionary approach towards it, provides an insightful case of hegemony in practice". Newell analyses the role of agro-food companies in the political economy of biotechnology in order to explain how agricultural changes in Argentina have been secured. Richardson (2009), on the other hand, has analysed the effect of agricultural growth on the emergence of a new populism in Argentina and the resurgence of rural political powers opposing populism. In doing so, he shows that "rural political unity may be ephemeral, for once their common cause has been achieved, historical divisions may reemerge and splinter their coalition" (2009, 252).

Debates on the impacts of agricultural growth and biotechnology overlook distinctive aspects of the type of producers that are able to participate. The resulting consolidation of large-scale firms is assumed to produce a homogeneous sector, which disregards the diversity of firms in terms of their land and capital as well as of their forms of control and organisation of land and capital. An examination of this diversity helps to assess the differential impacts of the neoliberal food regime – and the different appropriations of its logic – on local capitalist farmers. It also allows a better understanding of aspects that must be taken into account when analysing hegemonic constructions or how economic power can be translated into political power; something that both Newell and Richardson do not clearly address.

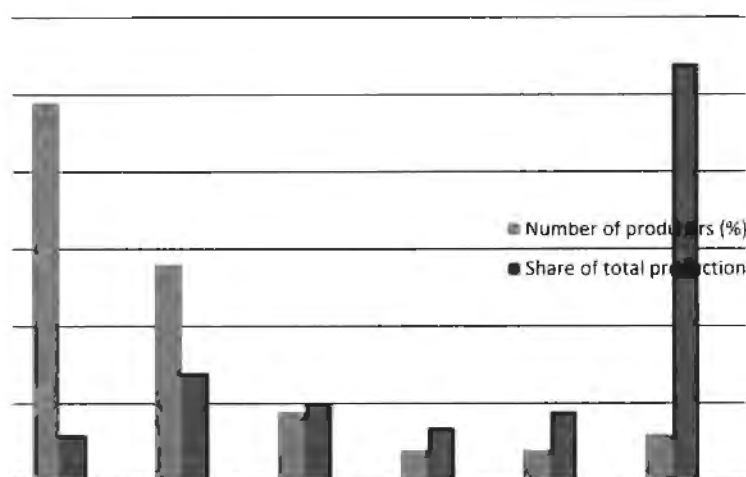


Figure 1. Number of soybean producers and share of soy production by groups of total production (in tons).

Source: Ministry of Economy 2010 (data for 2008).

Our analysis is based on extensive fieldwork that was conducted between 2011 and 2012. We carried out 26 in-depth interviews with owners of a variety of different agricultural companies. These include four companies with more than 60,000 sown hectares, nine companies with between 10,000 and 60,000 hectares and 13 firms with fewer than 10,000 hectares in production. Thus, we have focused on the group that makes up more than half of the total soybean production in Argentina (see Figure 1).<sup>2</sup> According to the national agricultural census of 2002, farms with over 1,000 hectares made up 10 per cent of total farms and 78 per cent of total agricultural area. Therefore, our sample has been selected from the upper strata of Argentine producers with the largest landholdings. It is a non-representative sample, since our aim is to understand the economic organisation and practices of these firms rather than establish their contribution to total agricultural production.<sup>3</sup> Besides, the access to public records on firm activity is limited and, when possible, they are only available for those that trade on stock exchange markets. These companies were approached after previous fieldwork during 2010.<sup>4</sup> Their “head-quarters” are located in the provinces of Buenos Aires, Santa Fe and Córdoba in the Pampa Region, although they may also have units located in other provinces, like Santiago del Estero or Chaco.

This article is organised as follows. The first section provides a brief outline of the evolution of agriculture in Argentina, beginning in the 1990s. The second section addresses research contributions to understanding the consolidation of the new regime and the reorganisation of large-scale firms in Argentina. Finally, we examine the characteristics of large-scale farming by analysing the internal stratification that results in a diversity of business profiles.

### **Argentine agriculture: a brief review**

Argentina is a paradigmatic example of agricultural growth that can be attributed to the current food regime, and particularly to the ascendancy of biotechnology in agricultural production. Between 1993 and 2010, the country’s agricultural gross product multiplied seven times, with the greatest contribution coming from oilseed (i.e. soybeans), the planted area of which rose from 5 million to nearly 19 million hectares in 2011, representing half the total cultivated area.

Meanwhile, the area planted with traditional export crops decreased: the area producing wheat decreased from 6 million to 4.5 million hectares and that producing sunflower from 2.4 million to 1.8 million hectares. Even though the amount of land producing maize increased, this area rose at a slower pace than soy (from 2 million to 5 million hectares). The central role of soy production is also attributed to its contribution to exports. In 2007, soybeans and soy products (mostly flour and oil) represented 40 per cent of the total agro-commodity exports, while maize, wheat and meat – which had been the major exports since the 1910s – represented around 8 per cent each (Guibert 2010). Moreover, soybeans and soy products made up nearly 26 per cent of the country's total exports.<sup>5</sup> Agricultural growth and the dominant role of the oilseed complex are in line with the dynamics of neoliberal globalisation outlined above, as well as with internal influences. To understand the trajectories of agrarian change, we must account for changes to regulation at the nation-state level (or “neo-regulation” in terms of the neo-liberal food regime approach<sup>6</sup>), which have fostered new dynamics of capitalist accumulation among farmers.

In 1991, Argentina created the National Advisory Committee on Agricultural Biotechnology (CONABIA), the first regulatory institution in the world to oversee genetically modified (GM) organisms, deal with biotechnological affairs, and advise the approval of transgenic crops (Pellegrini 2013). In 1996, “RR soy” (RoundUp Ready Soy; resistant to the herbicide glyphosate) was the first GM seed to be approved. The adoption of RR soy was fast, due to its easy integration with no-till techniques that had been adopted by many farmers in the Pampa region, among other reasons (Gras and Hernández 2009; Delvenne, Vassen, and Vara 2013). By the end of the 1990s, more than 95 per cent of soy production in Argentina was GM. As Figure 2 shows, the introduction of GM soy mushroomed into a productive boom.

The combination of RR soy and no-till techniques brought about a drop in both production costs and labour requirements. But above all, a key explanatory element of the fast adoption of GM soy was the local economic environment of the mid-1990s, which was shaped by a combination of volatile international commodity prices and the impact of Argentina's neoliberal economic policies on farmers. Carlos Menem's government (1989–1995 and 1995–1999) removed import and export taxes on capital goods, reduced farm subsidies and trade protections, increased interest rates on agricultural loans, and privatised public services. Even if some of these changes promoted export production and the renewal of machinery, the overall effects of these neoliberal policies included an increase in costs, the auctioning and displacement of farms – mainly the smaller ones – and the intensification of productive concentration. As national censuses show, between 1988 and 2002 the number of farms decreased by 21 per cent (–88,000 farms), while their average size increased by 25 per cent.<sup>7</sup> It is also estimated that in 1997, around 14

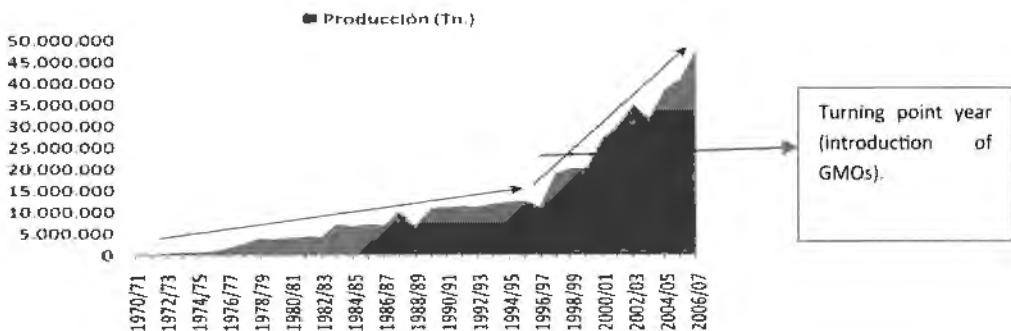


Figure 2. Soy production (1970–2007).

Source: AACREA (Asociación Argentina de Consorcios Regionales de Experimentación Agrícola).

million hectares of land were mortgaged with the National Bank. With both seeds and inputs financed by biotechnology companies, the increasing number of bankrupt farmers is another important factor to understand the growing adoption of GM soy (Gras and Hernández 2009).

The introduction of GM soy also integrated the use of glyphosate (a broad-spectrum systemic herbicide to which these seeds are resistant), fertilisers and biocides, which jointly are what is known in Argentina as a “closed technological package”. This term draws attention to the fact that none of its components can be adopted alone; in other words, the use of GM seeds requires broader technological change that extends to machinery, labour and managerial requirements.

The “soy rush” introduced new patterns of production in agriculture. Moreover, the increasing need for capital and technological investment was accompanied by a rush for farmland. By the end of the 1990s, agricultural production in the Pampa region had reached its limits in terms of land availability and began to expand north. However, instead of leading to the purchase of land, the rush was arranged through leasing agreements. As a national census shows, between 1988 and 2002 the total leased area increased by 52 per cent (mainly at the expense of “pure” landownership) and the number of units farming only on leased lands rose by 18 per cent.

Our fieldwork in the Pampa region shows that, during the 2000s, these trends have deepened, along with an increase in the average size of farms. As a result, the concentration of production continues to deepen. Unable to catch up with capitalisation and land scale demands, small and medium-sized farmers have opted out of production by leasing their land to larger farmers or investors, thus becoming “rentiers”. In northern Argentina, the expansion of capitalist agriculture has also prompted the eviction of peasant and indigenous families and drawn the attention of human rights advocates, such as in the province of Santiago del Estero (Lapegna 2013, 296).

Although the administrations of President Néstor Kirchner and his successor Cristina Fernández broke away from neoliberal policies after the 2001 crisis, in the case of agriculture and soy production the overall economic and political landscape remained unchanged. Even though these administrations taxed agricultural exports and provoked conflicts with large agribusiness, state support to biotechnology continued. In addition, the administrations approved laws to regulate land markets, but these were limited in their ability to control foreignisation. Moreover, the “Agro-food Strategic Plan 2010–2020”, which was launched by the national government in September 2001, promotes a heavy increase in agricultural production and exports. For these reasons, it is likely that the area cultivating soy will continue to expand at the expense of cattle rearing and the production of other food crops.

A study from the national Economic Ministry offers some evidence on the concentration of land. According to a study of soy production,<sup>8</sup> the Ministry found that 6 per cent of soy producers controlled 54 per cent of production. These data show the centrality of large-scale production and its market power: there are nearly 4,380 producers among the almost 73,000 dedicated to soy production. Moreover, their importance grows when we account for the fact that, above the threshold of 1,500 tons, we find a very diverse group of firms that sow more than 500 hectares with soy, including firms that sow more than 10,000 hectares. Unfortunately, the information presented in this study does not allow for greater detail on these situations. Nevertheless, these data are conclusive as far as concentration of soy production is concerned and are likely reflective of trends in grain production, since soy producers usually also sow maize and wheat.

Driven by high agricultural commodity prices and new “business opportunities” offered by the appreciation in the value of rural property,<sup>9</sup> competition for farmland has increased since the mid-2000s. This competition includes not only a renewed interest in land by the biggest large-scale firms but also by traders and investment funds. Moreover, many of the land acquisitions are associated with foreign firms. However, according to Anseeuw et al. (2012),



between 2000 and 2010 foreigners were active in only 22 deals to purchase around 1.5 million hectares, suggesting that large-scale local firms have been the driving force behind recent land acquisitions. Nevertheless, the concentration of current land ownership and the role of foreign firms remain controversial and need more empirical research.

Second, the importance of finance in agricultural production has grown and become integral in shaping new productive patterns. The process of financialisation has developed as international and domestic financial crises led financial capital to move to newer and safer opportunities. Different options in local and international futures markets, as well as investment funds directly financing farmers, have rendered financial capital a considerable power of control over agricultural production, reshaping the organisation of business among farms. As a result, agriculture in Argentina has undergone a process of "financialisation", in which vast arrays of capital seek to capture economic rents.

### The new productive model in agriculture

There are certain agreements among scholars in Argentina about the characteristics of the new productive model, including changes to the organisation of land, capital and human resources related to the use of biotechnologies and agrochemicals, or the requirements for larger tracts of land to make new technology profitable.

The concept of *agribusiness* was first developed in the pioneering work of economists Davis and Goldberg (1957), who proposed the necessity of vertical and horizontal integration in agriculture and industry by taking the perspective of the consumer and prioritising the task of coordinating various links in the value chain. Each inclusive, transectorial, and internationalist requirement postulated by North American economists during the Cold War found an even more favorable situation in Argentina's macroeconomic context of global capitalism. If agricultural industrialisation and the agro-industrial integration processes, referred to in the classic conception of "agribusiness", developed in Argentina during the 1980s, changes linked to biotechnology have given rise to a new field of power: that of the "agribusiness", which, as we will see below, is not limited to the reorganisation of production.

The field of agribusiness emerged in the mid-1990s, during a time in which neoliberal policy inspired material and normative transformations in the economy. The growth of the field also inspired the creation of various graduate and post-graduate programs that focused specifically on agribusiness.<sup>10</sup> By the turn of the twenty-first century, a new way of doing "agribusiness" had been fully realised in the country. Called a "new agricultural paradigm", agribusiness does not simply refer to an economic framework but more broadly to a *new worldview*. In this way, it is not specific technological or organisational innovations, but rather a systematic change that involves material, ideological and symbolic elements.

Protagonists call for the incorporation of both new technologies (such as the direct sowing of GM seeds, computers, etc.) and new organisational forms (networked enterprises, transectorality) in addition to a "change of mentality". In this way, new actors in agribusiness centre their identities on this idea of "innovation" (they even call themselves "agro-innovators"), which plays a dual role: on one hand, innovation plays a moral role and is understood as a *desirable* and *necessary* dynamic; on the other hand, innovation plays a performative role, such that the paradigm becomes the content of this dynamic. In other words, people in agribusiness will innovate *if and only if* their ideas incorporate a specific vision of agribusiness into the practices, and no other type of change. Within their company, the producer must innovate to develop their human, natural, and material resources within the logic of agribusiness. Outside the company, their innovations go through an economic integration that exceeds the limits of the subsector and, to the extent possible, all sectors. Some cases, like the seed company *Don Mario* or the consortium

*Los Grobo SA*, are cited in almost all of the manuals, courses and reports on agribusinesses as having successfully changed their mentality. Ultimately, agribusiness that was *made in Argentina* has led not only to new agricultural and industrial practices but also to a more general ideological transformation regarding the role of inputs in production (land, labour and capital), which affects the identity of the economic actors and the position of the national government in the new global food regime.

As appropriated by local large agricultural producers, "agribusiness" involves a renewed conception of the connections between farm activities and value-adding activities. Unlike traditional vertical integration patterns that are driven by the technical integration of production, "*agronegocio*" entails horizontal diversification within and beyond agriculture; "for example businesses that share ownership, companies linked by financial arrangements, and associations with specific contractual arrangements for complementary activities" (Murmis and Murmis 2012, 494). These business linkages are often made through agrarian capital, usually by integrating input distributors or finding investors to undertake agricultural production or other activities such as food processing, machinery, or management services. Whether these business connections entail cooperation or a deeper subordination of agrarian capital is part of the debate around the "network" firm. Many scholars in Argentina use the term "*agronegocio*" to discuss a specific type of large business, sometimes referred to as "sowing-pools" (Domínguez and Sabatino 2006; Grosso 2010). Others refer to large-scale firms in opposition to family farms (Teubal 2006; Craviotti 2012; Albaladejo 2013). We prefer to define the "*agronegocio*" (or agribusiness) as a specific logic of capital accumulation, characterised by continuous technological update, a "financialised" approach to management and land concentration. Our definition of "agribusiness", based on scholarly debates in Argentina, underlines the connection of agricultural production to corporate concentration. As an expression of the larger process of capital accumulation and a major trend in agriculture today (Murmis and Murmis 2012, 491), corporate concentration differs from previous concentration trends associated with large landowning by families (Hora 2005).

When analysing land concentration, two key issues synthesise the different positions in the debate. The first refers to the dynamics of capital accumulation and the relative roles of land and technological and managerial innovations. In short, the first issue addresses how wealth is created and distributed among capitalist agrarian classes, whether it is based on the rents derived from the monopolisation of land or on investments, risk-taking and profits.

This issue underlies much of the research on agricultural growth since the late 1990s, which emphasises the driving role of technological innovations as well as the high international prices for agricultural commodities. While some authors attribute the material base of technological innovations to the existence of large-scale ownership (Basualdo 2010; Arceo 2011), others highlight the importance of new forms of productive organisation, economic strategies of risk management, innovative arrangements and technological updates over land ownership (Bisang 2003; Bisang, Anlló, and Campi 2008, 2010; Manciana, Trucco, and Piñeiro 2009).

The second key issue in the debate over land concentration involves the dynamics of accumulation by large-scale capitalist farmers. For Basualdo (2010), technological and organisational innovations have resulted in economies of scale, which shape agrarian capital and the relationships between its different sectors. He concludes that the growth of economies of scale since the late 1990s has strengthened the importance of large-owned holdings. According to Basualdo, landowning classes would have remained the leading actors in the new productive model in Argentina. Moreover, based on land leasing data, Basualdo argues that landowners have also become the major land leasers.

Others emphasise that technological and organisational changes in agricultural production have resulted in substantial transformations in land exploitation, which has detached land ownership from production (Bisang and Kosakoff 2006; Bisang 2003; Bisang, Anlló, and Campi 2010).

Here, the “entrepreneur” is the leading actor, whose main asset is expert knowledge (technical, financial, managerial) that allows him to control land, capital and human resources. From this perspective, expert knowledge is integral to capital accumulation. Thus, the growing productivity in agriculture should have led to the formation of a new agrarian class to control not only agrarian capital but also service, financial and intellectual capital.

The information gathered during our fieldwork suggests that although holders of large companies identify themselves as belonging to a new social class – a sort of “self-made man” – most have a long personal history in agricultural or agro-industrial activities. Yet this does not mean that they are the heirs of the large landowning classes; at least in the companies surveyed, the names of traditional landowning fortunes are not predominant today. Even if many large-scale firms belong to economic groups operating in construction, finance or industrial activities, they are not predominantly part of those traditional economic groups of the early twentieth century.

### Land concentration and firm diversity

Our hypothesis is that an analysis of current large-scale farming should not take such an antagonistic perspective of land ownership or land leasing as the central feature of Argentine agriculture. Land control is essentially “control-grabbing”, “understood as the power to control land and other associated resources such as water in order to derive benefit from such control” (Borras et al. 2012, 404). From this framework, we are interested in analysing how land, capital and other resources are controlled. We argue that the “indirect” control over land and capital that has characterised the “Argentine soy model” to the present day is not an immutable trait. On the contrary, the meaning and use of land and other resources is shaped by concentration tendencies and competition over key production factors. As we will show, beginning in the late 2000s direct investments in farmland increased, which may suggest new tendencies in the control over land, especially given the limited land availability in the Pampa region and the expansion of the agrarian frontier to the north, which is also subject to contestation and conflicts over land. As Lapeña (2013) shows, there is a “dark side” to the boom of soybean production: the expansion of the agricultural frontier has prompted the eviction of peasant and indigenous families throughout Argentina, which, in many cases, has been managed through violent confrontation.

An issue that current literature in Argentina overlooks is the heterogeneity in capitalist agriculture and specifically among large-scale farms. Understanding agribusiness (“*agronegocio*”) as the current hegemonic logic of capital accumulation, we propose that internal stratification among firms arises not only from land or capital but also from the different ways that businesses appropriate that logic.

In what follows, we examine the main features of large-scale firms in Argentina, the different forms through which they access land and other resources, and the importance of factors other than farm size in their accumulation patterns.

### The network company

Technological innovations, large-scale production, new forms of productive organisation and the flow of financial capital to agriculture have resulted in a deep reorganisation of capitalist agriculture in Argentina. Many authors have concluded that these trends have crystallised into one specific and paradigmatic business structure: the so-called “network company” (e.g. Bisang 2003; Piñeiro and Villareal 2005).

Network companies are based on the organisation, coordination and management of third-party resources, which are integrated through several types of arrangements (production, commercial and financial partnerships, and labour and machinery outsourcing are among the most

common). These companies are, therefore, able to achieve a highly flexible and diversified farming system that is geographically distributed and results in an extraordinary capacity to adapt to different national and international contexts. In this manner, network companies can cope with diverse agronomic, climatic, social, legal and institutional conditions that affect their performance. In fact, their competitiveness derives from their risk management strategies and negotiating power with suppliers, which become stronger as they grow larger.

Within this structure, farming activities are carried out through a "business platform", which is controlled by the network company and integrated by a specialised group of companies or individuals (including landowners, machinery contractors, finance and hedging firms, grain storage companies, exporters, input commercialisation companies and food processors). Partnerships may be based on capital, land or services (inputs, management or commercialisation), as well as on shares from profit. They can be informally organised or based on legal contracts. Moreover, although they vary in duration, such partnerships tend to be short-term. Thus, network production does not entail mere market relationships; on the contrary, it stands as a complex web of productive and financial linkages between the companies and their "associates".

For example, Gustavo Grobocopatel, president of *Los Grobo* and an emblematic figure in agribusiness, describes his company as follows:

Our company is a production network. We are producing 80,000 hectares of agriculture, of commodities, in Argentina; 20,000 hectares in Uruguay and 6,000 in Paraguay. But we don't do this on our own; we develop different partnerships with landowners, service providers, input suppliers (herbicides, pesticides, seeds, etc.), through very different and flexible types of network integrations [...] The 80,000 hectares are managed by five agronomists as well as twelve small and medium-sized management firms; each of them has two or three agronomist, they share risks with us and are our partners in farming activities [...] In the end, we have a staff of fifteen people and 135 associated companies directly employing around 480 people and 1,500 indirectly.<sup>11</sup>

In this type of business organisation, farming activities do not depend on land or capital ownership, but on the company's financial and organisation strategies. The latter enables flexible farming management, large economies of scale and the sustained increase of sowed area. In this way, the main spokesmen of agribusiness claim that building networks – as a key feature of a dynamic business model – has "democratised" agricultural production, which was formerly carried out by landowning producers.

Very few people know that Argentina has the most developed land and service markets in the world or that its agriculture has one of the most democratic systems of social mobility: people who own no land can sow because there is a land market.<sup>12</sup>

Although the farming activities of network companies are generally conducted on leased land, this does not mean that they are not landowners. In fact, many of the largest network companies are also some of the major landowners in the country. But, when considering the total area they sow, ownership represents a relatively low percentage.

Network companies are not the counterparts of classical capitalist firms, which have a greater degree of capital centralisation. Rather, network companies are based on a different understanding of farming and organise capitalist production on behalf of another economic logic, seeking new business opportunities within and beyond farm boundaries to broaden food and agro-industrial value chains. This is partially driven by traditional technical integrations, since partnerships are pursued to develop (and control) economies of scale at each node of the network.

Not all of the firms we have studied (even the largest and most dynamic ones) fully resemble the "pure-network company", in which every activity is carried out based on contracts and partnerships and every economic resource is provided by third parties (investors, contractors,



landowners, etc.). In fact, in many of the firms we analysed, farming activities are conducted by combining partnerships with a more traditional organisation (namely, with their own machinery and capital). Nevertheless, most capitalist agricultural firms have undergone deep organisational and management change, especially by increasing the importance given to risk management strategies in the organisation of production. An example of this is the abovementioned geographic diversification strategies, which seek to minimise risks related to local climatic, ecologic or political conditions that affect farming activities.

Moreover, these organisational changes are not isolated; their full sense and rationality cannot be fully understood through the agribusiness logics within which new firm structures emerge to develop farming activities. As mentioned before, network production appears as the most radical, competitive and paradigmatic type of firm. Based on flexible resource strategies to manage and control labour, land and capital, network companies are able to quickly adapt their functions to respond to changing conditions and reproduce their global/regional accumulation according to the different crops they produce and the distribution of their investment portfolios along production chains. An example of this are the recent changes at the company *Los Grobo*, which is beginning to target agricultural services, input supply<sup>13</sup> and food processing, while also decreasing their investments and operation in agriculture (*Clarín*, June 4, 2013).

Network companies are not restricted to farming activities. Their business models – especially in the largest ones – rely on diversified and integrated platforms that can include land development (i.e. improvement of marginal areas in which farming activities are not fully developed), services (input commercialisation, grain storage, logistic operations for the sale of grains, finance for other producers, crop management, genetic updating), grain processing and industrialisation. Therefore, in their business models, economies of scale are not only achieved for agricultural production but also to foster capital allocation in a wide range of interconnected activities. In brief, accumulation strategies of network companies are not based only on agriculture; they also rely on benefits obtained through a complex web of industrial, commercial and financial activities.

For individuals in positions of command, this business model requires a wide range of managerial skills, expert training and a high degree of cognitive and social flexibility in order to engage in different activities and new business opportunities. In other words, the skills needed to successfully manage network businesses are not limited to agronomic training; rather, they include expert knowledge in areas such as communications, informational technologies, biotechnologies, marketing and finance, among others.

The most well-known network companies in Argentina are also the largest sowing firms, cultivating more than 100,000 hectares. Murmis (1998) has referred to these companies as “mega-firms”, since their volume of farming activities is beyond the scale of most capitalist agriculture. These include no more than 10–12 companies, which are the largest producers of soy, maize and wheat in Argentina, and also hold important stakes in the production of rice, cotton and cattle.

The dominance of these mega-firms in agricultural production can be explained by a variety of factors. On one hand, their expansion has overpowered other types of firms, mainly small and medium-sized farms, which either went bankrupt in the late 1990s or opted out due to high rents driven up by the mega-firms. When asked about the number of small and medium estates from which they rent, spokesmen for these mega-firms usually offer vague answers: “we work with all kinds of landowners: from 200 hectares to 1,000 or more” (personal communication, R.L., April 2009). Nevertheless, the amount of land leased by mega-firms, ranging from 70 per cent to 90 per cent, provides a measure of the extent to which network companies are out-competing other firms through their expansion.

On the other hand, due to their scale, mega-firms are able to establish the conditions under which their “partners” operate. In this way, they are able to dilute operational costs by transferring

parts of them to their “partners”; for example, for many machinery contractors, these firms are their main or only clients. Thus, large network companies can impose specific forms of “governance” and take control of the accumulation process altogether.

Since the mid-2000s, these mega-firms, including *Los Grobo*, *El Tejar*, *MSU* and *CRESUD*, have expanded into neighbouring countries such as Brazil, Uruguay and Paraguay. In Argentina alone, these four mega-firms make up around 1.3 million hectares of farmland (which amounts to almost 5% of the total area of soy, wheat, maize and sunflower) and nearly 1.73 million when we include neighbouring countries. This strong growth is not only the result of high demand and prices for commodities but also primarily due to their management approach, which maximises economies of scale and financial strategies. Mega-firms have attracted huge financial investments through an array of complex instruments (i.e. derivatives such as swaps, forwards, futures, options) and funding provided by investment funds. This has enabled them to offer higher prices for land, which, as mentioned before, allows them to out-compete smaller farms. Moreover, mega-firms offer security of payment to land owners and medium-term contracts: *Los Grobo* and *El Tejar*,<sup>14</sup> for example, develop different types of arrangements with landowners to assure their engagement.

These financial strategies have also allowed these firms to develop aggressive risk management strategies. According to Gustavo Grobocopatel, the success of his firm’s business model relies on high returns on invested capital, achieved by minimising capital immobility and managing risks inherent to agricultural activity. In his own words:

We have two types of risk: production and price fluctuation. For the former, we work on geographic and crop diversification. A network with a wide territorial occupation. With regards to prices, we have acquired a great ability to hedge volatility. In the days of an active future and options market in Buenos Aires (MAT), our trades were local; nowadays, we are trading on the CBOT (Chicago Board of Trade). We do not feel confident until all our production is hedged. We seek to capture profitability in a flexible and secure way. Over the past five years, we have improved greatly because we have acquired better tools. In the beginning, we used only forward contracts; later on, we incorporated exchange-trade options and afterwards spreads and other options such as differentials with Chicago or Kansas. Since our visit to Iowa State University in 1999, we understand the concept of Portfolio Analysis of Risk and have begun to use hedging instruments in a more systematic way. Besides, U.S. agricultural policies create distortions in commodity markets, which we have used to our profit by selling volatility in Chicago and buying in Buenos Aires, where it was cheaper [he refers to call (buy) or put (sell) options in Chicago’s futures market. “Buying” or “selling” volatility means combining call and put options, aiming to obtain the highest profitability of a financial instrument fluctuation range between its maximum and minimum value in a day or specific period of time].<sup>15</sup>

Since the late 2000s, the expansion of these mega-network firms has accompanied an increase in their productive, commercial, or financial connections to other companies, including agricultural firms, input suppliers, investment funds, food processors or rural real estate firms (Murmis and Murmis 2012). In this way, they have been able to extend agricultural production into new areas, integrate food processing, and even develop new business opportunities within or outside agriculture. It is worth noting that these types of connections are quite different from those that underlie network production. This is the case in recent agreements between mega-firms and investment funds, in which the latter becomes one of the former’s share or stockholders. For example, *El Tejar* and *MSU* sold a percentage of their shares and stocks to foreign investment funds, which funded their latest purchase of vast amounts of land.

Another situation that can occur is when one mega-firm buys shares and stocks or fully associates with another firm to form a new company. Examples of this include the joint purchase of an agricultural firm in 2007 (31,000 hectares) by *El Tejar* and *Adecoagro*; the association of

*CRESUD* and the transnational *Tyson Foods* to form *Cactus Argentina*, a company that operates feed-lots, meat processing and packing plants; or *Los Grobos*' participation in *Bioceres*, a bio-tech company.

These productive, commercial and financial integrations have also allowed mega-firms to expand to neighbouring countries. As Murmis and Murmis (2012, 17, our translation) point out: "these firms' expansion show how arrangements originally based on network webbings are being replaced by national and international financial and commercial integrations, together with land acquisitions in neighboring countries". These trends seem to be connected to a different stage in the dynamics of accumulation in mega-firms and to capitalist concentration processes as a whole.

In summary, farm-scale, vertical and horizontal, national and international, productive, commercial and financial integrations, and risk management strategies have positioned network mega-firms as leading actors in Argentina's agriculture. Economies of scale allow these companies higher profits than other types of firms, as well as greater market power when negotiating with transnational agro-chemical and export companies. As the director of a transnational agro-input company in Argentina told us: "at present, mega-firms buy inputs here for their global operation (in Brazil, Uruguay, Paraguay and Bolivia) and they set their prices. These mega-firms are putting pressure on us to unify economic conditions; their pressure is stronger every day" (personal communication, L.M., May, 2010).

Network production is not only found among mega-firms. There are other large-scale companies – though with a relatively smaller volume of activity (they sow between 50,000 and 100,000 hectares) – that are similarly organised on the foundation of rented land, partnerships and out-sourced machinery. These companies, also, have geographically distributed activities, but, unlike mega-firms, they operate within national borders. Moreover, although these companies fund their activities through different financial derivatives, they usually trade contracts on the local market. In the same way, the investors they work with are exclusively national and frequently enter into production to speculate on the value of commodities for quick returns. This propels some companies to sustain growth, although revenues are directed to investors' gains and to reproduce firms' management structures rather than to allow accumulation (for example, land acquisitions). Therefore, the expansion of these nationally based large network companies is constrained by the financial logic underlying their business organisation.

### **"Classic" large-scale firms**

As stated, network companies have emerged as the hegemonic business model, yet network organisation is not the only business model found among large-scale enterprises. Even among mega-firms, we find examples of more classic business organisation, based on the centralisation of capital and vertical integration. This is the case with *Adecoagro*, a company created in 2002 by a group of agronomists and foreign investors who initially bought an existing agricultural firm that owned around 76,000 hectares of land. *Adecoagro* expanded its operations by purchasing land and now owns almost all of the nearly 200,000 hectares they sow in Argentina. Like the other mega-firms described, *Adecoagro* has also purchased land in Brazil and Uruguay (nearly 80,000 hectares); however, their farming activities on rented lands represent a very low percentage of *Adecoagro*'s total cultivated area.

As one of the leading commodity producers in Argentina, the mega-firm *Adecoagro* is also a large food processor, owning rice mills and facilities in the dairy and sugar industries. For example, the company has an industrial plant that produces sugar and three other refineries that produce ethanol out of sugar cane cultivated in Brazil. It also produces and exports coffee grown on farms in Brazil. *Adecoagro* contracts with small farmers (for the production of rice and coffee) and provide

services to other farmers (for grain storage, crop processing, seed supply). Many of *Adecoagro*'s holdings in food industries have been the result of acquisitions (as in the case of rice mills and sugar plants) or from partnerships with leading global food companies (for example, its association with *Agropur*, a Canadian dairy firm). These acquisitions, as well as land purchases and the construction of different industrial plants, have increased since 2007, when the Soros Foundation and other two institutional funds invested in the company. Since then, *Adecoagro* has also developed a network strategy for its meat production. Although the company no longer raises cattle, it has partnered with a transnational company that raises cattle on farms that it rents from *Adecoagro*. As these examples show, large-scale farming is associated with different forms of capital control and economic organisation. This has given rise to a complex capitalist agricultural sector, which is even more heterogeneous than the analyses of farm scale suggest.

There are two groups of classic capitalist firms: large-scale companies (those with over 10,000 hectares) and medium-sized companies.<sup>16</sup> These enterprises are part of what we call the classic agrarian bourgeoisie, in which family land ownership persists and landholders are mainly concerned with the value of property and the preservation of capital. In classic capitalist firms, the main activity is agriculture and, although they can diversify with other connected economic activities (grain storage, for example), this diversification does not take the form of an "integrated business platform" as in the case of network companies.

Large-scale farms (in the cases studied, between 20,000 and 30,000 hectares) are generally linked to old estates that followed the usual subdivision processes. Although these farms currently rent land, the bulk of farming activities is carried out on their own properties. Their recent expansion has also been based on leased land, although this strategy is not used to the same extent as it is in large network companies. This has to do with the risks associated with high values of land (especially in the Pampa region) and conditions established by landowners (contracts are based on a fixed amount of production).<sup>17</sup> On the other hand, renting land is not simply a strategy of geographical risk distribution, since it is limited by a firm's capacity to organise its production structures (such as labourers, machinery, input supply and grain storage) in a way that allows them to be efficiently managed and coordinated at a distance. Hence, these large-scale farms generally prefer to rent lands that are close to those they own.

Even when family ownership persists, large-scale farms adopt different legal forms. Most of them have legally separated the family's land patrimony from its exploitation through the creation of different enterprises. This allows for a greater professionalisation of farm management (particularly in regard to the distribution of revenues and the planning of investments) and the redefinition of accumulation patterns, which was previously strongly proprietary.

In this past, large-scale farms combined crop production with cattle raising; yet most of them either abandoned the latter activity in the 1990s or moved it to marginal areas. Moreover, these firms have sold nearly all of their equipment and now rely on outsourced machinery. None of the farms studied in this group are connected to investment funds, although in some we found partnerships with contractors, urban investors or input suppliers. The most networked situation we found is a joint crop production on rented lands in association with other farmers, agronomists or storage companies.

The second group of classic capitalist firms (those with less than 10,000 hectares) encompasses farms of different sizes (ranging from 1,000 to 5,000 hectares) and trajectories that are owned by both families of farmers and individuals with other economic or professional backgrounds.

Medium-sized farmers with a long history in agriculture often combine land ownership with leasing. Importantly, these farmers often lease lands from relatives who have inherited land but participate in other economic or professional activities. These family "contracts" are always informal, usually last for long periods, and are based on rates at lower than market value. Some of these



medium-sized farmers also develop partnerships and associations, though not to the same extent as large-scale enterprises. In general terms, they associate with other medium-sized farmers with the general aim of increasing production under low-risk conditions. These partnerships have little stability over time and usually respond to short-term opportunities.

Newer medium-sized enterprises are usually established by agronomists with a history in agricultural consulting, administration or input commercialisation. They generally farm on rented lands, frequently associate with other farmers and outsource their machinery. Agriculture is also not their main activity, but one in which they can invest their savings and take advantage of their professional experience and business relationships.

Despite different social backgrounds, owners of medium-sized firms have difficulties maintaining an adequate farm scale according to existing technological parameters. Compared to mega-firms and other large-scale companies, their situation is unstable and depends heavily on macroeconomic trends. For example, as one businessman told us, in order to increase the acreage of land they rent, they are left with "little room for mistakes", since land rents represent a huge part of their total production costs (personal interview, 2009). If we consider that they usually finance agricultural production with bank loans and input suppliers and that, despite high commodity prices, they have not been able to make significant investments in farm activities, we can conclude that there has been no genuine capitalisation among them, even when they increase their cultivated area.

## **Conclusions**

This analysis of large-scale agriculture in Argentina shows the growing presence of diverse and new combinations of land and capital. Access to land does not depend exclusively on ownership but also on access to large scales of capital. Differences among these firms are not only linked to their scale but also to their "evolutionary paths" (Murmis and Murmis 2012). These may involve the presence of national or foreign financing, supply chain integration, partnerships, geographically distributed farm activities (sometimes even to neighbouring countries) and different combinations of land and capital control.

Network companies emerge as a paradigmatic business model. As shown, there is a close connection between this business model and large-scale agriculture. The strength of network companies, especially among mega-firms, lies in their control over several stages of commodity chains, including farming, inputs, distribution and industrial processing. Further research is needed to understand the extent to which these companies control entire commodity chains. Farming also plays different roles in these companies' structures. Recently, some have even divested from farming activities in Argentina altogether due to the increasing cost of leasing land since 2009. Moreover, although most mega-firms are examples of network organisation, there are others that maintain more centralised organisational structures. What all mega-firms manifest is a great flexibility that allows them to rearrange their use of capital in order to confront changing conditions and maintain the power to control production.

We have proposed that capitalist farmers have appropriated the logic of agribusiness in various ways. As a central aspect of capitalist processes of concentration, this article aimed to show that the growth in agricultural production has gone hand-in-hand with a significant reconfiguration of the agrarian capitalist class. Networking as a strategy of capital accumulation that favours the increase in economies of scale and allows for the reduction of transaction costs coexists with large-scale farms with a more classic business model that operate far below the scale of mega-firms.

Another important issue is the control of land. In the context of land concentration and the shortage of available land (unlike Brazil, Argentina does not have large productive areas to

further integrate to production), the formerly widespread strategy of increasing farm scales through leasing is more beneficial for landowners but less profitable for renters. Land-grabbing is a significant issue, which is made invisible when we limit our analysis to a narrow large-scale versus small scale/capitalist versus family approach. Even among mega-firms, access to land through leasing is now under the spotlight. For example, the national newspaper *La Nación* published an article in 2013 entitled "The Big Players in Crisis, Redefined and Looking for New Alternatives" (*La Nación*, April 20, 2013). In this article, the author questioned whether the benefits of sowing on leased land had come to an end. Whatever strategies these firms develop in the future, it seems that mega-firms operating in neighbouring countries will have different opportunities to develop their business schemes that can "move" across frontiers than those available to other large-scale but nationally-based enterprises. In addition, a firm's links to international investment groups will also differentiate their ability to acquire land on a large scale, may it be in Argentina or elsewhere.

Our analysis of mega-firms provides evidence of their market power. However, this position could also result in conflicts with transnational biotechnology companies regarding the economic surpluses each are able to capture. Many agricultural companies participate in INDEAR, an alliance of the National Council of Scientific and Technological Research (CONICET) and the company *Bioceres*, which specialises in biotechnology research. As Delvenne, Vassen and Vara (2013, 158) state, this group "attempt[s] to incorporate perspectives that take advantage of the strategic situation of Argentina. At the same time, they acknowledge the country's peripheral position that forces its companies to enter into alliances with multinational corporations in order to put their developments on the market". The words of an executive of multinational agribusiness (quoted above) may offer hints to understand the power of mega-firms to set prices. This remains a problem for further research; although one could hypothesise that, unlike other types of large-scale farmers, large corporate agricultural firms are not clearly under the control of agribusiness due to their strategic position in the Southern Cone, a region that provides nearly 52 per cent of soy production worldwide. This stage of our research cannot offer much empirical evidence on these matters, and we can only state research problems for a future agenda. A final, related problem that needs further research is the extent to which global or national forces will prevail. In any case, this calls attention to the need for nation-based research that furthers our knowledge on the interplay between global and local influences on national agriculture.

Exploring differences within capitalist actors is useful in order to frame new questions on the political economy of soy in Argentina, especially ones that move beyond a black and white, "winners and losers" perspective. How will big players and other capitalist farming firms (i.e. large-scale "nationally-based" companies and medium-scale firms) coexist in the near future? Will medium-sized companies be displaced from agriculture? Can large-scale companies continue to expand if they are not able to move into Brazil, Uruguay or Paraguay? If so, what are their limits of competition for land, increasing land values, and necessary economies of scale? Or will mega-firms be forced to reorganise their accumulation strategies and reduce their profit expectations due to land shortage, rising prices or declines in productivity caused by soil overexploitation? Examining these questions requires a wider contextualisation that we have not addressed here, such as the role of social resistance, counter-movements and environmental change. However, our analysis challenges some common generalisations in the local literature, such as the tendency to assume that the expansion of highly dynamic and consolidated capitalist farming only displaces family farmers. It is clear that the neoliberal food regime and the "*agronegocio*" have also weakened previously consolidated capitalist firms.

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## Notes

1. <http://faostat.fao.org/>
2. Among the companies interviewed, land sown with soybean represents between 30 per cent and 40 per cent of their total cultivated area.
3. Establishing the production of individual farm to total agricultural output is difficult given the units of analysis offered in the data. For example, the agricultural censuses in Argentina gather information on individual farms. Thus, it is not possible to link different farms that may belong to the same company or landowner.
4. During our previous research, we conducted a poll that included 578 agricultural firms located in the Pampa region based on a nonstatistically representative sample. We produced a typology of firms from these data based on the amount of land and capital (see Gras 2013).
5. In 2012, soybean and soy product exports amounted to USD21.445 million, while Argentina's total exports reached USD81.205 million.
6. Pechlaner and Otero (2010) propose this term instead of the common notion of "deregulation", which implies that state intervention withers away and states in general lose power. The term of "neo-regulation" draws attention to the fact that "neoliberal globalism also depends centrally on the state and its attempt to impose the market as a self-regulating mechanism" (180).
7. The 2008 Census did not cover the whole agricultural area and for that reason we have not taken its results into account.
8. Although this study is limited to soy production, it is relevant since the area sown with soybeans amounts to around 45 per cent of total agricultural area.
9. Data from *Márgenes Agropecuarios*, a specialised agribusiness journal, show that between 2002 and 2012 the price of a hectare in the richest areas of the Pampas rose from USD2,100 to USD18,000.

10. CEMA in 1995, FAUBA in 1998, UCA in 1999.
11. Personal communication with Grobocopatel in May 2004.
12. Personal communication with Grobocopatel in 2003; the emphasis is ours.
13. *Los Grobo* bought *Agrofina*, an input firm which has an annual turnover of USD60 million.
14. While writing this article, *El Tejar* has reorganised its business structure and strategy, moving its corporate headquarters to Brazil and reducing its farming activities in Argentina. As many informants have told us, this "move" is a result of the company's losses in Argentina since 2009. Apparently, this performance has been a consequence of their aggressive expansion on leased lands and the high values they paid for land, while profit margins reduced since 2009 due to higher productive costs and export taxes. For more information, see the national press (*La Nación*, April 20, 2013).
15. Interview published in Ordoñez and Nichols (2003, 24).
16. This threshold is taken from Murmis and Murmis (2012).
17. After the drought of 2009, farmers began to put pressure on landowners to change these conditions for a percentage of production.

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## Sustainability and outreach in microfinance institutions in India: an ethical analysis

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**ABSTRACT** We use an ethical analysis framework to explain the tensions that microfinance institutions (MFIs) face in following ethical practices when faced with the competing objectives of financial sustainability and social outreach. The extant view is that these institutions have to resort to unethical practices such as usury interest rates and forced loan collections to survive. After a case study of five MFIs, we find that this is not the case, and competing objectives can very well be achieved following ethical practices. This article is set against the background of suicides by microfinance borrowers in India.

**RÉSUMÉ** Nous utilisons un cadre d'analyse éthique pour expliquer les tensions auxquelles les institutions de microfinance (IMF) font face lorsqu'elles sont confrontées à des objectifs opposés de viabilité financière et d'intervention sociale. Selon les vues actuelles, ces institutions doivent alors recourir à des pratiques contraires à l'éthique comme des taux d'intérêt usuraires et des pratiques de recouvrement forcé des prêts. L'étude de cinq IMFs montre que ce n'est pas le cas et que des objectifs en apparence opposés peuvent être atteints tout en adoptant des pratiques éthiques. Cette étude s'inscrit dans le contexte de la multiplication des suicides chez des emprunteurs en Inde.

**Keywords:** microfinance; ethical analysis; India; sustainability; institutions

### Introduction

When 80 rural, poor borrowers of microfinance institutions (MFIs) in Andhra Pradesh, India, committed suicide in late 2010, it became international news. The *Wall Street Journal* ran a story on October 29, 2010, entitled "India's Major Crisis in Micro Lending". The Andhra Pradesh Microfinance Ordinance (APMO) issued by the government stated that the self-help groups (SHGs) "are being exploited by private Micro Finance Institutions (MFIs) through usurious interest rates and coercive means of recovery resulting in their impoverishment & in some cases leading to suicides" and sought to "make provisions for protecting the interests of the SHGs, by regulating the money lending transactions by the money lending MFIs and to achieve greater transparency in such transactions in the State of Andhra Pradesh" (APMO 2010, 1).

The suicides and consequent government action generated a storm of opinions and analysis. The MFIs charged that the state government's real intention was to promote the government's own SHG program, thus snuffing out the private sector (Legatum Ventures 2011). Some blamed the farmers for not following repayment discipline and borrowing beyond capacity to

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service. Yet others blamed the “for-profit” nature of the large MFIs, made it hard to toggle between two competing forces (financial sustainability and social outreach). Among the din of voices, the Government of India decided to intervene, and the Indian Parliament is currently considering a bill for orderly growth and regulation of the microfinance sector.

These events raise important ethical issues. It is, of course, unethical to see the poor pay for private profits. But then, is microfinance an industry or is it an economic justice movement? Is it about poverty or profits? Can it be about both (Ashta and Bush 2009)? There is an obvious tension between private interest and community needs. As Neimark (1995) states, the issue that is at the heart of the matter of business ethics is the tension between private interests, realised through the seemingly irresistible quest for capital accumulation and growth, and community needs.

Against this background, the current study seeks to answer the question: “Is it possible for MFIs to meet the competing objectives of financial self-sustainability and outreach to the poor without sacrificing ethical practices?” We examine whether MFIs in other states of India are also unable to meet these competing objectives without resorting to the unethical practices indicated in the APMO (2010).

To answer the question, we undertook a case study of five successful and well-governed MFIs in the state of West Bengal to understand their governance practices and how they meet the competing objectives without leading to the undesirable consequences as were witnessed in Andhra Pradesh. Our choice fell on West Bengal for several reasons. It is one of the poorer states of India, particularly compared to Andhra Pradesh. The financially excluded cultivator households in West Bengal numbered 5.2 million, as compared to 3.4 million in Andhra Pradesh (CFI 2008). Consequently, the sustainability and outreach dilemma is more pronounced in that state. If the MFIs in West Bengal could simultaneously meet these competing objectives following ethical practices, there could be no reason why the MFIs in other states could not do it. Yet another advantage was that the CEOs of the MFIs readily agreed to be interviewed and provided the required data. Prior research by Shafer (2009) also motivated our study. The author suggested that future studies could examine the link between ethical climate and dysfunctional behaviour in different organisational contexts and cultures. While Andhra Pradesh MFIs engaged in dysfunctional behaviour, the strong ethical focus in MFIs in West Bengal made them more effective. The five MFIs in West Bengal have been examined on a “stand-alone” basis. This article does not attempt a comparison between MFIs in Andhra Pradesh and West Bengal. However, our intention is to demonstrate how some MFIs in a much poorer state can achieve the competing objectives without sacrificing ethical practices.

Our analysis found that it is possible to achieve the competing objectives and there is no trade-off involved as Manos and Yaron (2009) imply. The MFIs in question did not charge usury interest rates (the interest rates were in line with those the public sector banks charged), expressly prohibited use of coercion by loan collection officers, and focused on positive reinforcers like client empowerment, provision of financial literacy training, and field staff working closely with borrowers. They believed that empowered borrowers are the pillars of a strong MFI. We conclude that it is possible to run a viable microfinance business following ethical practices by putting good governance mechanisms in place and focusing on empowering clients rather than on making “fast bucks”.

The article proceeds as follows. The next section provides a brief overview of India and the study state of West Bengal, followed by a review of literature. The fourth section describes data collection and analysis, the fifth provides results, and the sixth concludes.

### **A brief overview of the rural and microfinance sector in India and West Bengal**

An MFI is an organisation that provides microfinancial services to the poor. In India, microfinance is provided by: (a) formal institutions – banks and cooperatives; (b) semiformal institutions –

MFIs; and (c) informal sources – money lenders and shopkeepers. Microfinance refers to “the provision of a broad range of financial services such as deposits, loans, payment services, money transfers, and insurance to poor and low-income households and, their microenterprises” (ADB 2000, 2). Microfinancial services are provided directly to individuals or to the self-help groups (SHGs) – a homogenous group of about 20 people. Their savings are pooled to make small interest-bearing loans to members (Harper 2002).

India has 27 public sector banks, 22 private sector banks, and 32 foreign banks with total deposits of INR48 trillion (approx US\$1 trillion) and total loans and advances of INR36 trillion (approximately US\$748 billion). Also there were a total of 96,715 rural cooperative credit institutions. The total amount of credit disbursed by the cooperative banks amounted to INR2,392 billion (US\$50.37 billion) (RBI 2010). The cooperatives continue to be the major instrument for financial inclusion of rural masses but are financially weak, with non-performing loans at the end of March 2009 as high as 30 per cent. In 1975, the government of India set up regional rural banks (RRBs) – to meet the credit needs of the financially excluded, but the financial sustainability of these institutions soon became a major issue, and after amalgamation 82 RRBs now exist, with 15,475 branches and INR836 billion (US\$17.6 billion) credit disbursed (RBI 2010, 41).

Despite the above, the RBI estimates that there are over 450 million unbanked people (people without access to financial services from formal institutions) – and most of these live in rural areas.

The mainstream financial institutions suffered from various constraints such as high operating costs, high set-up costs and difficulty in finding personnel to work in rural areas. Consequently, the MFIs were considered to be best suited to reach out to the poor. These institutions typically operate in a limited geographical area, work closely with the rural poor, have greater acceptability among them and, importantly, have flexibility in operations. According to NABARD (2010), there are about 1,000 non-government organisation (NGO) MFIs and more than 20 non-bank finance company (NBFC) type MFIs which are the major players and account for over 80 per cent of the microfinance loan portfolio. The informal sources consist of the traditional money lenders as well as friends and relatives.

In West Bengal, all the three providers of microfinance exist. It has 2,319 of 31,676 (7%) rural branches in India and the population per branch (often used by the Indian government as an indicator of access to finance) was 19,000 in West Bengal against the national average of 16,000. It also has 324 branches of the cooperatives. Overall, the penetration of formal financial institutions continues to be inadequate as compared to the rest of India. The CFI (2008) found that 11 out of 19 (58%) districts in the state are severely financially excluded as compared to the national average of 44 per cent.

There were 29 MFIs operating in West Bengal as of December 31, 2011 (Sa-Dhan n.d.) besides 16 public sector banks, three RRBs, and 19 DCCBs providing microfinance. The total number of clients served by MFIs was 3.5 million as compared to 7.2 million by banks. The total outstanding loan portfolio was over INR21 billion. After their formation in early 2000, MFIs have made substantial inroads in the state and achieved 30 per cent market share in terms of number of clients served.

Consequently, their performance and practices are being closely watched by the government and the community. When MFI borrowers committed suicide in Andhra Pradesh, the government of that state ascribed it to unethical practices. But do MFIs have to follow unethical practices for sustainability and social outreach? To answer this research question, we perform an ethical analysis of five successful MFIs in West Bengal.

## **Literature review**

Beauchamp and Bowie (2011) state that ethics refer to both moral beliefs and ethical theory of human conduct. Business ethics refer to a set of moral features or codes of conduct for business

operations. Nilsson and Westerberg (1997) contend that ethics and business must go together, for to do business without concern for ethics is the surest way to fail. Jones, Wicks and Freeman (2002), and Egels-Zanden and Sandberg (2010) also emphasise the necessity of ethics in business.

In financial services, business ethics assumes particular importance. First, behaviour that is perceived as unethical can significantly affect the bottom line. The resultant reputational damage impacts organisations and all stakeholders for years. Second, there is pressure from consumers and government to address social exclusion in financial services. Third, unethical practices lead to diminished consumer trust – a cornerstone of the financial services sector. Further, ethical behaviour can also be a competitive advantage (FSA 2002, 4).

To conduct affairs in an ethical manner, financial firms have to balance the interests, needs and aspirations of all immediate stakeholders as well as community and other pressure groups such as competitors. As per the stakeholder theory, stakeholders are “any group or individual who can affect or is affected by the achievement of the organization’s objectives” (Freeman 1984, 46). An organisation is a grouping of stakeholders, and the organisation exists to manage their needs and aspirations (Friedman and Miles 2006). Freeman, Wicks and Parmar (2004, 365) state that stakeholder theory addresses two questions: what is the purpose of the firm and what responsibility does management have to stakeholders?

In sum, the stakeholder theory postulates that to perform well (to be sustainable) the organisation needs to address the interests of stakeholders, and business managers have certain obligations toward stakeholders other than the immediate owners (Donaldson and Preston 1995; Podnar and Jancic 2006).

The stakeholder theory underpins the ethical framework for financial services that the FSA (2002) have developed. The framework envisages that an ethically run financial services organisation would be (a) open, honest, responsive and accountable; (b) committed to acting competently, responsibly and reliably; and (c) relating to colleagues and customers fairly and with respect.

As financial services firms, MFIs face various ethical dilemmas. The mandate of MFIs is to provide financial services to the poor. The CGAP (2012, 1) states that though MFIs may vary in legal structures, mission and methodology, they “all share the common characteristics of providing financial services to clients who are poorer and more vulnerable than traditional bank clients”. However, this could be possible only if the MFI continues to exist. Gueyik and Fischer (2011, 23) state that though the role of MFIs in poverty alleviation has been accepted, to achieve it they need to be sustainable.

Ashta and Bush (2009) also provide a framework for ethical analysis of MFIs that captures the framework envisaged by FSA for financial services firms. It has three dimensions: ethical issues related to (a) the mission of the MFI; (b) ownership or shareholder owners; and (c) the target stakeholders – the poor. The framework can be presented as per Figure 1.

In ethical analysis of MFIs, assessment of their mission and their conformance thereto becomes necessary. Mission drifts could occur in the “for-profit” MFIs, as the pursuit of self-sustainability may lead to large-size loans not necessarily targeted to the poor because the MFIs might find it profitable to reach out to wealthier individuals (Armendáriz and Szafarz 2009). Mission drifts may occur in not-for-profit MFIs to make profits to survive (Mersland and Strom 2008). Such mission drifts are obviously unethical.

As many MFIs in India are constituted as NBFCs, the issues of corporate governance are important in ethical analysis. “The persistent concern in societies over the status of health of corporations and of society in general underpins the relevance of corporate governance both as an ethical principle and as a practice” (Arjoon 2005, 343). Boatright (2002) stresses the importance of corporate governance as a concept in business ethics and as a system of practices in the



Figure 1. Dimensions of the framework for ethical analysis.

business world. Primeaux (2005) and Iskander and Chamlou (2000) also support the idea that corporate governance is about tying business ethics to profit maximisation.

As outreach to the poor is the principal aim of MFIs, it deserves special attention in ethical analysis. The CGAP (2012), as already stated, emphasises that the chief characteristic of MFIs is to provide services to the poor. According to Ashta and Bush (2009), the ethical issues relating to the target stakeholders – the poor – are best explained by Meyer and Zeller's (2002) performance framework. The framework, which forms a triangle of financial sustainability, outreach, and impact, is commonly used in the analysis of MFIs. Financial sustainability of the MFI is important if it is to continue to provide services to the poor clientele (outreach). The outcome of that outreach (that is, impact) is, however, difficult to measure (Armendáriz and Murdoch 2010). Consequently, MFIs provide information only on financial sustainability and outreach to attract investors. A teleological ethics question is whether outreach and sustainability alone are worthwhile goals. Prahalad (2006) and Ashta and Bush (2009) contend that the best way to develop the poor is to include them, irrespective of whether they do, in fact, develop or not. However, it militates against the need to provide services on an ongoing (sustainable) basis to the poor. Consequently, outreach needs to be achieved without losing sight of sustainability. To examine the performance outcomes we use the microfinance triangle proposed by Meyer and Zeller (2002, Figure 1.1; available at [http://www.ifpri.org/sites/default/files/publications/the\\_triangle\\_of\\_microfinance\\_financial\\_sustainability\\_outreach\\_and\\_impact.pdf](http://www.ifpri.org/sites/default/files/publications/the_triangle_of_microfinance_financial_sustainability_outreach_and_impact.pdf)) which has been used by other researchers (for example, Kereta 2007). The triangle has three corners: outreach to the poor, financial sustainability and welfare impact.

Meyer and Zeller (2002) explain the elements as follows:

- Outreach to the poor: outreach includes (a) the number of persons served; (b) the number of women served; (c) the proportion of the poorest of the poor served; and (d) the variety of financial services provided.
- Financial sustainability: sustainability has two dimensions: (a) operational and (b) financial. In an operationally sustainable MFI, the operating income exceeds the operating costs. To become financially self-sustainable, it also needs to exceed the financing cost and subsidies received if any. Khandker, Baqui and Khan (1995) state that default rate could also be used as an indicator for financial sustainability. We use Meyer and Zeller's (2002) sustainability measures.
- Welfare impact: measuring welfare impact poses several methodological difficulties and high costs involved in collecting relevant information. Meyer and Zeller (2002, 5) suggest that "the most important evidence of impact should be whether or not MFI clients continue to use the services".

The above three elements are influenced by the overall macroeconomic and sectoral policy framework and socio-economic environment in the country. Institutional innovation takes place within the boundaries of these three elements.

There is little research on ethical analyses of MFIs. Kneiding and Tracey (2009) measured performance of community development finance institutions (CDFIs) in the UK. Using the stakeholder theory they found that CDFIs have to manage their relationships with all stakeholder groups. Barboza and Trejos (2009) found that socially responsible lenders and donors play a key role in providing continuous funding to microcredit programs and in reducing poverty in Mexico. Chiejine (2010) performed an ethical analysis of the Nigerian central bank's decision to intervene in the microfinance market and concluded that business and ethical actions are inseparable. Prior and Argandoña (2009a) in their study in South America found that the inefficient use of financial services distribution models are mainly responsible for financial exclusion. Prior and Argandoña (2009b) examined technical-economic and ethical problems related to the financial inclusion of the lower-income citizens in developing countries. The focus, however, was not on MFIs.

We did not come across a study on ethical analysis of MFIs in India. The suicides in Andhra Pradesh and in other parts of India (not in West Bengal, however) motivated the present study, and in so doing we fill a major gap in the extant literature. While prior studies use econometric analysis or survey data, we use a mixed methods approach. The aim of the article is to address the question: "Can MFIs meet the competing objectives of financial self-sustainability and outreach to the poor without sacrificing ethical practices?" We examine the overall governance mechanism of the MFIs and whether microfinance provided through these conduits was women-empowering (the most important stakeholders of MFIs).

### **Data and analysis**

The MFIs in this study are Anjali Micro Finance Pvt Ltd (Anjali), Arohan Financial Services Pvt Ltd (Arohan), Bandhan Financial Services Pvt Ltd (Bandhan), Sahara Utsarga Welfare Society (Sahara), and Village Financial Services Pvt Ltd (Village) headed respectively by Mr Mayne, Mr Sengupta, Mr Ghosh, Mr Banerjee, and Mr Maity. We interviewed these CEOs and also collected and analysed data available from several sources, such as the annual financial statements, rating agency/grading reports, information available at the websites of these institutions, compiled by the Mix Market website, and compiled by the Sa-Dhan association of MFIs. Information is available at the websites of the respective MFIs as well as from Mix Market and Sa-Dhan.

### ***MFIs: an ethical analysis***

We use the Ashta and Bush (2009) framework for ethical analysis of MFIs.

### ***Ethical analysis of MFI's mission***

With the exception of Sahara, which is a registered cooperative society, the other MFIs in our study are NBFCs. The mission and vision statements of the MFIs are assessed below.

Anjali states on its website (<http://www.anjalimfi.com/home.php>) that "going by the disproportionately large number of women borrowers in the sector, it is only logical for an emerging company in microfinance, like ours, to look at gender empowerment". Anjali has been launched with a clear vision to provide access to comprehensive financial services to one million customers by 2015. Arohan's mission is to provide financial services to the socioeconomically disadvantaged segments of society in a sustainable manner. Bandhan's mission is to reduce economic and social poverty significantly by creating employment through providing cost-effective, sustainable financial and other development services, and to create a poverty-free world through empowerment of the poor. Sahara's audit report (Sahara Utsarga Welfare Society 2010) states that its mission is to generate

surplus to achieve its mission and vision, which is to reduce economic and social poverty by providing client-focused, quality, cost-effective and sustainable financial services. The mission of Village is "to strengthen the socio-economic condition of the society by providing financial and other support services mainly to the poor women in a sustainable manner and strive to yield a competitive return" (<http://www.village.net.in>). It also states that it is engaged in sensitising women about empowerment.

A content analysis of the above mission statements reveals that the word "sustainable" has been mentioned in the mission statement of four MFIs, although it is not specifically mentioned by Anjali. The word "empowerment" appears only in the mission statements of Anjali, Bandhan and Sahara. However, the CEOs of the remaining MFIs indicated during semi-structured interviews that their mission is to empower women. Their borrowers are exclusively rural poor women.

From the perspective of deontological ethics, an issue is whether there is conflict of mission. The aim of "for-profit" MFIs is to achieve poverty reduction while maintaining financial sustainability and earning profit for shareholders simultaneously. Ethical issues could arise when shareholders focus on profits rather than the social inclusion mission. Arohan, for example, overcomes this by providing social performance training to its board members. Also, the shareholders of MFIs are mostly institutional, such as in the case of Bandhan, the Small Industries Development Bank of India (a public sector organisation), or the Dutch Catholic Development Organisation. The motive of the shareholders is outreach to the poor and not profit. For Sahara, which is a not-for-profit NGO, achieving the mission by "generating surplus" could involve a conflict of mission. However, what constitutes the appropriate level of "surplus" for Sahara or "profit" for the NBFCs is an ethical issue. Yunus and Weber (2007) are of the view that organisations that have a "social mission" are not entitled to any profit. Ashta and Bush (2009), however, state that socially responsible investors may consider an interest rate of 1 to 3 per cent plus the minimal amount of administrative costs to be reasonable. The MFIs charge a flat interest rate of 12.5 per cent. It is decided by the board, so the shareholders are well aware of the impact that it may have on return. Interestingly, some of the MFIs, like Bandhan, as has been stated in later paragraphs, actually reduced interest rates four times in the last eight years. This indicates that the management and board are committed to the goal of outreach and poverty reduction. This is in contrast to the experience in Andhra Pradesh, where interest rates were anywhere between 24 and 50 per cent and even more. "Public complaints of misbehaviour and malpractices, such as hidden charges and effective annual interest rates of 35–50 per cent against MFIs, had surfaced in four rural districts of Andhra Pradesh" (Duflo, Tripathi, and Walton 2007, 14).

#### *Ethical analysis of governance practices*

Several ethical issues arise in the context of ownership and governance of MFIs.

- Board: the board of Arohan (<http://www.arohan.in/>) consists of five members, of which one is independent. The credit rating agency's report found the board to be strong with a reasonable second line of management. All board members receive training about social performance management. Out of Bandhan's seven board members, six are independent. The credit rating agency found the board to be committed and to have low attrition rates at the top and senior management level and experienced and committed staff. Of the five board members of Village, three are independent. Sahara – a cooperative society – has a seven-member board, of which four are women. Anjali has four board members, of which two are independent. The ASX (2003, 4) principles of good corporate governance recommend that



"a majority of directors [be] independent". Obviously, except Arohan, the other MFIs have good corporate governance.

- Loan policies: these policies are vetted by credit rating agencies and are available online. All MFIs follow a joint liability model, with MFI Bandhan also providing individual loans. Transparency is a hallmark of good governance. The ASX (2010, 4), for example, states: "It is important to ... promote high standards of transparency."
- External regulation and audit: MFIs that are NBFCs are under the regulatory eye of the RBI, while MFIs that are NGOs are supervised by the government of West Bengal. All the MFIs have audit committees and are required to be audited by qualified auditors.
- Assessment by credit rating agency: all MFIs subject themselves to credit rating/grading assessment, and the reports are available online. The reports also contain the social performance audit of the MFIs.
- Employee stakeholders: of the Sahara employees, 14 per cent are women. The attrition rate of employees in the MFIs is less than 10 per cent. Village had 7 per cent women in managerial positions and 8 per cent working as loan officers. There are hardly any movements in top management and senior staff, which demonstrates commitment of the staff to the objectives of the MFI and the adequacy of compensation. Arohan has not provided information about women employees. Bandhan does not have any women managers or loan officers. However, 17 women were employed at the head office in various capacities, including middle management, as per information furnished by the CEO. Equal employment opportunity exists for men and women in recruitment, and job offers are made on merit.

From the above review of governance and management of the MFIs, the following ethical practices could be discerned:

- Good governance: presence of independent directors, training board members in social performance, audit committees, appropriate lending and operational policies, and compliance with regulatory and legislative policies vouch for good governance in these MFIs. All the MFIs are members of Sa-Dhan and subscribe to its ethical code of practices.
- Transparency: regulation and supervision by authorities, annual audit of accounts by external auditors, social performance audit by credit rating agencies and availability of all the information and reports online demonstrate transparency in operations.
- Serving stakeholders' interests: the MFIs address interests of various stakeholders, including employees. This is reflected in the lower turnover rate of employees and representation of women employees. Further, loans are based on ability to service, which avoids over-indebtedness. Some MFIs also provide social performance training for the board members. Rigorous training is provided at field level to the employees. Close monitoring of the performance of the borrower and emphasis on empowering the borrower are distinguishing features of these MFIs, which ensure that genuine difficulties of the borrower are addressed appropriately. This helps avoid borrowers going to the extreme, as timely intervention takes place. In Andhra Pradesh, the goal of the MFIs was to rapidly expand, which resulted in excesses by field staff with regard to loan collections. The West Bengal MFIs avoided this trap. They do not offer financial incentives, such as bonuses to staff. The credit rating agency report on Bandhan, for example, states: "This keeps check on aggressive client canvassing, compromising on portfolio quality. This also helps in refraining unintended clients from entering the programme" (Mix Market 2010).

In the microfinance context, where customers generally have lower levels of education, it makes good sense, as Macey and O'Hara (2003) suggest, having a close relationship with

depositors and borrowers. It is as important to the success of the bank as the manager's and the board's relationship with its owners.

*Ethical analysis of issues related to the target stakeholders: the poor*

"The sustainability of an MFI requires not only financial viability but also a clear strategic vision and an organisation that is transparent, efficient, and accepted by all the stakeholders" (Thapa 2007, 12). Outreach indicators demonstrate how the MFI serves the most important stakeholders: the poor and women.

As can be seen from Table 1, most clients of the MFIs are women, except in case of Arohan, where the proportion of women clients is about 89 per cent.

Furthermore, clients continued to use MFI services, which demonstrates their welfare impact (see Table 2) as envisaged by Meyer and Zeller (2002).

*Ethical analysis from the perspective of contingency framework*

We also look at the ethical practices followed by these MFIs through the lens of contingency framework enunciated by Ferrell and Gresham (1985). The framework posits that ethical or unethical practices are influenced by "individual" and "organisational" factors. The latter can be further segregated into "significant others" and an "opportunity" to engage in unethical practices.

*Individual factors.* The individual factors consist of knowledge, values, attitudes and intentions. The MFIs typically take enormous care while recruiting staff. As the Bandhan CEO stated: "Merit alone is the criteria in selection of staff." During the selection process the knowledge, attitude, values and intentions of the prospective candidate are carefully studied. As stated in the rating agency report, before recruitment the staff undergo exposure training to the activities of Bandhan and their actual role on a day-to-day basis (Bandhan Financial Services Private Ltd., n.d.). It gives them a taste of their role, and if they find it too challenging they can drop out of the recruitment process. After recruitment, they undergo intensive training. Bandhan articulates its vision and mission in the following words:

Bandhan's objective is to serve low-income families, providing them access to financial services that are client-focused, designed to enhance their well-being, and delivered in a manner that is ethical, dignified, transparent, equitable and cost effective. To ensure all of these, Bandhan stringently follows the Fair Practices Code. (Bandhan Financial Services Private Ltd, n.d.)

A very low turnover of staff is yet another measure of the success of its recruitment and training program. Bandhan has set up a helpline for clients and appointed its own ombudsman. Clients can also lodge grievances by email.

*Organisational factors.* The organisational factors include the "significant others" and the "opportunity". While the opportunity is defined by professional codes, corporate policy and rewards and punishments, the significant others consists of differential association and role set configuration. The differential association refers to the association with disparate social groups, each of which has its own distinct norms, values and attitudes.

Employees of the MFIs come from the same societal grouping where these MFIs are located. As one of the CEOs we interviewed stated, employees come from the same strata of the society from which the clients come. Consequently, the employees can very well understand the issues. It helps the MFIs to employ local personnel, as they can easily relate to the clients.

Table 1. Outreach indicators of the MFIs.

	Anjali <sup>a</sup>	Arohan	Bandhan	Sahara	Village
Year established		2006	2002	1996	2006
Constitution	NBFC	NBFC	NBFC	Society (NGO)	NBFC
Number of persons served (active borrowers) 2010 mixed market data	8,535	214,059	3,254,913 <sup>b</sup>	134,470	222,535
Number of women served as of March 31, 2011	8,210	190,515	3,254,913*	134,470	222,535
Proportion of the poorest of the poor served	70%	89%	80% <sup>c</sup>	n.a.	75% <sup>c</sup>
Clients below US\$1 per day	n.a.	25–30%	n.a.	n.a.	n.a.
Financial services provided	Micro credit, micro insurance, agri business, micro-SME	Group loan and life insurance	Group loan and life insurance	Loans and life insurance	Loans, insurance, and financial literacy training

Source: Mix Market (<http://www.mixmarket.org/>).

Notes: <sup>a</sup>Information as provided by CEOs. <sup>b</sup>2011 data. <sup>c</sup>As per social performance report (2010: 2, 15) of Village Financial Services Pty Ltd available at the Mix Market website (<http://www.mixmarket.org/>). n.a. = data not available.

Role configuration is defined by organisational distance and relative authority. Behaviour of superiors constitutes a major influence on ethical practices ((Baumhart 1961; Brenner and Molander 1977). The CEOs of the MFIs were very committed to their respective organisational mission. The attitude percolated down the entire organisation.

As for opportunity, Ferrell and Gresham (1985, 92) state that “professional codes of ethics and corporate policy are moderating variables in controlling opportunity”. The transparent operations of MFIs with all relevant information publicly available online reduces the opportunities for resorting to unethical practices. The MFIs have to meet the ethical responsibility towards those who are providing funds and, in turn, towards those who are receiving the funds. MFIs handle this by becoming more transparent, as stated during interviews by the CEOs and as gleaned from the rating agency reports/online information.

Table 2. Welfare impact of MFI operations.

	Anjali <sup>a</sup>	Arohan	Bandhan <sup>a</sup>	Sahara	Village
Growth in client base					
2011	8,535	157,754	3,257,913	134,470	181,248
2010	565	214,059	2,301,433	102,904	222,535
% growth/(decline)	1,510	(26.30)	41.33	31.71	(18.55)
No. of start-up enterprises financed during the period	n.a.	111	n.a.	58,512	n.a.
No. of formal jobs created during the period	131	4	n.a.	537,880	n.a.

Source: Mix Market (<http://www.mixmarket.org/>).

Notes: <sup>a</sup>Information provided by CEOs. n.a. = data not available.

### Financial sustainability

We analyse critical performance measures of the MFIs below.

All the MFIs are well placed in terms of both operational and financial sustainability, as ratios exceed 1 for all of them (see Table 3). Bandhan is particularly strong. The MFIs have demonstrated that it is possible to run an operationally and financially sustainable portfolio of microfinance. It counters the arguments from mainstream financial institutions, as well as some MFIs, that microfinance business is risky and not profitable.

Table 4 throws further light on the financial position of the MFIs.

As can be seen from Table 4, all the MFIs have shown positive return on assets (ROA) and return on equity (ROE) and profit margin/interest spread in the last five years. Anjali is newly established MFI, so data for earlier years are not available. Data of Sahara Utsarga were also not available for 2008 and 2009. Arohan's adverse results in 2012 have been reversed in 2013. The latest credit rating agency report (Credit Analysis and Research 2013, 13) states that Arohan suffered losses in 2012 due to, among other reasons, underutilised branches and manpower. It has since rationalised branches and manpower to curtail operating expenses. Consequently, Arohan recorded a profit of INR2.1 million in the third quarter of financial year 2013.

Table 5 sets out the data of loan assets of the MFIs in West Bengal, comparing it with SKS – the MFI in Andhra Pradesh which was in the news for all the wrong reasons and which eventually led to the issue of Ordinance by the Andhra Pradesh state government.

As can be seen, Bandhan has nearly double the size of loan portfolio compared to SKS. Yet, Bandhan was able to achieve both financial and operational sustainability year after year following ethical practices. Anjali is a new MFI, hence not included above.

A major factor that helped financial sustainability was the government providing interest subsidy/rebate to poor women borrowers. These borrowers constituted 100 per cent in Bandhan, Sahara and Village and more than 90 per cent in Arohan and Anjali. This not only helped in relieving the interest burden on women borrowers, it also prevented the MFIs from adopting aggressive means to stay in business. The public subsidy also helped maintain financial sustainability of the MFI and removed the pressure on them to resort to unfair means (such as charging usury interest rates). Consequently, we suggest that ground-level realities being faced by MFIs need to be considered by policy-makers so that ethical practices are encouraged and the temptation to resort to unfair practices is obviated. Our study supports what Armendáriz and Murdoch (2010, 339) state, that well-designed subsidies can "achieve meaningful transformations in the lives of clients, without sacrificing the integrity of the institution".

Table 3. Financial sustainability indicators.

	Anjali <sup>a</sup>	Arohan	Bandhan	Sahara	Village
Operational sustainability					
Operating income	15006564	298,225,972	5,012,332,022	197,912,231	365,137,152
Operating expenses	13954878	150,032,486	1,405,678,660*	90,149,972	153,016,053
Ratio	1.07	1.99	3.57	2.19	2.39
Financial sustainability					
Total income	15061417	300,176,411	5,210,184,183	203505634	396,160,191
Total expenses	14897584	294,932,358	3,430,519,855	162363560	291,630,086
Ratio	1.01	1.02	1.52	1.25	1.36

Sources: Mix Market (<http://www.mixmarket.org/>), Anjali (<http://www.anjalimfi.com/home.php>), Bandhan (<http://www.bandhanmf.com/>) Arohan (<http://www.arohan.in/>), Sahara (<http://www.saharautsarga.com/>), Village (<http://village.net.in/>). Notes: Information as of March 31, 2011. \*Information provided by CEO.

Table 4. Key financial indicators.

	Percentage	2008	2009	2010	2011	2012
Anjali	ROA	n.a.	n.a.	n.a.	0.04	0.13
	ROE	n.a.	n.a.	n.a.	0.10	0.21
	Profit margin/interest spread	n.a.	n.a.	n.a.	1.09	0.30
Arohan	ROA	0.23	3.46	1.09	0.60	-16.26
	ROE	0.7	11.6	12.08	1.63	-80.32
	Profit margin/interest spread	5.27	7.94	1.76	13.12	6.8
Bandhan	ROA	5.05	8.66	3.52	5.32	6.44
	ROE	62.37	125.62	38.21	41.12	37.62
	Profit margin/interest spread	24.89	40.47	36.83	36.11	38.53
Sahara	ROA	n.a.	n.a.	5.86	5.06	3.51
	ROE	n.a.	n.a.	41.10	34.66	18.30
	Profit margin/interest spread	n.a.	39.33	26.31	21.08	13.66
Village	ROA	1.09	1.74	1.10	5.74	2.16
	ROE	11.74	8.90	7.07	26.30	6.92
	Profit margin/interest spread	13.98	13.85	9.31	28.68	13.84

Sources: Mix Market (<http://www.mixmarket.org/>), Anjali (<http://www.anjalimfi.com/home.php>), Bandhan (<http://www.bandhanmf.com/>), Arohan (<http://www.arohan.in/>), Sahara (<http://www.saharautsarga.com/>), Village (<http://village.net.in/>); all accessed March 20, 2013. n.a. = data not available.

Under the Kudumbasree initiative of the Government of Kerala, too, poorest women in the community are targeted, which helps to empower women to undertake economic activities through microfinance provision.

### Interest rates

One of the major issues from the ethical perspective is the interest charged to poor borrowers. The MFIs in Andhra Pradesh came under attack for usury practices, as interest rates varied between 24 and 50 per cent or even more. The MFIs in West Bengal, on the other hand, were charging interest rates similar to those of public sector banks. The credit rating agency's report on Bandhan, for example, states that it has reduced its interest rates in the last eight years four times and now charges a flat rate of 10 per cent. The pro-poor policies and commitment to the cause is apparent. Bandhan started as a registered society in 2002 and converted to an NBFC in 2009. Sahara charges a flat interest rate of 12.5 per cent.

### Interviews and discussion with CEOs of the MFIs

We also ascertained the views of the CEOs during interviews and focus group discussions, which provide further insights into the ethical practices.

Table 5. Comparison of MFIs in AP and West Bengal for the reporting year 2012.

	Loans (USD)	Borrowers
SKS (Andhra Pradesh)	434,599,326	4,308,301
Arohan (WB)	16,659,389	113,665
Bandhan (WB)	814,457,856	4,433,885
Sahara (WB)	9,241,445	75,309
Village (WB)	20,213,346	165,479

Source: Mix Market (<http://www.mixmarket.org/>).

*What does sustainability mean to the MFI?*

During the discussion with the CEOs of the MFIs, three dimensions of sustainability came to the fore. These include (a) financial sustainability of the MFI; (b) environmental sustainability – changing the MFI's macro-economic, regulatory and social environment; and (c) customer (client) sustainability. The CEOs were of the view that financial sustainability of MFIs is coming under strain due to environmental issues and customer-level issues.

The CEOs opined that it takes about three to five years for MFIs to become self-sustainable, and a pure social focus (financing the poorest of the poor) may not be able to sustain them. "Cost goes up in financing the poorest of the poor," Mr Sengupta stated. Consequently, a section of the borrowers would continue to be those who are not necessarily poor.

As can be seen, the MFIs have a focus on client sustainability, unlike their counterparts in Andhra Pradesh. The Andhra Pradesh government-appointed enquiry commission "returned findings of gross human rights violations and excessive profits by MFIs" (Duflo, Tripathi, and Walton 2007, 15). The RBI (2011) identified many concerns in the MFIs' operations, including unjustified high rates of interest, lack of transparency in interest rates and other charges and coercive methods of recovery. The case study MFIs avoided such unethical practices.

As the focus of the MFIs in West Bengal was on empowering their clients (poor rural women), we asked the CEOs to elaborate on their concept of women's empowerment. We received some interesting responses.

*When is a woman empowered?*

Mr Mayne, CEO of Anjali, says: "empowerment refers to a great extent to financial independence".

Mr Ghosh said one can know if a woman is empowered by "the cues provided by the woman, the face, smile etc.". Similar views were expressed by a representative of another MFI. A bank manager stated that woman empowerment means: "100 per cent repayment of credit".

When asked what strategies could be used to empower women, Mr Mayne emphasised access to financial literacy and education, financial aid such as interest rebates, organising awareness-raising programs for women, simultaneous awareness raising for "men folks", access to finance and banning of coercive practices.

As Mr C. S. Ghosh, CEO of Bandhan, rightly puts it: "To catch a mouse, you need a cat, not a tiger. Banks are like tigers; they can't catch the poorest and bring them in their fold." According to him, MFIs should be given the exclusive mandate of financial inclusion. The task of providing access to finance for millions of households is obviously beyond the scope of a small number of MFIs, and the current multi-institutional approach to financial inclusion in India does make sense.

As for coercive loan collection practices, Bandhan clearly spelt out acceptable and unacceptable debt collection practices. Mr Mayne, CEO of Anjali, stated: "Financial independence ... will greatly impact women's self-esteem, self-confidence, contribution to their family and the society at large." A bank manager opined: "It is the primary step for empowerment."

*Empowering tribal and Muslim women*

Mr Ghosh, CEO of Bandhan, said: "It is tough to empower Muslim women. They think that the husband has got a right to beat them." Typically, in the case of tribal and Muslim women, their mobility is restricted. Consequently, they are not exposed to the outside world. Mr Maity, CEO of Village Financial Services, stated: "Generally in tribal and Muslim females, mobility is strictly regulated."



It was a consensus view that a literacy drive targeted at these vulnerable groups, raising awareness among "menfolk" about the importance of women's empowerment and the financial and household benefits flowing therefrom needed to be implemented. Towards that end, traditional Indian mass communication approaches such as a drama or a game could be more effective than typical training sessions. Village opinion leaders need to be consulted on better ways of delivering effective mass communication.

From the ethical analysis perspective, a striking feature of the interviews with the CEOs is their emphasis on women's empowerment. It seems that the CEOs have kept that as a central objective to be pursued, and arranged the microfinancing aspects around it. The strategy appears to have paid rich dividends. While Anjali is a new MFI, the other four have been given five-star ratings by the Mix Market website (international MFI database; <http://www.mixmarket.org/>).

## Conclusion

We did an ethical analysis of the five MFIs in the West Bengal state of India in the context of the borrower suicides in the state of Andhra Pradesh. The research is grounded in the stakeholder theory. We also draw from the framework for ethical analysis of MFIs provided by Ashta and Bush (2009), the contingency framework and the FSA (2002) framework for ethical analysis of financial services firms.

Information was obtained from multiple sources such as annual reports, social performance reports and credit rating agency reports, as well as interviews with the CEOs and women clients of these institutions. We also held focus group discussions. We examined how these MFIs protect the interests of various stakeholders for sustainable development and outreach to the poor.

We now compare how the five MFIs stack up against the unethical practices in the MFI sector as identified by RBI's Malegam Committee (RMC) (RBI 2011).

- (a) Unjustified high rates of interest: by charging interest rates that the borrowers could reasonably afford, the MFIs under study ensured client-level sustainability of the loan. RMC found that MFIs that were charging interest as high as 50 per cent ran into difficulties later, as clients couldn't sustain those.
- (b) Lack of transparency in interest rates and other charges: the MFIs under study ensured full transparency in their operations and policies by making these available online. Transparency not only builds trusts, but also promotes ethical practices by all stakeholders, including employees.
- (c) Multiple lending, over-borrowing and ghost borrowers: RMC found that these three practices were widely prevalent and are interlinked. The MFIs that resorted to unethical practices were involved in multiple lending, without considering the credit absorption capacity of the borrowers. Multiple lending often occurs through ghost borrowers. When the borrower on record is different from the real borrower, it is called ghost borrowing. It can also occur when fictitious loans are made. To stop such practices, the study MFIs focused on client empowerment through responsible lending. Bandhan is a member of credit bureaus such as Equifax and High Mark. The purpose of credit bureaus is to bring transparency at the client level and curb multiple lending, and Bandhan is propagating the cause through its membership.
- (d) Upfront collection of security deposits: some MFIs resorted to the unethical practice of collecting security deposits by way of deduction from the loan amount. This practice is detrimental to the interest of the borrowers, as the deposits did not earn interest but interest was charged on the entire loan. The MFIs under study did not follow such a practice.

- (e) Coercive methods of recovery: coercive loan collection was at the heart of the suicides by microcredit borrowers. The Andhra Pradesh MFIs, in order to improve performance, resorted to coercive means for collection of debt. As the borrowers could not bear the stress, they committed suicide. The study MFIs specifically disallowed coercive recovery, since their main aim was to empower clients and be a partner in their progress, as well as their misfortune. As the loan officers were from local areas, they had thorough knowledge about the true situation of the borrower and genuine issues were sorted out by negotiation rather than coercion. It also increased the trust of the clients in the MFI.

As can be seen above, the study MFIs followed operational practices that were ethical and stressed client empowerment, which helped build trust. The clients consider the institution as their friend and hence are upfront with them about issues being faced. The MFIs, on the other hand, were meeting genuine needs of clients without hesitation, which further enhanced clients' trust.

West Bengal presents a different scenario compared to the unethical practices followed by MFIs in Andhra Pradesh. The focus of MFIs in West Bengal is on empowering women borrowers, as they believe that this is the best insurance against loan defaults. The MFIs have used several means to empower women borrowers. These include appropriate client selection procedures, financial literacy training, appropriate credit screening and assessment of repaying capacity before granting a loan, close monitoring after the loan is provided and representation of women at the highest level – that is, on the board.

Importantly, while embarking on the mission of helping poor women, the MFIs have not lost sight of their own financial sustainability in order to be able to service the poor clientele on an ongoing basis.

The major issues that led to the clampdown on the microfinance sector in the state of Andhra Pradesh were usury interest rates and coercive loan collection practices. As can be discerned from the above analysis, the MFIs in this case study avoided these unethical practices by full disclosure of interest rates; developing customer charters including the right to information about interest rates, fees and other charges; establishing grievance mechanisms; providing appropriate staff training; providing care at the initial stage of borrower selection; and close monitoring of borrowers. Importantly, the focus of these MFIs was on empowering their clients – the poor women – as these institutions believed that it was fundamental to their own sustainability. The key to success, as the current study finds, is change in the basic paradigm of an MFI – that is, becoming a client-centric rather than a self-centric institution.

We conclude that the borrower suicides in Andhra Pradesh could have been avoided had the MFIs in that state followed the ethical practices similar to the MFIs in West Bengal, which have demonstrated how to successfully toggle between competing objectives of financial sustainability and outreach.

Future research may consider issues such as the regulatory framework for MFIs introduced following the RMC, and the role state governments can play in the orderly functioning of the sector.

### **Biographical notes**

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## A political economy approach of India in Senegal. A “win–win” partnership?

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**ABSTRACT** BRICS are on the rise in the world economy, and indeed this fact has a reflection on Africa in terms of growing engagement with the region. The effects of these increasing trade, investment, and aid flows on the development prospects of Africa are a key issue in the political economy of the continent. This article pays attention to a specific case of this growing presence: India in Senegal. Based on fieldwork in Senegal, we present and analyse the features of the Indian presence in the country, and assess the possible developmental impact in terms of contribution to economic development.

**RÉSUMÉ** L'ascension des BRICS dans l'économie mondiale se reflète dans leur présence croissante en Afrique. Les effets de l'augmentation des échanges commerciaux, des investissements et de l'aide sur les perspectives de développement de l'Afrique constituent un enjeu majeur pour l'économie politique du continent. Cet article se penche sur le cas particulier de l'Inde au Sénégal. Il analyse les caractéristiques de la présence indienne dans le pays et évalue sa contribution éventuelle à son développement économique.

**Keywords:** India; Senegal; Africa; South–South co-operation

### Introduction

The presence of emerging developing countries in sub-Saharan Africa (SSA), especially China and India, in terms of trade, investment, and co-operation, has significantly increased in recent times, leading to remarkable and lasting changes in the international political economy of the continent. This increasing presence is a reflection of the emergence of the so-called BRICS (Brazil, Russia, India, China and South Africa).

The impressive combined economic growth of these large emerging economies, sustained over more than two decades, is producing major changes in several dimensions of the world economy, which are creating a real shift in the relative importance of BRICS *vis-à-vis* developed countries in the world economy (OECD 2010; Ward 2011). In SSA and other developing areas, the BRICS's increasing prominence in trade and investment is frequently embedded in institutional and aid frameworks promoted by their governments, and commonly known as South–South cooperation (SSC) (UNCTAD 2010; Modi 2011).

The traditional discourse of SSC in SSA was set up in a framework of North–South confrontation following the struggles for independence on the continent and it was rather ideological. Now,

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this discourse includes economic issues corresponding to the process of capitalist globalisation. On the one hand, there are aid policies and the establishment of strategic coalitions in international fora like the WTO or UN. On the other hand, these policies are used to reinforce the pattern of increasing trade and investment flows from BRICS to SSA, and securing access to strategic natural resources, crucial to maintaining the momentum of economic growth in BRICS. The promoters of SSC partnerships have traditionally claimed that these partnerships should provide mutual benefits for the parties involved.

In relation with the emergence of BRICS in SSA and the “win-win” hypothesis, a vast literature has emerged in African studies to deal with this topic.<sup>1</sup> In particular, the specific “China in Africa” topic is the most extensively analysed.<sup>2</sup> Although there is a less remarkable presence of scholarly articles on the “India in Africa” topic, it has been well investigated.<sup>3</sup> Anyhow, case studies of the Indian presence in Africa at a national level are scarce. In order to help fill this gap and contribute to the current debates on the BRICS’s presence in Africa, this article wants to present a case study, based on fieldwork, on the presence of India in Senegal.

Senegal is a particular case of the Indian presence in SSA, since its presence is stronger here than in other African countries, and also stronger by West African standards. Since the end of the 1990s, India has developed a remarkable presence in the country. India–Senegal bilateral trade has grown steadily, as has Indian investment in the country. This article attempts to study the particular framework and features of the Indo-Senegalese partnership, at both public and private levels, taking into account the patterns and dynamics of aid programs, bilateral trade and Indian investments in Senegal. We want to analyse the impact of this growing Indian presence in Senegal in terms of its actual and potential contribution of cooperation links, which could lead to economic impacts in terms of development.

### **Emerging economies and least developed countries: new roles**

In the past decade, the BRICS have consolidated themselves as emerging economies in the global arena. The great economic performance of BRICS has allowed them to displace developed economies as the main contributors to the performance of global aggregate demand. In fact, India and China are the sole economies whose economic performance during 1980–2000 in terms of economic growth was higher than during the period 1950–1960 (Nayyar 2008). It facilitates the foreseeable future role of the BRICS as engines of the world economy for the coming decades, defining in turn a progressive shift to a multipolar world economy, a fact actually favoured by the current global crisis (Pieterse 2011).

BRICS’s economic dynamism is reflected by their increasing weight in the world economy. BRICS’s combined GDP in 2010 was ten-fold that of 1970, a pattern that has accelerated during the last decade. It is in the external position of these economies where their increasing presence is more obvious. BRICS’s exports share in the world economy has increased 10 points in the last 40 years, climbing to 13 per cent of world exports in 2012.

With regard to foreign direct investment (FDI), BRICS’s share of total inward FDI flows have increased from 2.2 per cent in 1990 to 17.8 per cent in 2010, thus becoming significant recipients of FDI flows. In fact, in 2010, for the first time, developing and transition economies combined, received more than 50 per cent of global FDI flows (UNCTAD 2011).

Regarding FDI outflows, BRICS have recently become active investors in both developed and developing countries. In 2010, six developing and transition economies were among the top 20 investors. These six countries (China, Russia and India among them) invested predominantly (70%) in developing countries, a fact usually claimed as SSC. These countries are becoming dynamic investors abroad, fuelled by their rapid economic growth and the consequent need to

position themselves in the world economy, and acquire or participate in strategic assets, like natural resources.

The growing centrality of emerging countries in the global economy has transformed their external relations *vis-à-vis* other developing countries, like Senegal.<sup>4</sup> Some figures show this incipient transformation: the share of South–South FDI flows has grown from 4 per cent in 1998 to 14 per cent in 2009, and South–South merchandise exports in 2009 have increased more than four-fold since 1995. The data show this increasing interdependence, although it is also known that the bulk of South–South trade and FDI are concentrated in the most dynamic developing countries.

The economic emergence of BRICS and the subsequent shifts in the world economy has seen a consistent increase in new collaborative strategies in the international fora among emerging and developing countries, which some call the “axis of the South” (Alden and Vieira 2006). This reflects some changes in the pre-1990s SSC frameworks. The question that arises is to what extent this cooperation will foster socioeconomic development in LDCs, where poverty is widespread and structural blockings persist.

There are certainly shared interests between governments of the Global South, but the main question is whether there are mutual benefits. Is there a basis for the trumpeted win–win outcomes of SSC in terms of development? A significant corpus of literature has been developed around the growing interdependence between BRICS and LDCs in terms of its socioeconomic impact (UNCTAD 2010; Mlachila and Takebe 2011; IMF 2011; Samake and Yang 2011; United Nations and UN Office of the High Representative for the Least Developed Countries 2011). Some of these works warn about the fact that the current pattern of the LDCs–BRICS trade would lead LDCs to another commodity trap and consequently lessening its developmental content. In this article the analysis of the Indian presence in Senegal investigates the added value of such SSC framework as a specific case study.

## **India's involvement in sub-Saharan Africa: the cooperation framework**

### ***Economic and aid strategies***

Political and economic relations between India and SSA have been apparent since the post-war period. Initially, they were linked to anti-colonialist strategies; however, nowadays they have stronger connections to the emergence of India in the world economy, in the context of globalisation.

India's balance of payments crisis that led to a debt crisis in 1991 took the Indian economy through a program of slow but increasing liberalisation, strongly influenced by the IMF. By dismantling constraints to trade and FDI, India started to overcome its post-independence low rate of growth and expanded its productive and consumption capacity considerably. FDI outflows also experienced a significant growth, from US\$514 million in 2000 to US\$14,624 million in 2010. Exports in 2010 were more than three-fold those of 2000, increasing from US\$72,906 million to US\$261,555 million (Acharya 2002; Rodrik and Subramanian 2004; Panagariya 2004; Cairó-i-Céspedes 1997).

Despite the emergence of India, Africa is not yet a crucial economic partner for her. The share of Indian FDI outflows to Africa represented 15.2 per cent of total Indian outflows in 2008 (Government of India Ministry of Finance 2012), and imports from Africa accounted for 7.7 per cent of total Indian imports in 2010 (UNCTAD 2012). Nevertheless, the Indian presence is significant for Africa considering that in 2008 India was the fifth developing country with the highest stock of FDI in Africa, only behind leading Asian investors such as Singapore, China, Hong Kong and Malaysia (UNCTAD 2010, 86).<sup>5</sup>

However, the relevant point is the growth rate of trade and investment flows. Between 2002 and 2008 Indian FDI in SSA multiplied three-fold and Indian imports from this region in 2010

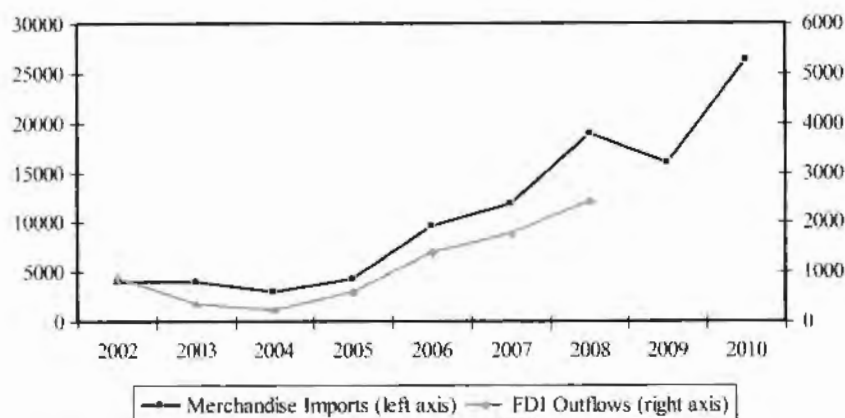


Figure 1. Indian merchandise imports from sub-Saharan Africa and Indian FDI outflows to sub-Saharan Africa.

Source: UNCTAD (2012) and Government of India Ministry of Finance (2012).

were 20 times those of 1995 (Figure 1). It is worth highlighting that these flows are significantly concentrated. For instance, in 2010 41 per cent of Indian merchandise imports came from Nigeria, and the offshore financial sector of Mauritius received 86 per cent of Indian FDI outflows in 2008–2009.<sup>6</sup>

So, in spite of the current low aggregate volumes of trade and investment flows and a high geographical concentration, there is an incipient interdependence with enough foundations to foresee a growing partnership for the near future.

Regarding the content of the trade flows between India and SSA, there is a clear asymmetry, since they are reproducing somehow the traditional North–South trade pattern. India basically imports raw materials from SSA, and exports manufactured products to the region (Figure 2). This trade pattern shows different stages of industrial development and economic dynamism, and if it persists it could deepen the weakness of inter-industrial linkages in the African economies involved.

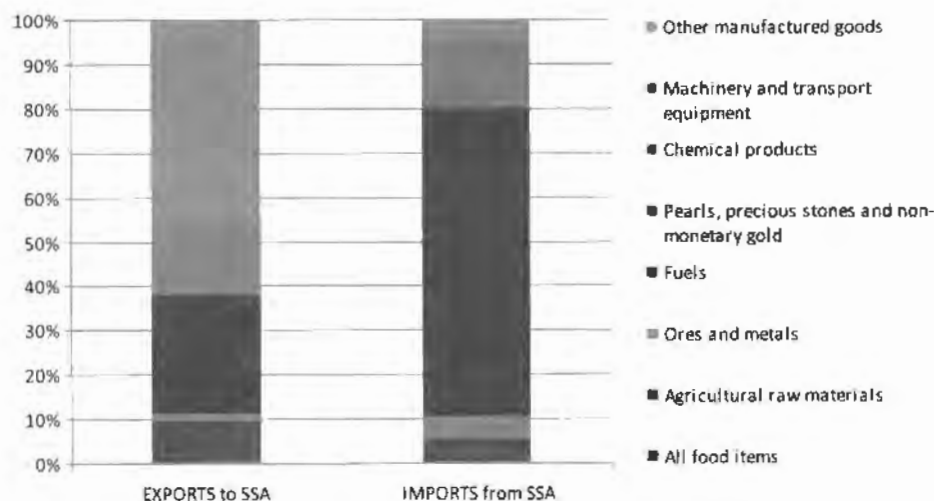


Figure 2. Composition of India's external trade with sub-Saharan Africa, 2010.

Source: UNCTAD (2012).

For a better understanding of the India–Africa partnership we must consider other relationships beyond trade and investment. Following the McCormick (2008) model to assess the impact of aid from China and India to Africa, India combines monetary and non-monetary forms of aid, with a blurred frontier between one and the other, thus making analysis more complex. If we consider here a wider concept of aid, we can observe the different dimensions of India's donor role in SSA. This enlarged concept of aid would include the typical financial transfers such as grants or soft loans, but also technical assistance, equity investment by Indian public companies and preferential treatment in trade relationships with LDCs.

The first aid instrument to mention is the (Indian Technical and Economic Cooperation Program (ITEC), which was launched by the Indian government in 1964. ITEC depends on the Indian Ministry of External Affairs and aims to share Indian development experiences with Southern partners. ITEC basically promotes technical assistance through training programs. With regard to Africa, some 1,000 experts from the continent attend training courses in India in a number of technical fields from food processing to information technology. This program accounts for one-third of the total Ministry budget, with India's neighbouring countries being the main beneficiaries (Government of India Ministry of External Affairs 2012).

Another Indian instrument of cooperation is the Exim Bank Lines of Credit (LOCs) available to India's trading partners in developing countries for importing Indian merchandise and services, carrying a concessional interest rate depending on the external debts and economic situation of the recipient countries. In 2004, the government of India launched the TEAM-9 (Techno-Economic Approach for African Movement), in which eight African countries, including Senegal, plus India committed to a cooperation framework. The deal includes a LOC of US\$500 million for developmental initiatives in these African countries, including technological transfer, and is delivered through the Exim Bank. Compared to ITEC programs, developing countries sharing the LOCs resources are more geographically balanced. As of February 2012, the total amount of Exim Bank operative LOCs amounts to around US\$8 billion, while 44 per cent was addressed to SSA, mostly focused on financing rural electrification, transport, and irrigation projects among others (Eximbank 2012).

Indian instruments of cooperation in SSA are completed with a trade preferences scheme. The fact that India has become the first developing country to extend the WTO Duty Free Quota Free scheme to all LDCs, adopted in Doha in 2001, is relevant. India's Duty Free Tariff Preference Scheme for LDCs came into effect in 2008 with tariff reductions spread over five years. This scheme could potentially affect 33 African LDCs, although to date only 18 have accessed it (Government of India Ministry of External Affairs 2011). This mechanism grants duty free access on 94 per cent of India's total tariff lines, providing preferential market access on tariff lines that include 92.5 per cent of global exports of all LDCs.

### ***Shared interests: a renewed cooperation scheme?***

As we have seen, the current growing and deepening partnership between India and SSA started being consolidated in late 1990s. In recent years, India's renewed interest in the SSA was institutionalised at the highest level in the India–Africa Forum Summit held in New Delhi in 2008 (Government of India Ministry of External Affairs 2008). It was a genuine political effort to reinforce some strategies previously established, like the TEAM-9 or the Focus Africa Program. It also fostered new partnerships through the New Partnership for Africa's Development (NEPAD).

Indian presence in SSA is first discussed in academic literature (Cheru and Obi 2010a; Carmody 2010; Shaw, Cooper, and Antkiewicz 2007; Naidu 2008). The major economic appeal of SSA is the availability of raw materials that India requires to feed its current pattern

of economic growth. Secondly, business opportunities in an undeveloped region like SSA in terms of infrastructure, pharmaceutical industry, telecommunications technologies, and agricultural requirements open the doors for the expansion of Indian firms abroad. And last, but not least, the political interest of India in SSA must be placed in the future redefinition of global governance and the position of India in the new international order.

Moreover, this increasing partnership is linked to shared interests regarding some sensitive global issues such as agriculture trade liberalisation or climate change negotiations. Developing countries' cooperative strategies in international institutions like the WTO generate positive spill overs in terms of shared motivations, which in turn can be translated into more responsible and committed partnerships. The example of the G-20 developing economies coalition created at the Fifth Ministerial WTO Conference, held in Cancun in 2003, in response to USA and EU protectionist and trade distorted practices in agriculture showed not only the potential of strategic coalitions in pursuing common goals, but also the success of such a coalition formation rooted in mutual interest.

The kind of partnerships enabling the strengthening of bilateral and regional programs of cooperation among Asian and African countries is a topic of high interest (UNCTAD 2010; Naidu 2008; Mawdsley and McCann 2010). There is a broad consensus among authors that Indo-African partnerships combine different aims, such as mutual benefit, altruism, and strategic interests, notwithstanding the presence of real asymmetrical interdependence in economic terms.

Our focus is to analyse the extent to which India's presence in Africa (in our case Senegal) promotes a different kind of partnership that can promote developmental outcomes. Investment and assistance (financial or not) from India in strategic sectors can open ways to deal with African developmental problems. The aim is to set up an approach that considers this mutual interest under a new framework, which differs from the traditional one in which Western countries and institutions have established their policies *vis-à-vis* LDCs.

This new framework must be analysed, taking into account the developing status of these partners, and forging an attitude of greater equality of treatment towards each other. This new relationship pattern can basically be related to the particular way in which India gets involved in African countries (Katti, Chahoud, and Kaushik 2009).

Our focus is on two features of this involvement that are crucial to understanding this new kind of relationship. First, the prominent role of technical and training assistance programs financed by the Indian government, as well as the participation of state-owned Indian enterprises in some investment ventures, differ from the traditional North-South financial cooperation towards LDCs. This public nature does not mean that economic interest is absent, as the tied nature of Exim Bank LOCs shows.

Second, the declared principle of non-interference and non-conditionality differs from the traditional approach sustained by Western donors, which strongly narrows the policy space of recipient countries (Whitfield 2009). Certainly, a distinct feature of the South-South partnerships is that they do not narrow policy space as much as traditional partnerships do. This is reinforced by the establishment of dialogue platforms to set the basis for new partnerships allowing a new way to capture and adjust competing interests among partners.

### **India in Senegal: a growing partnership**

- As early as 1975, both governments officially established diplomatic relations, which have been translated into several economic cooperation agreements. For instance, both countries have been members of the G-15 since 1989, a coalition of developing countries established to cooperate along a wide range of issues related to development. Nonetheless, it was not until recent times that Indo-Senegalese relations have intensified, to the point that today India can be considered

a strong strategic partner for Senegal. The Indo-Senegalese partnership is displayed in the increasing trade and FDI flows between both countries, and in a growing number of cooperation programs, including agriculture, transport equipment, rural electrification, and information and communication technology (ICT).

India is not at all the only BRICS present in Senegal. As in many other African countries, China has a remarkable presence in Senegal, especially in the area of trade and public works. In 2011, China was the third source of Senegalese imports behind the European Union and Nigeria, accounting for the 7 per cent of the total imports (European Commission 2012, 5). We must mention as well the significant amounts of aid allocated in Senegal by Islamic countries like Saudi Arabia or Kuwait.<sup>7 8</sup>

Back to focus on the Indian presence, in Figure 2 we can see that the Indo-Senegalese aggregate trade value has consistently grown in recent years. In 1996 the total merchandise trade between the two countries amounted to US\$117 million and in 2010 it had increased almost three-fold, totalling US\$333 million. It is also important to highlight that 80 per cent of Senegalese exports to India are concentrated in one product: phosphoric acid produced by the Industries Chimiques du Sénégal (ICS), the main Indian investment in the country. Thus, Senegalese exports to India are strongly shaped by this specific Indian private investment, as long as it is not conceived to produce goods for the domestic market.

Regarding the content of the Indo-Senegalese trade, it replicates somehow the common pattern of many other African countries, and is consistent with the general Indo-African pattern highlighted above. As Figures 3 and 4 show, Senegal exports commodities or low-added-value merchandise, and imports mainly manufactured products. In this regard, it is worth remembering the case of cashew nut trade pattern between Senegal and India. The Casamance region of Senegal, Guinea Bissau and Gambia are significant cashew nut producers, and the main part of their production is exported to India through Banjul, the capital of Gambia. The raw nuts are processed in India, and then a share of them exported to Senegal, Guinea Bissau and Gambia. So, it is possible to buy in Dakar cashew nuts grown in the country, but processed in India and sold with the label "Made in India" (Red River 2010). Regarding phosphoric acid, which is the main Senegalese export to India, it is not strictly speaking a raw material; it is, rather, a commodity with low added-value. Phosphoric acid is the product of an industrial transformation of the raw phosphate rock, which involves basically crushing the rock and subsequent chemical treatment. This process can be considered a first stage of industrial

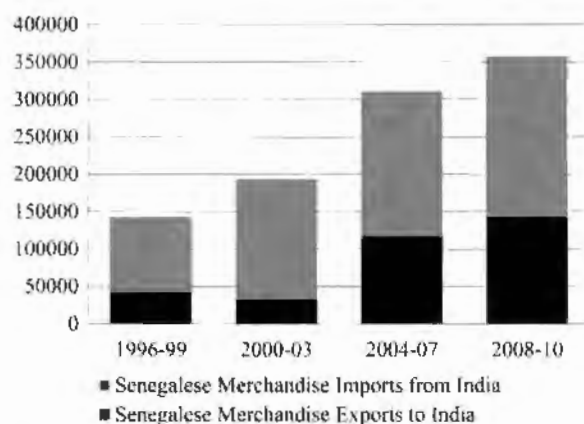


Figure 3. Total merchandise trade Senegal-India, 1996-2010 (currently estimated at US\$ million). Source: Authors' own calculation from UNCTAD (2012).

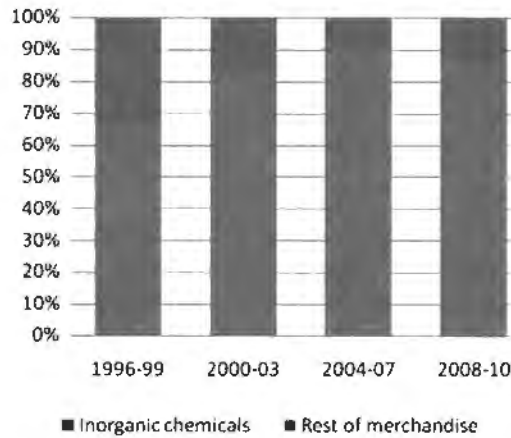


Figure 4. Structure of Senegalese merchandise exports to India (period averages).  
Source: Authors' own elaboration from UNCTAD (2012).

processing which adds some value to the raw phosphate rock. This process is not a highly technological one, but certainly triggers some modest product linkages that could lead to more sophisticated activities undertaken by local firms with potential developmental outcomes (Morris, Kaplinsky, and Kaplan 2011).

On the import side, a significant part is machinery and transport equipment. These imports have been increasing in relation to other imports in the last 15 years, and include tractors, vans, and buses for public transport, and water pumps. Not all of these manufactured goods are for private consumption; they are, rather, inputs for activities like agriculture or for improving mobility in urban areas. Interestingly, these imports are linked, to a great extent, to Indian public cooperation policies. In sum, although there is some scope to see potential developmental linkages, in terms of technological upgrading of existing activities, trade patterns tend to reproduce the traditional North–South trade pattern.

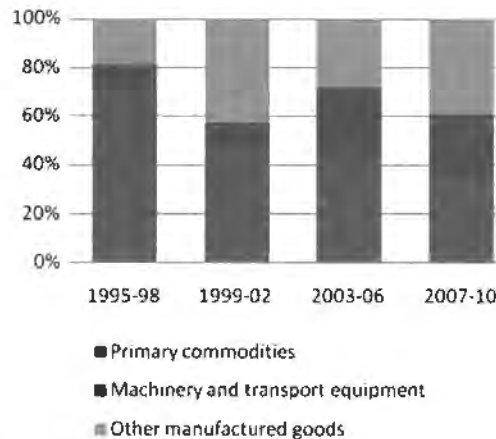


Figure 5. Structure of Senegalese merchandise imports from India (period averages).  
Source: Authors' own elaboration from UNCTAD (2012).



In the following sections we will focus on different features of the Indian presence in Senegal. A cutting distinction between public and private dimensions of this presence is not useful, because in many cases the presence of Indian firms is not purely a private affair and involves Indian conscious public policies. Thus, we will present these features not on the basis of a distinction of being a public or private initiative, but on a case-by-case basis.

### *Natural resources on the stake: the takeover of Industries Chimiques du Sénégal*

The flagship industrial company of Senegal, Industries Chimiques du Sénégal, is nowadays controlled by an Indian consortium, which holds 85 per cent of the shares. At the same time, this is the largest Indian investment in the country. ICS is the leading industrial enterprise of the country in terms of jobs (around 1,900), sales, and assets (around 2% of the Senegalese GDP comes from ICS). ICS is also a significant player in the regional and global fertiliser industry.<sup>9</sup>

Based on a remarkable site of phosphate rock of exceptional quality in Taïba (100 km north-east of Dakar, exploited since 1948), the company established a factory close to the mine at the end of the 1970s to transform this rock into phosphoric acid, which is the basic component of many fertilisers. The factory, called Darou Khoudoss, started its activities in 1984. This acid is the basic component of many fertilisers. Finally, the third step to vertical integration is another chemical factory in Mbao, 18 km eastwards from Dakar, which manufactures fertilisers mainly out of the phosphoric acid produced in Darou Khoudoss.

ICS has two subsidiaries. The first one is the Société d'Exploitation Ferroviaire des ICS (Sefics), which covers the logistic needs of the company. Sefics owns and operates the exclusive railway that links all the production sites with the port of Dakar. The second subsidiary is Senchim, the division of ICS devoted to marketing the final output produced in Mbao in Senegal and West Africa, and also to ship the phosphoric acid produced in Darou Khoudoss to India.

The seeds of the ICS, as it exists today, were sown in 1976, when the Government of Senegal (GoS) established the Société des Industries Chimiques du Sénégal (SICS), a company devoted to transform the phosphate rock into phosphoric acid and then into fertilisers. The SICS was created in the context of the GoS's *Impulsion Externe* policy, which took place at the beginning of the 1970s, when an exhausted GoS treasury had to lean on international credit to develop its Third and Fourth Development Plans. These loans covered not only current expenditures, but also large investments, like the SICS. The point here is that SICS, later transformed in ICS, was part of a plan that contributed crucially to the growth of the state apparatus and the development of an accumulating class linked to the state that has shaped the capitalist development of the country (Boone 1992, 172–177).<sup>10</sup>

Until the 1980s, ICS was a parastatal in which the government of Senegal had a 53 per cent stake in shares (an investment supported by international credit). Among the shareholders were the governments of the Ivory Coast, Cameroon, and Nigeria, a fact that reflects the regional projection that ICS had when it was established. There were also private firms among the shareholders like Rhône-Poulenc (France), Southern Petrochemicals Industries Corporation (SPIC, from India) and Indian Farmers Fertilisers Cooperative (IFFCO). In fact, since the beginning of ICS, IFFCO has been almost the only client.

When the structural adjustment programs started in the early 1980s, a process of increasing privatisation began, and in 1986 a pack of shares was sold to international private investors, taking GoS's stake from 53 to 47 per cent, thus losing the majority.<sup>11</sup> In 2003 IFFCO and SPIC significantly increased their stake (a process that had started in 1988) in order to invest in doubling the capacity of the Darou Khoudoss facilities (Bermúdez-Lugo 2003, 16.3).

In 2006, ICS had serious problems and faced the possibility of bankruptcy. This was mainly due to the low international prices of phosphoric acid combined with an increase in the exchange

rate of the euro *vis-à-vis* the dollar (many ICS inputs are denominated in euros and ICS exports in dollars). In addition, the company experienced serious internal management problems. These developments caused a deterioration in the financial situation of the company and led the GoS to begin negotiations in December 2005 with an Indian consortium, composed of IFFCO and the Archean Group, in order to encourage them to invest in the restructuring of the company.<sup>12,13</sup> Owing to these difficulties, the company temporarily interrupted productions (Bermúdez-Lugo 2006, 18.3).

In July 2007, an agreement between the Indian consortium and the GoS was reached to recapitalise the company (IMF 2007, 53). When the agreement was finally executed (April 2008), the consortium had invested more than US\$100 million and its stake in the company went up to 85 per cent, bringing down GoS's to 15 per cent.<sup>14</sup>

After the 2006 crisis, production recovered and today the prospects for the company are good, boosted by a solid and growing Indian demand coupled with high international prices of rock phosphate (see Figure 5).<sup>15</sup>

Although a modest presence in the shareholding, today IFFCO leads ICS. The management of ICS depends on IFFCO, and at the same time IFFCO is the main client of ICS. IFFCO is the world's largest fertiliser cooperative federation, whose main activity is to manufacture fertilisers in their five plants in India, and distribute these fertilisers among 55 million farmers in the country.<sup>16</sup> It is estimated that 58 per cent of the phosphoric acid IFFCO needs comes from Senegal, which means 30 per cent of Indian agricultural needs (Hazard et al. 2009). Certainly, Senegalese phosphates are key to explaining the consolidation of the Green Revolution achievements in India.

The entry of IFFCO in ICS, both world-class companies, constitutes a strategic drive of a TNC pursuing vertical integration in a foreign country. Apparently, this venture goes a step beyond the classical securitisation of raw materials supply because it involves investment and securitisation of the supply of an intermediate output, as 85 per cent of the phosphoric acid production is intended to go to India under the current agreement. This requires a first-stage industrial manipulation as explained in the introduction that leaves some added-value in the country and contributes to the creation of some forward and backward linkages, like the railway and the port. Moreover, the phosphoric acid left in the country (15%) is intended for use in manufacturing fertilisers in the Mbao facilities, thus contributing to an increase in the agricultural productivity of Senegal and the region.

However, the production of fertilisers in Mbao is very weak. The 2008 investment deal did not include the fertiliser factory, as the Indian consortium showed no interest in reinforcing the local production of fertilisers. In fact, between 2009 and 2011 the actual production of fertilisers covered on average only 41 per cent of the budgeted production. Nowadays, the Mbao factory suffers from serious managerial dysfunctions and ICS wishes to transfer the property to the GoS, which is looking for a technical partner to take on the factory. This is certainly a backlash to the prospects of ICS to become a strategic fertiliser supplier for Senegal and the region, and shows that it is not the interest of the Indian investors to develop linkages with the rest of the economy out of this investment project.

As we can see in the case considered, although these investments mean a source of employment and economic activity for the country, they somehow reinforce the classical investment pattern oriented to secure raw materials with limited linkages with the rest of the economy. Although there existed some policy intervention, the Indo-Senegalese cooperation framework does not make a significant difference in terms of linking private investments with developmental outcomes.

### ***Tata in Senegal: market penetration supported by World Bank and Indian aid***

The Indian holding Tata has established a branch in Senegal, devoted to selling motor vehicles manufactured in India.<sup>17</sup> However, in the past the company tried to set up a factory to manufacture

vehicles in the country and sell them in the region. The engagement of Tata in the country began in the early 1990s, when the Dakar public authorities, including the central government, launched a public transport bus renewal scheme with public funding, in which Tata participated as a supplier. The initiative, set in the broader framework of the Programme d'Amélioration de la Mobilité Urbaine (PAMU) was finally set up as a co-financing scheme, in which the private bus operators would pay 25 per cent of the cost of the new bus, and the rest would be paid by the GoS through a World Bank credit. It is claimed to have been the first ever program of its kind in SSA. In September 2003, an international public tender for 505 urban buses to substitute a share of the 2,500–3,000 “*car rapides*” circulating around Dakar was launched. The contract was awarded to Tata International in January 2004 in a bid that totalled around US\$19 million (Kumar and Diou 2010).

In order to stimulate industrial value creation and backward linkages, another condition of the scheme was that the buses had to be assembled, at least partially, in Senegal. For this purpose the company Senbus was created *ad hoc*, and based in Thiès. The local investors group Société d'Intervention Financière SA (SIFI) holds 93 per cent of the shares of Senbus, while the GoS owns the remaining 7 per cent.<sup>18</sup> To set up the assembly line of Tata buses in Senbus, the agreement included the detachment of 30 Tata specialists to train Senegalese workers. The project created some 250 direct jobs. Some supplies were contracted to the workshops of SNCS, and it is estimated that 30 per cent of the value of the buses was added in Senbus.<sup>19</sup>

In May 2004, Senbus delivered the first 105 buses to the private transport operators who joined the scheme. The remaining units were delivered progressively until 2008. Today, 505 Tata “*car rapides*” are circulating around Dakar. This entry strategy in the Senegalese and regional markets was reinforced in 2007 with another Exim Bank LOC granted to the GoS within the PAMU framework worth US\$17.87 million to import 350 urban buses, a deal executed the same year.<sup>20</sup> Finally, in 2011 another contract was awarded to Tata to supply 300 bus kits to be assembled at Senbus, again in the framework of the renewal buses program. This last project started to be executed in May 2012.

Although in Senbus there has been some technological transfer, the extent of this transfer has been limited (Hazard et al. 2009, 1569). Today, Senbus is not a real integrated bus factory, but rather a limited assembly line with modest linkages with the rest of the economy. The reason is that the demand for this kind of vehicles is weak and strongly dependent on international cooperation programs. It happens not only in Senegal, but as well at the regional level. Thus, the prospects of establishing an industry devoted to bus building are weak, and so are the industrial and technological linkages that this industry could develop.

### *Indian aid programs in Senegal*

ITEC offers scholarships for Senegalese students to study in India. It has been a usual policy in SSC programs since earlier times. The reason is because it doesn't involve large amounts of money as other projects like infrastructure construction do, and it creates long-lasting links between professionals in strategic areas like engineering in donor and recipient countries. In the academic year 2010–2011, 15 slots were available and they were all utilised. In accordance with the agreements reached in the 2nd India–Africa Forum Summit (May 2011), the number of slots available for Senegalese students has risen to 45. Previously, following a G-15 meeting in 1997, the Indian government commissioned ITEC to set up centres for vocational training in different African countries. The outcome for Senegal was the Centre d'Entrepreneuriat et de Développement Technique (CEDT), known as the G-15, inaugurated in 2002 in Dakar and still in use today, but with no further Indian support.

As pointed out in earlier sections, the main instrument of Indian cooperation in Senegal is the Exim Bank, since the bulk of the projects are financed through soft loans provided by this

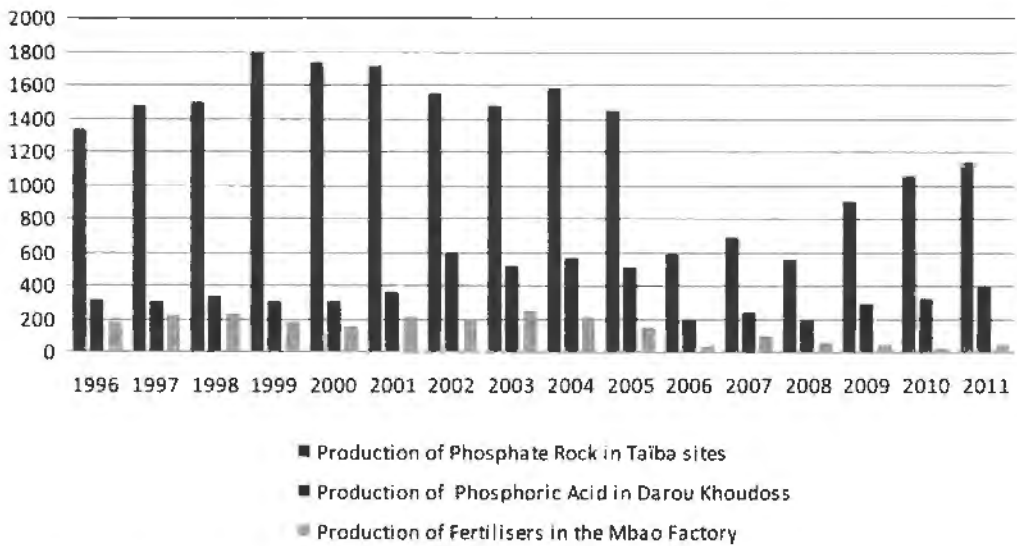


Figure 6. Industries Chimiques du Sénégal, total production, 1996–2011 (tonnes).  
Source: Industries Chimiques du Sénégal.

institution.<sup>21</sup> From 2007 up to mid-2012, eight projects have been funded by Exim Bank, totalling US\$130.5 million. Interestingly, aid provided by Exim Bank is always explicitly tied. The suppliers of the projects must be companies registered in India with a 51 per cent shareholding by Indian residents. Simply put, the Exim Bank LOCs are openly an export promotion scheme.

Through these credits, several Indian companies have made inroads in the Senegalese and regional markets. For instance in the agricultural sector, we can mention the equipment manufacturers Hindustan Machine Tools International (HMTI) and Kirloskar Bros. In the framework of the Programme de Développement Agricole Sénégalais-Indien (PDASI), a LOC was opened to import HMTI machinery intended for the irrigation and mechanical cultivation of 1,000 ha a year in the so-called Rice Belt, in the River Senegal region, and to increase the yields of the cotton fields in the region of Tambacounda. In the framework of the TEAM-9 program, the GoS benefited from another Exim Bank LOC worth US\$15 million, which permitted the import in 2006 of 510 tractors, also from HMTI. The final users (rural cooperatives) paid 60 per cent of the value of the tractors, but the rest was subsidised.

The other Indian firm involved in the agricultural sector is Kirloskar Bros, a pump manufacturer. With the help of the Indian material and other cooperation programs from other donors, the overall production and yields of the Senegalese rice culture has certainly increased. The causality between increased production and food security is not straightforward, and further research is required to assess the impact this increased production on food security. Anyhow, since 2009, more than 30 per cent of domestic consumption has been covered by domestic production (whereas in the 2007/2008 that figure was 12.1 per cent<sup>22</sup>) satisfying partially the objectives of the trumpeted GoS's Grande Offensive Agricole pour la Nourriture et l'Abondance (GOANA) plan, launched in the 2008/2009 season, amidst the global food crisis, which caused food prices to skyrocket, challenging the food security of poor people in developing countries.<sup>23</sup>

Other projects have been executed thanks to Exim Bank LOCs. For instance, there is the investment in Le Petit Train de Banlieue (PTB), a light urban train that links Dakar and Rufisque, on the outskirts of Dakar. In 2005 PTB commissioned five locomotives and 20 coaches from Rail

India Technical and Economic Services (RITES), an Indian public engineering firm founded in 1974 and based in Delhi, and strongly dependent on the Indian Railways company. Another relevant project is the setting up of cold storage facilities to support the agro industry in the country. In October 2008, Expotec International, part of the larger Lucky Group, signed a contract with the Ministry of Maritime Economy, in which 15 independent cold storage facilities for fish, fruit and vegetables would be set up all over the country. There are also projects of rural electrification, training in ICT, and medical equipment supply.

In sum, Exim Bank LOCs in Senegal are an instrument of cooperation that combines commercial objectives (promotion of Indian exports), and somehow Senegalese developmental needs of acquiring capital. However, it is not possible to perceive an integrated plan to incorporate these acquisitions of capital into a long-term development plan, either comprehensive or sectorial; it is rather an accumulation of projects driven by opportunity.

A relevant feature worth highlighting is the regional projection of Indian presence in Senegal. The private and public presence of India in Senegal has a remarkable regional projection, consistent with the traditional openness of Senegal to the region. For instance, in 2008 the fourth CII–EXIM BANK Regional Conclave on Africa Project Partnership, promoted by the influential Confederation of Indian Industry (CII), took place in Dakar, underlining the strategic interests of India in the country as a bridgehead to West Africa.<sup>24</sup> Other prominent examples of this regional consideration of Senegal are the regional character of the Exim Bank branch in Dakar, and the establishment of regional headquarters by Indian private firms like Ranbaxy or Arcelor Mittal. As we have seen above, the ICS and Tata ventures in the country had a part of regional projections as well.

A particular case of the regional projection of the Indian presence in Senegal is the Pan-African e-Network, a major continental telecommunications project funded by the GoI in the framework of its commitment with NEPAD. Not surprisingly, the central operational hub is near Dakar, as the GoS has shown leadership commitment in the NEPAD since its inception. The GoI signed a partnership with the African Union in February 2009 to set up the project at a cost of around US\$116 million. The project consists of establishing a telecommunications network between India and Africa. The network connects Indian universities and hospitals with a data centre in New Delhi, which is placed in the headquarters of the Indian contractor, Telecommunications Consultants India Ltd (TCIL). Then, the Dakar hub station receives the signal and broadcasts it to the RASCOM satellite to distribute it to the African network clients, and vice versa.<sup>25</sup> That will make tele-education and telemedicine available on a large scale. TCIL is to hand over the network to the African Union in July 2014.

TCIL is an Indian publicly owned company, which supports the efforts of the powerful telecommunications sector in India. Thus, we can interpret the development of the Pan-African e-Network as a support from the GoI to the expansion of the Indian telecom industry in Africa (Naidu 2010, 47). The tele-education side of the network also serves the expansion of the education services of Indian universities, another powerful sector.<sup>26</sup> Nevertheless, the technological transfer of the project to Senegalese or African counterparts is certainly weak, although three years have passed since the start of the project; the interest in the project shown by the Senegalese authorities is weak for the moment.

## Conclusions

The current trend of relations between India and Africa shows a greater interdependence among developing countries in terms of SSC. The BRICS emergence has reinforced such links not only through increasing external trade and foreign direct investment flows contributing to the reconfiguration of the world economy in a multipolar way, but also through public cooperation

mechanisms fostering SSC. The case of India in Senegal is an example of this emerging framework of cooperation among developing countries.

Although the Indian presence in Senegal is still modest, there is a growing interest and involvement in the Senegalese economy. India's late coming to the liberalisation process and integration in the world economy on one hand, and specific economic features of Senegal – not well endowed in raw materials – on the other hand, explain the still low profile of such relationships in economic terms. While Senegal is not a leading supplier or an emerging investment market for the Indian economy, there has been an increasing rhythm of mutual interdependence in recent years, and it is foreseeable that this growing trend will continue in the near future.

But it is beyond macroeconomic data where we can distinguish the particular form that the economic and political India–Senegal interdependence adopts. If we view relationships in terms of cooperation, which includes not only trade and investment but also technical assistance, soft loans, or preferential trade treatment, we can consider that a “new” framework of cooperation appears. In this framework the relationship between both countries develops in a different manner than in the traditional North–South cooperation pattern. What we have called “public nature” and “policy space” as featuring growing socioeconomic links between India and Senegal can be deduced from case studies of Indian involvement in the Senegalese economy. The key question that arises is to what extent the growing relations between India and Senegal constitute a “win–win” partnership. To answer this question has required analysis of the Indian presence in Senegal at both private and public levels.

The first case studied is the leading industrial company in Senegal, Industries Chimiques du Sénégal (ICS), which is owned and controlled by an Indian private consortium with a small participation by the GoS. Different phases of recapitalisation of the company have been sustained on agreement between the Indian consortium and the GoS, based on shared interests. While the Indian consortium secures the provision of a crucial input for producing fertilisers for Indian agriculture, the GoS keeps first-stage manufacturing of phosphoric acid in the country with some employment and investment linkages. The cases of HMTI, Kirloskar Bros and Tata provide other examples of reinforcing mutual links through shared interests.

It is possible to conclude that a new kind of partnership between both countries could open the door to mutual economic benefits. Anyhow, to realise this potential there is a need for a targeted policy (especially on the Senegalese side) able to redirect investments, imports, and aid to fulfil internal development goals. Today, there is not any comprehensive plan on the Senegalese side to allocate the resources coming from the Indian partnership.

The short-term perspective of such a partnership prevents elucidation of evident impacts, but present analysis allows us to foresee a new kind of cooperation and the linked potentialities in development terms. So, these case studies allow us to consider the forging of a new kind of cooperation between developing countries based on shared interests. In fact, these benefits in terms of linkages shape an emerging pattern of cooperation. Three features of this pattern can be highlighted: (1) public–private cooperation is explicit under the premise of “equal” partners; (2) cooperation policies are geared in some degree to productive capacity development, although they are not articulated in the framework of a Senegalese active industrial policy; (3) aid programs are not conditioned to macroeconomic or governance objectives.

All these factors, which underpin the new framework of SSC, can foster better outcomes for developing partners in a context of unbalanced capitalist globalisation. The case of the India–Senegal partnership shows how incipient industrial linkages and agricultural sufficiency can be a beneficial outcome of such cooperation. So, even though the contribution of the Indian presence in Senegal is still limited today in terms of productive linkages and human development, as shown in the article, the foundations and the content of this partnership permits us to foresee some scope for future developmental outcomes in Senegal.

Table 1. Indian presence in Senegal.

	Name	Activity	Observations	
Firms	Industries Chimiques du Sénégal	Phosphate rock extraction; phosphoric acid; fertilisers	Main industry of the country; an Indian consortium holds 8 per cent of shares	
	ArcelorMittal	Iron ore extraction	Project suspended	
	Tata Motors Senegal	Import and commercialisation of Tata vehicles	Tata participated in the establishment of Senbus and has benefited from Exim Bank LOCs and World Bank's credits	
	Ajanta Pharma, Ranbaxy, National Institute of Information Technologies (NIIT), CSL	Commerce, formation, civil works		
	Institution/instrument	Activity	Firms involved	Observations
Aid programs	Exim Bank LOCs	Supply of buses and spares	Tata Motors	Upgrading of the urban buses system (Dakar Dem Dikk); amount: US\$17.87 million
		Acquisition of railway coaches and locomotives	Rites	Upgrading of the <i>Petit Train de Banlieu</i> ; shared project with Mali, in the framework of the TEAM-9 Initiative; amount for Senegal: US\$7.08 million
		Irrigation project	Kirloskar Bros	Project under the framework of the TEAM-9 Initiative; amount: US\$27 million
		Women poverty alleviation program and acquisition of vehicles	HMTI and Tata Motors	Amount: US\$11 million
		IT training projects		Amount: US\$10 million
		Rural electrification project and fishing industry development project	Angelique, Expotech	Amount: US\$25 million
	ITEC (Indian Technical and Economic Cooperation)	Supply of medical equipment		Amount: US\$4 million
		Rural electrification project	Not yet awarded	Amount: US\$27.5 million
		Scholarships	–	Academic year 2010/2011: 15 slots available for Senegalese students; academic year 2011/2012: 45 slots
		Establishment of the Centre d'Entreprenariat et de Développement Technique (CEDT)	HMTI	Amount: US\$4.5 million
	India's Duty Free Tariff Preference Scheme for LDCs	–		Senegalese exports potentially benefited: cotton; cashew nuts; sugarcane; and ready-made garments among others.
	Pan-African e-Network	–	TCIL (Telecommunications Consultants India Ltd)	Amount: US\$116 million (US\$4 million spent in Senegal)



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## Notes

1. From a general point of view, see Kragelund (2008), UNCTAD (2010 & 2011), OECD (2011), Shaw, Cooper, and Antkiewicz (2007), Shaw (2012), Modi (2011), and Martin (2008).
2. Among many, see Alden (2007), Bräutigam (2009), Rotberg (2008), and Guerrero and Manji (2008).
3. We can highlight Cheru and Obi (2010a), Mawdsley and McCann (2011), Price (2011), Hugon (2011), Goldstein et al. (2006), and Sidiropoulos (2011).
4. The dynamism of the emerging countries is reflected in the external domain of the world economy. In fact, this external growing prominence explains their *raison d’être* from the perspective of the global economy dynamics (Cairó-i-Céspedes and Martínez-Peinado forthcoming).
5. In fact, the share of Asian countries of total African FDI inflows has grown from 6.7 per cent in 1995–1999 to 15.2 per cent in 2000–2008 (UNCTAD 2010, 81).
6. It is also the case of the \$750 million investment of Indian oil company (OVL) in Sudan in 2002 which represented 84 per cent of total Indian foreign investment in SSA. In the case of Mauritius the portfolio nature of this investment distorts foreign investment analysis when considering country-wise destination. It is due to the fact that Indian data on approvals of foreign investment by destination country are aggregated foreign direct investment and portfolio investment under the aggregated category of “foreign investment”.
7. As for traditional aid partners, France remains the largest donor in terms of allocated money, being Canada the fourth among bilaterals (OECD data, see <http://www.oecd.org/dac/stats/SEN.gif>, accessed April, 17 2013). For Canada, Senegal is one of the seven African “countries of focus” defined by Canadian International Development Agency (see <http://www.acdi-cida.gc.ca/acdi-cida/ACDI-CIDA.nsf/eng/JUD-51895926-JEP>, accessed April 17, 2013).
8. For a more comprehensive view of the economic exchanges and cooperation frameworks existing in Senegal with emerging countries, see Colom-Jaén (2013).
9. Data contained in this section regarding ICS were provided by the company unless otherwise stated.
10. In 1996, the SICS absorbed CSPT, creating the currently existing Groupe ICS.
11. To get a general view of the process of adjustment in the whole industrial sector in Senegal, see Guèye (1997) and Boone (1991).
12. The GoS also had to bailout ICS in February 2006, as a payment default would put the entire financial system of the country at risk, since the majority of the creditors were Senegalese banks (African Development Bank and OECD 2006, 450).

13. Archean Group is a holding of Indian companies based in Chennai (Tamil Nadu state), and focused on chemical industry.
14. This 85 per cent is divided into 18.54 per cent for IFFCO's own resources, 66 per cent for the Archean Group, which participates in the consortium through Senfer Africa Ltd, and 0.46 per cent for the Indian government.
15. In the international markets, the price of phosphate rock has multiplied six-fold between the end of 2007 and mid-2008, reaching almost US\$300 per tonne. Between February 2011 and June 2013, the price seems to have stabilised in the range from 165 to 202.50 dollars per tonne (data from the "Pink Sheet", World Bank Commodity Price Data).
16. IFFCO started its activities in 1967 with the aim to produce fertilisers to fill the gap observed in the country between supply and demand of fertilisers. Nowadays, IFFCO is registered as a multistate cooperative society, with its headquarters in New Delhi, and has around 40,000 member cooperatives all over the country. IFFCO has been ranked number 37 by *Fortune* magazine in the India 500 List corresponding to 2011, which portrays the biggest companies in India (see <http://www.iffco.nic.in>, accessed April 19, 2013).
17. Formally established as Tata Africa (Senegal) SARL, this branch depends on Tata Africa Holdings, based in Johannesburg. At the same time Tata Africa Holdings is a branch of Tata International (see <http://www.tatainternational.com>, accessed April 25, 2013).
18. SIFI is mainly owned by Senegalese cadres from SOCOIM Industries, the biggest cement manufacturer in West Africa. SIFI also owns the local popular oil stations network Elton.
19. The regional projection of Senbus is displayed by the fact that at the inauguration of the factory in September 2003, the president of the country, Abdoulaye Wade, was present, and some other high representatives of neighbouring countries, like Presidents OuldTaya (Mauritania), Compaoré (Burkina Faso), Pires (Cape Verde), and even El Bechir (Sudan). Wade underlined in his speech that Senbus "must be a regional enterprise oriented to the entire ECOWAS" (Afrik.com 2003). In fact, these buses were called "les bus de l'intégration" by local media (Amath 2004).
20. As a follow-up of the renewal program, another contract was awarded to the Chinese company, King Long, with funding from China Eximbank in September 2009. Senbus set up a separate factory in Thiès for assembling these 406 King Long buses.
21. As a HIPC country, Senegal is eligible for Exim Bank loans with an annual interest rate of 1.75 per cent, refundable in 20 years with a five-year grace period included.
22. Own calculations from PSD On-line (US Department of Agriculture), see <http://www.fas.usda.gov/psdonline> (accessed 25 July 2013).
23. The price of imported rice increased around 47 per cent between 2007 and 2008 (Ministère de l'Agriculture 2009, 99).
24. CII promotes, since 2005, an annual conclave that gathers the key actors, public and private, of the Indian presence in SSA. With the support of the Exim Bank and the GoI, there is an annual meeting in New Delhi, called CII-EXIM BANK Conclave on Africa Project Partnership. Besides these continental meetings there are regional conclaves. Between 2005 and 2011 there have been 13.
25. The Pan-African e-network takes advantage of a system of submarine fibre cables already working. This system splits in two tranches. The first one, called SAFE (South Africa-Far East), goes from Kochi (Kerala, Southern India) to Melkbosstrand in South Africa, near Cape Town. The main stakeholders of SAFE include Tata Communications, AT&T (US), Telkom (South Africa). The second tranche of the system links Melkbosstrand and Sesimbra (Portugal), all along the West African Coast, which lands in several coastal countries, including Senegal. RASCOM stands for Regional African Satellite Communication Organisation, and is a pan-African intergovernmental organisation. RASCOM was established in 1992 with the mission to establish and exploit a pan-African satellite communications system, overcoming the dependence on the Western communications infrastructure.
26. Actually, the pilot project was set up in Ethiopia and consisted in 26 students successfully completing an MBA program at the Indira Gandhi National Open University (IGNOU) in New Delhi. Significantly, the educational programs offered by the Indian universities are mainly focused in the area of business administration and ICT.

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## Impacts of the global economic crisis and national policy responses on children in Cameroon

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**ABSTRACT** The impacts of the 2008–2009 global economic crisis and various policy responses on child monetary and caloric poverty in Cameroon are simulated. For this purpose, a macro-micro methodology is adopted. A dynamic computable general equilibrium (CGE) model takes into account the different transmission channels of the global crisis and macro policy responses to Cameroon's economy. The results of the CGE model are then introduced into a micro-econometric module to trace the ultimate impacts on households in general and children in particular. The global crisis is simulated to raise child monetary poverty by roughly two percentage points and caloric poverty by up to 0.56 percentage points. A targeted child cash transfer and school feeding programs are found to be the best policy responses in terms of cost-effectively protecting children from the crisis.

**RÉSUMÉ** Les impacts de la crise économique de 2008–2009 et de différentes politiques sur la pauvreté monétaire et calorique des enfants au Cameroun sont simulés. À cette fin, une méthodologie macro-micro est adoptée. Un modèle dynamique d'équilibre général calculable (MEGC) tient compte des différentes voies de transmission de la crise mondiale et des réponses macro-politiques à l'économie camerounaise. Les résultats du MEGC sont ensuite introduits dans un module microéconométrique afin de cerner les effets sur les ménages et, en particulier, sur les enfants. Les résultats montrent que les programmes de transfert en espèces ciblant les enfants et de repas scolaires offrent le meilleur rapport coût-efficacité pour protéger les enfants de la crise.

**Keywords:** child poverty; global economic crisis; social protection; Cameroon; West and Central Africa

### Introduction

In times of crisis, children are generally the most vulnerable to harm, whether this be through increased morbidity, mortality, malnutrition, school dropouts, or child labour. Past crises have led to immediate increases in poverty ranging from 1 percentage point in Brazil in 1989 to 12.2 points in Venezuela in 1994 (Lustig 2000).<sup>1</sup>

However, at the onset of a crisis, timely data to monitor impacts on child wellbeing are not readily available to guide the rapid implementation of policies to protect children. This paper proposes and illustrates the use of a tool to simulate, *ex ante*, the immediate and short-term impacts of the crisis on child wellbeing and to analyse various policy responses.

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In the presence of a major crisis with economy-wide impacts, a rigorous analysis of the transmission mechanisms at both the macro and micro levels is required to capture the many and varying impacts on child wellbeing. For this purpose, a combined macro-micro model is developed, integrating the global shocks (changes in import prices, export prices/demand, foreign investment, foreign aid, and remittances), their economy-wide impacts on consumer prices and household income, and, ultimately, various dimensions of child wellbeing.<sup>2</sup>

We focus on two major dimensions of child wellbeing – monetary and caloric poverty<sup>3</sup> – as the most immediate policy concerns.<sup>4</sup> Indeed, before the global crisis, over half of Cameroonian children lived in monetary poverty in 2007 and over a third suffered from caloric poverty (hunger). While Cameroon has made some progress in the corresponding Millennium development goals (MDG) of cutting in half the proportion of its total population living in extreme poverty and suffering from hunger, at the outset of the crisis it was not on track to attain these objectives by 2015.<sup>5</sup> Moderately high growth rates, debt alleviation, improved public finances and explicit policies to combat poverty and hunger in the country's poverty reduction strategy all dispose it favourably to strengthened interventions to protect and improve child wellbeing.<sup>6</sup>

Cameroon, like most other African and developing countries, was not strongly affected by the financial crisis itself, but instead by the global economic crisis that followed. In particular, world prices and the demand for Cameroon's principal exports – such as crude oil, sawn wood, refined oil or base metals – fell considerably in 2008–2009. In addition, foreign direct investment was estimated to fall by 6 per cent during this period (MINEPAT 2009). While international remittances to Cameroon fell by 3.4 per cent in 2009, this had little impact on Cameroon, for which remittances represent less than 1 per cent of GDP. Foreign aid was not significantly impacted.

These external shocks filter through Cameroon's economy, impacting employment levels, wage rates, self-employment income and consumer prices, as captured by the macro – computable general equilibrium (CGE) – model. These impacts, in turn, engender real income losses for Cameroonian households, which vary according to their specific sources of income and consumption patterns, as modelled by the microsimulation component.

The microsimulation model combines simulated variations in household real income and information on household composition to directly estimate changes in the proportion of children living in monetary poverty. It also simulates changes in household consumption patterns, which, combined with caloric tables, are used to simulate changes in the percentage of children suffering from caloric poverty. Finally, given its detailed household- and child-specific information, the microsimulations are able to distinguish these impacts according to various criteria. In this illustration we focus on urban versus rural children and impacts by region.

Beyond its capacity to identify which children are most vulnerable to the impacts of a specific economic crisis such as this, the framework developed in this paper is a powerful policy tool for decision makers to simulate the impacts of various policy responses and their specific design. Four policy responses are examined in this illustration: food subsidies, tariff exemptions for food imports, a school feeding program and a child cash transfer program.

The analysis is limited to the short and medium terms, with a simulation period from 2007 to 2011. This partly reflects the paper's objective to provide decision makers with a rapid, *ex ante* simulation of the likely impacts of a crisis in order to design a quick policy response. It also reflects the fact that, as long as it does not continue indefinitely, crisis impacts are mainly felt in the short term. This said, if children are not adequately protected in the short term, there are likely to be long-term impacts on their health and earning capacity that would go beyond the scope of this study.

The global crisis is simulated to reduce real GDP by roughly 1 percentage point during the simulation period, mainly due to falling export prices and global demand, and to falling foreign direct investment (FDI) inflows. All sources of household income, particularly informal wage income, fall as a result. As a consequence of these negative effects, the global crisis is



simulated to raise child monetary poverty by roughly 2 percentage points and caloric poverty by up to 0.56 percentage points. A targeted child cash transfer and school feeding programs are found to be the best policy responses in terms of cost-effectively protecting children from the crisis.

The remainder of this paper is divided into five sections. The second section summarises the main channels of transmission of the global financial crisis to developing economies, and Cameroon in particular. The next two sections present the macro-micro simulation model and then set out the simulated impacts of the crisis. We outline the results of various policy response scenarios before providing a brief conclusion.

### **Principal transmission channels of the global economic crisis to developing economies**

In the literature, four principal channels are identified through which the global economic crisis is expected to affect developing economies: international trade, foreign investment, private international remittances and official foreign development assistance (te Velde 2008; Barrell, Holland, and te Velde 2009). The importance of each channel differs according to the structure of the economy and its level of development, as well as the nature and strength of its links to the global economy. We review each channel in the specific case of the global economic crisis and its impacts on Cameroon below.

#### ***International trade***

While Cameroon is somewhat less open to world trade than most sub-Saharan African and low-income countries,<sup>7</sup> its principal exports are precisely those for which world prices and demand fell most during the crisis. More than 80 per cent of Cameroon's export revenues come from five products: crude oil (42% of exports in 2007), sawn wood (16%), refined oil (12%), base metals (5%) and transport, storage, and communication services (5%).

World prices of these products all fell markedly with the crisis. From July to December 2008, the world price index for petroleum products (2005 = 100) fell from 248 to 78. World prices also fell substantially for various types of wood exported by Cameroon: sawn hardwood (23% fall between June 2008 and August 2009), sawn softwood (2% between November 2008 and October 2009), hardwood logs (19% between December 2008 and December 2009) and softwood logs (25% between October 2008 and October 2009). The price index for base metals fell by 53 per cent from March 2008 to February 2009.<sup>8</sup>

These drastic declines in the prices of Cameroon's main export products, accompanied by a reduction in export volumes due to the fall in world demand, led to a strong reduction in the country's export revenues and domestic output. On the plus side, the fall in world import prices is also taken into account in the crisis simulations.

#### ***Foreign investment***

Foreign investments also declined considerably across the world during the crisis. According to a cross referencing of information from an International Monetary Fund (IMF) database, the United Nations Conference on Trade and Development (UNCTAD) and the Vale Columbia Center on Sustainable International Investment, the total amount of FDI in the world declined by 17 per cent in 2008 relative to 2007 (Kekic 2009). In 2009, there was a further 44 per cent annual reduction in this figure.

For Cameroon, foreign financing of certain large projects planned for 2009 was postponed, particularly in the energy, aluminium and mining sectors (IMF 2009). The IMF report (2009) predicted that total foreign capital flows to Cameroon would be CFA86 billion lower in 2009 than in

2008, an amount equal to 0.8 per cent of GDP. Forecasts by the Ministry of the Economy, Planning and Regional Development (MINEPAT 2009) predicted an annual 6 per cent decrease of FDI inflows due to the crisis in 2008 and 2009.

### ***International remittances***

Remittances from migrant workers to their country of origin are an important source of income in many developing countries. World Bank estimates based on IMF balance of payments data (see [www.worldbank.org/prospects/migrationandremittances](http://www.worldbank.org/prospects/migrationandremittances)) show that global remittance flows fell by 5.3 per cent in 2009. Even the recovery projected for 2010 and 2011 (1.2% and 3.7%, respectively) is weak compared to the strong growth observed in the decade before the crisis (Ratha, Mohapatra, and Silwal 2009).

Cameroon is one of 15 African countries and six lower-middle income countries (out of a total of 55) with the smallest level of remittances relative to GDP. This ratio was 0.79 per cent in 2007 and 0.72 per cent in 2008, and remains very modest in comparison with the average in many subgroups of comparable developing countries.<sup>9</sup> Thus this channel is expected to be of limited importance in Cameroon.

According to World Bank (2009) estimates, flows of migrant remittances to Cameroon were 3.4 per cent lower in 2009 than in 2008. Projections by the Ministry of Economy, however, are more pessimistic: a fall of 25 per cent in 2009 and 39 per cent in 2010, before a 70 per cent increase in 2011 (MINEPAT 2009). Despite the relatively low level of these flows for Cameroon as a share of GDP, the impacts on receiving households would be substantial.

### ***Official development assistance***

In 2008, when the effects of the crisis on the real economy across the world were starting to become apparent, total net flows of official development assistance (ODA) from member countries of the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD) had grown by 11.7 per cent in real terms with respect to 2007, to USD121.5 billion, the highest figure ever (OECD 2009).<sup>10</sup> While some authors, such as te Velde (2008), predicted that the world financial and economic crisis would lead to a contraction in ODA, in the case of Cameroon MINEPAT (2009) did not predict a decline.

### ***Methodology***

The methodological approach is based on a combination of a dynamic computable general equilibrium (CGE) model and a microeconomic module. The CGE model is used to simulate the macro- and meso-economic impacts of the crisis and various policy responses, taking into account the various transmission channels. It models production and segmented labour markets, as well as the transactions and behaviour of households, firms, the government and the rest of the world. The results of the CGE simulations in terms of prices, wages, employment and other income are then passed on to the micro-economic module to evaluate the impacts on households in general and on children in particular.

This section first presents the methods used in the CGE model, to model the channels of transmission of the global crisis to the national economy, labour segmentation and supply, and the dynamic specifications. It then presents the links between the macro and micro modules, the micro-level modelling of the child monetary and caloric poverty, the simulation scenarios and data sources.<sup>11</sup>

For reasons discussed in the introduction, the macro and micro models take into account only the immediate and short-term effects of the crisis to guide policy makers in designing immediate policy

interventions at the onset. Given this perspective, the simulation period chosen in this study is 2008–2011, with 2007 acting as the base year. This choice of time span is also motivated by the empirical evidence that the crisis was short-lived. As an example, the GDP per capita growth in 2011 and 2012 (that is, soon after the crisis) was positive, and even higher than the pre-crisis growth.

### *Modelling the transmission channels of the global crisis*

A standard CGE modelling framework is adopted, following the small, open economy model built by Decaluwé, Martens and Savard (2001). We focus here only on the methods used to introduce the various channels of transmission of the global crisis to the national economy. Of the four principal transmission channels identified, only trade and foreign direct investment require specific modelling procedures; foreign aid and net foreign remittances are modelled as simple variations in the corresponding exogenous transfers.

#### *Trade*

In the literature, some studies (for example, Griffith-Jones and Ocampo 2009) emphasise that, in the global crisis, exporters of manufactured goods and services face both lower export demand and a decline in world prices, whereas exporters of primary materials, agricultural products and mineral and energy resources are mostly affected by lower international prices. The first group consists of exports that are constrained by external demand (type 1), while the second group represents exports largely constrained by internal supply (type 2).

For type 1 exports, we introduce a foreign export demand function as specified by Decaluwé, Martens and Savard (2001):

$$EXD_i = EXO_i \left( \frac{Pwe_i}{Pfob_i} \right)^{\varepsilon_i^e}.$$

For a given export product  $i$ , export demand  $EXD_i$  thus varies with the ratio of world prices  $Pwe_i$  to the free-on-board (FOB) domestic export prices  $Pfob_i$ , conditioned by the value of the export demand price elasticity  $\varepsilon_i^e$  (in absolute value,  $0 < \varepsilon_i^e < \infty$ ). This implies that domestic producers face a downward-sloping export demand curve with regards to the FOB export prices and an upward-sloping export demand curve with regard to the world prices  $Pwe_i$ . The domestic FOB prices, in foreign currency, are the prices actually charged to the foreign buyer, and are implicitly determined in the model as follows:

$$Pfob_i = \frac{Pe_i(1 + te_i)}{e},$$

where  $Pe_i$  are the prices earned by the domestic producer,  $e$  the foreign exchange rate and  $te_i$  the export tax rate. On the other hand, the world prices  $Pwe_i$  are considered here as the “average” FOB prices charged by foreign exporters from competing countries all over the world, which the domestic producer of a small country cannot affect by increasing or decreasing its offers on the world market (“price-taker”).

For a given product  $i$ ,  $EXO_i$  is the volume of export demand that is not affected by relative export prices, but by other factors such as changes in tastes, world population, etc. This key variable, which is exogenous, is also considered in the model as the shock variable for the reduction of export demand due to the international downturn.

Type 2 exporters are price-takers who face an infinite elasticity of export demand. As such, their FOB prices are equal to exogenous world prices. This is simply modelled using the standard trade equations in CGE models (Decaluwé, Martens, and Savard 2001).

Thus, two types of trade shocks are performed here: exogenous variations in world prices  $Pwe_i$  for both types of export products, and exogenous changes in the volumes of export demand, through the variable  $EXO_i$ , for type 1 export products only.

### FDI

FDI is part of total foreign investment (or savings). In a standard CGE model, the capital account is not explicit, but its variations are captured by changes in the exogenous current account deficit, through their offsetting impacts in the balance of payments. Moreover, as shown below in the discussion of dynamics in the CGE model, the FDI shock is captured through the capital accumulation equation, where it is introduced as an exogenous part of total investment.

### Labour markets

We use three criteria for the segmentation of labour markets. First, we distinguish between rural and urban labour. Second, both rural and urban labour markets are divided into formal and informal segments. Finally, only in urban areas, we apply the skilled/unskilled criterion. Six separate labour categories are thus obtained: rural formal, rural informal, urban formal skilled, urban formal unskilled, urban informal skilled and urban informal unskilled.

As we are only interested in the short-term impacts of the crisis, we assume that there is no rural to urban, or skilled to unskilled mobility of labour. However, movement between the formal and informal sectors are allowed for both rural workers and urban skilled or unskilled workers. Both for urban and rural sectors, we assume that individuals first seek formal work, where wage rates are assumed to be fixed, and only operate in the informal sector if they do not succeed in finding a formal job. The excess supply of formal labour is assumed to be fully employed in the corresponding informal sector, where the wage rate is endogenous.<sup>12</sup>

Total supply ( $FLS_{h,l,t}$ ) of labour units of type  $l$  (rural, urban skilled and urban unskilled) by a given household  $h$  is determined by an endogenous labour supply function, derived from a linear expenditure household demand system:

$$FLS_{h,l,t} = TMAX_{h,l,t} - \frac{\zeta_{h,l}}{wlf_l \left(1 - \sum_l \zeta_{h,l}\right)} \left( (1 - mps_h) YD_{h,t} - STO_h - \sum_i C_{MIN_{h,i,t}} PCF_{i,t} \right),$$

where  $TMAX_{h,l,t}$  is the maximum time available to household  $h$  for work and leisure,  $\zeta_{h,l}$  is the distributive share of leisure in supernumerary income,  $wlf_l$  is the expected wage rate in the formal sector,  $mps_h$  is the marginal propensity to save,  $YD_{h,t}$  is disposable income,  $STO_h$  is minimum savings,  $C_{MIN_{h,i,t}}$  is the volumes of incompressible consumptions and  $PCF_{i,t}$  is consumer prices, including taxes.

### Dynamics in the CGE model

The CGE model used is a recursive-dynamic framework and encompasses the five-year simulation period (2007–2011, inclusively). It is solved sequentially. Three sets of statements strongly

condition the way model variables are updated from one period to the next: the labour supply growth, capital accumulation and the growth of miscellaneous exogenous variables.

Given that labour supply is endogenous for each segment of the labour market, we assume that it is the maximum time available for work and leisure, "TMAX", that grows exogenously at the population growth rate.<sup>13</sup>

Following Bourguignon, Branson and de Melo (1989) and Jung and Thorbecke (2001), the capital stock  $KD_{i+1}$  is updated through a capital accumulation equation involving the previous-year capital stock  $KD_t$ , a depreciation rate  $\delta_i$  and new investment. In order to incorporate FDI shocks, we disaggregate the new investment variable into domestic investment  $IND_{i,t}$ , net flows of FDI  $FDI_{npub,t}$  and state-owned investment  $ING_{pub,t}$ . The latter two are exogenous and deflated by the investment price index  $PK_t$ . The capital accumulation equation is thus formulated as follows for private and public industries, respectively:

$$KD_{npub,t+1} = KD_{npub,t} (1 - \delta_{npub}) + IND_{npub,t} + \frac{FDI_{npub,t} + ING_{npub,t}}{PK_t},$$

$$KD_{pub,t+1} = K_{pub,t} (1 - \delta_{pub}) + IND_{pub,t}.$$

Public investment  $IND_{pub,t}$  is exogenous, while private investment is determined by the equation:

$$\frac{IND_{npub,t}}{KD_{npub,t}} = \phi_{npub} \cdot \left( \frac{r_{npub,t}}{U_{npub,t}} \right)^{\sigma_{npub}^I},$$

with

$$U_{npub,t} = PK_t (ir_t + \delta_{npub}),$$

where  $ir_t$  is the interest rate. This implies that the capital accumulation rate,  $\frac{IND_{npub,t}}{KD_{npub,t}}$ , is increasing with respect to the ratio of the rate of return to capital  $r_{npub,t}$  and its user cost  $U_{npub,t}$ , conditioned to the value of the elasticity  $\sigma_{npub}^I$ .

Finally, for various exogenous variables – the volume of minimum consumption of each good, transfers from households to domestic economic agents, transfers from government to households – we assume growth equal to the population growth rate. Other exogenous variables are adjusted following historical trends or empirical evidence: inflows and outflows of remittances, FDI and current foreign transfers to government.

Through this "dynamic calibration", we obtain a business-as-usual (BaU) scenario consistent with official forecasts of an annual real GDP growth rate of 4.2 per cent.

### Modelling macro-micro links

The macro-micro analytical framework used in this study is a "top-down" sequential approach following Robilliard, Bourguignon and Robinson (2008). As mentioned above, we are interested in the immediate and short-term effects of the crisis. This is why in the microsimulation model, while we take into account population growth (see below), we assume that household productive factors are constant over the simulation period.

The links between the macro and micro modules include variations in commodity prices, wage rates and other income, as well as changes in the employment rates for various categories of labour. These variations are estimated by the CGE model simulations and then introduced as shocks in the micro module such that the average changes correspond exactly to the changes simulated by the CGE model.

In particular, changes in consumer prices are used to estimate equivalent consumption, as presented in the section below on monetary poverty. Variations in sector-specific wage rates are applied to labour incomes according to the working status of each working age individual at time  $t$ . Variations in per capita revenues from self-employment activities are derived from changes in the non-agriculture sectoral value-added, as simulated by the CGE model. Changes in revenues from agriculture activities are estimated by applying the changes in relevant producer prices to the value of initial revenues, net of changes in input costs. Changes in the values of self-consumption of food are estimated by applying changes in food consumer prices. Finally, changes in dividends and both public and private transfers are obtained directly from the CGE model.

In order to produce employment figures in the micro module that are consistent with the simulated changes in employment rates from the CGE model, a job-queuing approach is adopted. A standard Heckman selection model is used to estimate the selection (or probability of being employed) and wage equations, based on a set of socio-economic characteristics. The model is estimated separately for urban and rural areas and, among the urban workers, for skilled and unskilled workers. The selection equation is then used to order relevant individuals according to their probability of being employed in a given sector and change their employment status consistently with the CGE simulations. To simplify, we assume that only people aged between 15 and 65 years participate in the labour market.<sup>14</sup>

Original sampling weights are recalibrated in order to reproduce official population projections for the simulation period by following the so-called *static ageing* approach. Average changes in the relevant variables (notably per capita revenues from self-employment activities and employment) for each simulation year are obtained by reweighting the sampling weights in such a way that the average changes in the microsimulation model correspond to the variations simulated in the CGE model. By doing that, we are able to take into account the effect of the population growth in the microsimulation model.

## Dimensions of child wellbeing

### Monetary poverty

A child is considered to be monetarily poor if s/he belongs to a household that is poor in monetary terms. We have defined a household as being poor if its consumption per adult equivalent,<sup>15</sup> deflated by appropriate temporal and spatial price indices, is under the official absolute poverty line.<sup>16</sup> In order to measure and analyse monetary poverty among children, we use Foster–Greer–Thorbecke poverty measures (Foster, Greer, and Thorbecke 1984), applied to all individuals aged 0 to 14 years.

The impact of the financial crisis, as well as of the different social policies proposed here, on poverty measures can be calculated by:

$$\begin{aligned}\Delta P^\alpha &= P^\alpha(\mathbf{x}^t, z_e) - P^\alpha(\mathbf{x}^0, z_e) \\ &= \frac{1}{N} \sum_{h=1}^H n_{c,h} \omega_{c,h} \left( \left( \frac{z_e - e_{t,h}(\mathbf{p}^0, \mathbf{p}_c^t, x_{c,h}^t)}{z_e} \right)_+^\alpha - \left( \frac{z_e - e_{0,h}(\mathbf{p}^0, \mathbf{p}_c^0, x_{c,h}^0)}{z_e} \right)_+^\alpha \right),\end{aligned}$$

where  $\mathbf{x} = (x_1, \dots, x_h, \dots, x_H)$  is a vector of expenditure per adult equivalent at time 0 and  $t$  for a sampling population of  $H$  households living in cluster  $c$  that are nationally representative of the total population of  $N$  individuals ( $N = \sum_{h=1}^H n_h \omega_h$ ), where  $\omega_h$  is the sampling weight and  $n_h$  is the size of household  $h$ .  $\mathbf{p}^0$  is the reference price set at time 0 in the reference cluster (i.e. the region of Yaoundé) and  $\mathbf{p}_c^t$  are the prices faced by households living in cluster  $c$  at time  $t$ .  $z_e$  is an equivalent poverty line evaluated at pre-crisis prices. Finally,  $e_{t,h}$  is the equivalent expenditure at time  $t$  or, in other terms, the expenditure level that, at the reference price system  $\mathbf{p}^0$ , offers the same utility as obtained with the expenditure level  $x_{c,h}^t$  and the price system  $\mathbf{p}_c^t$ . The equivalent expenditure at time  $t$  (as well as time 0) is estimated by using household-specific preferences with fixed-budget shares (Cobb–Douglas utility function) as follows:

$$e_{t,h} = \frac{y_{c,h}}{\Gamma_{t,c,h}^0},$$

where

$$\Gamma_{t,c,h}^0 = \prod_{k=1}^K \left( \frac{p_{t,c,k}}{p_{0,k}} \right)^{w_{h,c,k}},$$

$y_{c,h}$  is per capita total household expenditure,  $\Gamma_{t,c,h}^0$  is the household-specific consumer price deflator,  $p_{0,k}$  is the reference unit price, which corresponds to the price of good  $k$  at time 0 (the reference period) in the reference cluster,  $p_{t,c,k}$  is the price of good  $k$  at time  $t$  in cluster  $c$  and  $w_{h,k}$  is the budget share of good  $k$  for household  $h$ .

### *Caloric poverty*

A child is in a state of caloric poverty if the ratio of her/his caloric intake to age- and sex-specific caloric requirements, as defined by World Health Organisation (WHO) nutritional tables, is less than 1. In the absence of information on intra-household resource allocation, a child is considered to suffer from caloric poverty if s/he lives in a household in which the ratio of total household caloric intake to the sum of its individual member's caloric requirements is less than 1; i.e. the household as a whole does not satisfy its members' caloric needs. The micro module is used to simulate changes in household consumption structure and level, which are combined with food calorie tables to calculate changes in the calories consumed by individuals.

### *Principal sources of data*

The main source of data used to develop the social accountability matrix (SAM) underlying the CGE model is the supply and use table (SUT) constructed by the National Institute of Statistics of Cameroon for 2007 (INS 2009b). The SAM and, consequently, the CGE model incorporate all 42 products/sectors distinguished in the SUT nomenclature. The micro module is mostly based on data from the third national household survey in Cameroon (ECAM3), carried out in 2007 (INS 2008).



## Impacts of the crisis

### *The reference and crisis scenarios*

The simulated impacts of the crisis are expressed relative to the results of a reference (no crisis) scenario. The no crisis scenario assumes that the economy continues to evolve according to historical or predetermined trends in the key transmission channel variables. It thus provides a counterfactual against which the impacts of the crisis can be properly assessed.

The economic crisis scenario captures the various shocks experienced by Cameroon's economy as a result of the economic crisis and via the transmission channels that were presented in the second section of this paper (Table 1). The study covers the period from 2007 to 2011 inclusively, where 2007 is the base year and 2008–2011 is the simulation period.

### *Macroeconomic impacts of the crisis*

The crisis negatively impacts Cameroon's economy over the entire period of analysis and for all the macroeconomic variables studied: real GDP, government finances, household income, investment and export volumes (Table 2). For most of these variables, it is in 2009 that the biggest effect is observed. Indeed, as we see in Table 1, in 2009 the fall in export prices remains substantial (12.1%), at the same time as export demand, remittances and FDI are at their lowest (–4.9%, –25.3% and –5.9%, respectively), yet the windfall of lower import prices has substantially resorbed (–8.3% versus –22.5% in 2008). In the case of real GDP, the reduction is 0.4 percentage points in 2008, 1.3 in 2009, 0.9 in 2010 and 0.8 in 2011.<sup>17</sup>

Household factor income also declines as a result of the crisis (Table 3). Once again, this impact is greatest, by far, in 2009. The decline in informal labour income is larger than that of formal labour income. Indeed, while the crisis leads to a movement from formal to informal employment, the fall in the informal wage rate more than offsets this effect. The decline in labour income in the formal sector is essentially due to a loss of employment in the sector, given the assumed short-term downward rigidity in formal wages.

At the height of the crisis, in 2009, the aforementioned decline in labour income in the informal sector is more drastic for urban skilled workers (7.93%) than for urban unskilled (6.73%) and rural workers (5.73%). In contrast, the loss of labour income in the formal sector is greater among urban unskilled workers (4.44%) than among urban skilled (2.65%) and rural workers (2.35%). The fall in capital income is driven by reductions in the returns to capital and investment in new capital.

Table 1. Growth rates of transmission variables of the crisis to Cameroon's economy, relative to their values in the no crisis scenario (in percentage points).

Variables	2008	2009	2010	2011
World export prices	–24.5	–12.1	8.7	7.1
World import prices	–22.5	–8.3	9.5	7.6
Export volumes	–1.2	–4.9	–1.2	–1.6
Private remittances received from abroad	0.0	–25.3	–39.2	69.9
Official development aid	0.0	0.0	0.0	0.0
Foreign direct investment	–5.9	–5.9	–0.6	–3.1

Source: Authors' calculations from IMF data and forecasts (<http://www.indexmundi.com>, accessed April 2010) for world import and export prices; a posteriori estimations via the CGE model for export volumes; MINEPAT (2009) predictions for private remittances, official development assistance and foreign direct investment.

Table 2. Impact of the crisis on macroeconomic aggregates.

		2008	2009	2010	2011
		Annual growth rate (%)			
Real GDP	No crisis scenario	4.2	4.2	4.3	4.4
	Crisis	3.8	2.9	3.4	3.6
	Change	-0.4	-1.3	-0.9	-0.8
Budget balance	No crisis scenario	8.3	9.1	9.8	10.5
	Crisis	-16.4	-18.7	9.3	9.7
	Change	-24.7	-27.8	-0.5	-0.8
Households income/consumption	No crisis scenario	2.8	2.9	3.0	3.1
	Crisis	1.3	-1.7	1.7	2.7
	Change	-1.5	-4.6	-1.3	-0.4
Investment	No crisis scenario	7.3	7.6	7.9	8.2
	Crisis	1.7	3.3	5.5	5.7
	Change	-5.6	-4.3	-2.4	-2.5
Export volume	No crisis scenario	5.4	5.0	4.6	4.7
	Crisis	4.2	0.1	3.4	3.1
	Change	-1.2	-4.9	-1.2	-1.6

Source: Authors' calculations using the results of the simulations.

### *Impact of the crisis on child monetary poverty*

Our estimates show that just over half (50.2%) of children were poor in Cameroon in 2007. In the no crisis scenario, the monetary poverty rate remains nearly constant over the simulation period, extending the stagnation in the national poverty rate (around 40%) observed between 2001 and 2007.

The crisis is forecast to aggravate monetary poverty among children. Relative to the no crisis scenario, the child monetary poverty rate increases by 0.52 percentage points in 2008 and by around two percentage points in the following three years (Table 4). Similarly, the poverty gap and severity measures increase significantly as a result of the crisis. Unlike GDP, which is hit hardest in 2009 and slowly recovers thereafter, negative effects on poverty are quite stable between 2009 and 2011. Indeed, the higher rates of informal employment predicted for 2009 (compared to 2010 and 2011) mitigates the negative impacts of the other channels affecting household wellbeing.

The rate of increase in child poverty is much higher in urban areas than in rural areas (20.8 versus 2.8% in 2010; see Table 5). As a result, while urban areas contribute only marginally to the national child poverty rate (4.3 points out of 50.2 in the base year in 2007)<sup>18</sup>, their contribution to the absolute increase in the headcount is substantial (42% in 2009).

A disaggregation by income sources shows that the major channel through which the crisis affects child poverty is non-agricultural self-employment income. In order of importance, the rise in consumer prices, the deterioration in agricultural revenues and wage reductions follow as the main channels of influence, with changes in non-working revenues affecting child poverty only marginally.<sup>19</sup> Income losses are particularly deep in the two largest cities: Yaoundé and Douala. In Yaoundé, the crisis more than doubles the number of children in monetary poverty in 2009–2011 relative to the no crisis situation, compared to a 4 per cent increase at the national level. In Douala, this increase was 45 per cent in 2009 and about 35 per cent in 2010 and 2011.

Poverty rates increase in all regions of the country as a result of the crisis, but the change is not uniform. The contribution of each region to growth in poverty brought about by the crisis is not

Table 3. Impact of the crisis on household income by different factors.

			2008	2009	2010	2011
Yearly growth rates in percentage (changes in percentage points for the same period)						
a. Production factors (volumes)	Labour employed in the formal sector	No crisis scenario	3.1	3.2	3.3	3.4
		Crisis	2.7	0.1	2.2	2.4
		Change	-0.4	-3.1	-1.1	-1.0
	Labour employed in the informal sector	No crisis scenario	1.8	1.7	1.6	1.5
		Crisis	2.1	4.3	2.6	2.4
		Change	0.3	2.6	1.0	0.9
	Capital factor owned by households	No crisis scenario	6.3	6.2	6.2	6.1
		Crisis	6.3	5.1	4.3	4.2
		Change	0.0	-1.1	-1.9	-1.9
b. Remuneration rate to production factors	Wage rate in the formal sector	No crisis scenario	0.0	0.0	0.0	0.0
		Crisis	0.0	0.0	0.0	0.0
		Change	0.0	0.0	0.0	0.0
	Wage rate in the informal sector	No crisis scenario	1.2	1.3	1.4	1.6
		Crisis	-1.1	-7.3	-0.7	0.4
		Change	-2.3	-8.6	-2.1	-1.2
	Return rate to capital	No crisis scenario	-2.4	-2.1	-1.9	-1.7
		Crisis	-6.0	-7.0	-0.9	-0.9
		Change	-3.6	-4.9	1.0	0.8
c. Income from production factors = (a × b)	Income from formal labour	No crisis scenario	3.1	3.2	3.3	3.4
		Crisis	2.7	0.1	2.2	2.4
		Change	-0.4	-3.1	-1.1	-1.0
	Income from informal labour	No crisis scenario	3.0	3.0	3.0	3.1
		Crisis	1.0	-3.6	1.7	2.7
		Change	-2.0	-6.6	-1.3	-0.4
	Income from household capital	No crisis scenario	4.1	4.3	4.5	4.7
		Crisis	0.7	-1.9	3.4	3.6
		Change	-3.4	-6.2	-1.1	-1.1
Changes in percentage points compared to the no crisis scenario within the same period						
d. Labor	Formal sector	Rural	-1.61	-2.35	-0.18	0.24
		Urban skilled	-0.29	-2.65	-1.17	-1.07
		Urban unskilled	-0.55	-4.44	-1.04	-1.00
	Informal sector	Rural	0.05	0.07	0.01	-0.01
		Urban skilled	0.49	4.52	1.95	1.81
		Urban unskilled	0.75	6.12	1.45	1.46
e. Wage rates	Formal sector	Rural	0.00	0.00	0.00	0.00
		Urban skilled	0.00	0.00	0.00	0.00
		Urban unskilled	0.00	0.00	0.00	0.00
	Informal sector	Rural	-2.59	-5.71	-0.74	0.42
		Urban skilled	-2.03	-11.76	-4.02	-3.15
		Urban unskilled	-1.56	-12.03	-2.82	-2.50
f. Labor income = (d × e)	Formal sector	Rural	-1.61	-2.35	-0.18	0.24
		Urban skilled	-0.29	-2.65	-1.17	-1.07
		Urban unskilled	-0.55	-4.44	-1.04	-1.00
	Informal sector	Rural	-2.54	-5.64	-0.73	0.41
		Urban skilled	-1.54	-7.24	-2.07	-1.34
		Urban unskilled	-0.81	-5.91	-1.37	-1.04

Source: Authors' calculations using the results of the simulations.

Table 4. Impact of the crisis on child monetary poverty.

	2007	2008	2009	2010	2011
Headcount poverty (P0)					
a. No crisis scenario (%)	50.20	50.16	50.04	50.06	50.11
b. Crisis (%)		50.68	52.06	52.23	52.20
c. Impact = b – a (percentage points)		0.52 <sup>a</sup>	2.02 <sup>a</sup>	2.17 <sup>a</sup>	2.09 <sup>a</sup>
Poverty gap (P1)					
a. No crisis scenario (%)	17.86	17.88	17.92	17.97	18.07
b. Crisis (%)		18.21	18.95	19.04	19.08
c. Impact = b – a (percentage points)		0.33 <sup>a</sup>	1.03 <sup>a</sup>	1.07 <sup>a</sup>	1.01 <sup>a</sup>
Poverty severity (P2)					
a. No crisis scenario (%)	8.15	8.17	8.20	8.24	8.35
b. Crisis (%)		8.36	8.83	8.90	8.95
c. Impact = b – a (percentage points)		0.19 <sup>a</sup>	0.63 <sup>a</sup>	0.66 <sup>a</sup>	0.60 <sup>a</sup>

Note: <sup>a</sup>The difference between the crisis and no crisis scenarios is statistically significant at the 5% level; tests run with the DASP statistical package (Araar and Duclos 2007).

Source: Authors' calculations using the results of the simulations.

Table 5. Change and contribution to absolute increase in headcount poverty, by urban/rural areas.

	2008	2009	2010	2011
Contribution to absolute increase in child poverty (vs. BaU <sup>a</sup> ) by urban areas (in %)	38	42	40	39
Rate of increase in child poverty <sup>b</sup> (in %)				
urban (P0 in 2007: 13.93)	4.7	20.4	20.8	19.2
rural (P0 in 2007: 66.28)	0.7	2.6	2.8	2.8

Notes: <sup>a</sup>Business-as-usual scenario; <sup>b</sup>the absolute contribution to national child poverty by urban areas in 2007 is 4.3 per cent.

Source: Authors' calculations using the results of the simulations.

strongly correlated to the region's pre-crisis contribution to monetary poverty at the national level.<sup>20</sup>

### *Impact of the crisis on child caloric poverty*

The share of children suffering from caloric poverty (35.75%) is initially lower than for monetary poverty. In our no crisis scenario, caloric poverty rates would have declined modestly through 2011 to reach 35.04 per cent in 2011.

The simulated impact of the crisis on caloric poverty is mixed. In 2008, the crisis actually leads to a reduction in caloric poverty, as the drop in food prices due to falling world prices more than offsets income losses. At the national level, the caloric poverty rate among children is 0.47 percentage points lower in 2008 than in the no crisis scenario (Table 6),

Table 6. Impact of the crisis on child caloric poverty rate.

	2007	2008	2009	2010	2011
Headcount poverty (P0)					
a. No crisis scenario (%)	35.75	35.83	35.59	35.36	35.04
b. Crisis (%)		35.36	35.79	35.74	35.60
c. Impact = b – a (percentage points)		-0.47 <sup>a</sup>	0.20	0.38	0.56 <sup>a</sup>
Poverty gap (P1)					
a. No crisis scenario (%)	11.80	11.78	11.75	11.71	11.70
b. Crisis (%)		11.75	11.81	11.84	11.85
c. Impact = b – a (percentage points)		-0.03	0.06	0.13	0.15 <sup>a</sup>
Poverty severity (P2)					
a. No crisis scenario (%)	5.71	5.71	5.71	5.69	5.73
b. Crisis (%)		5.70	5.77	5.79	5.83
c. Impact = b – a (percentage points)		-0.01	0.06	0.10	0.10 <sup>a</sup>

Note: <sup>a</sup>The difference between the crisis and non-crisis scenarios is statistically significant at 5 per cent; tests run with the DASP statistical package (Araar and Duclos 2007).

Source: Authors' calculations using the results of the simulations.

amounting to 1.32 per cent fewer calorically-poor children. This slight decline benefits, to varying degrees, all regions of Cameroon except the Centre region, where caloric poverty remains nearly unchanged.

In 2009, 2010, and 2011, the crisis causes an increase in the rate of caloric poverty among children, respectively by 0.20, 0.38 and 0.56 percentage points compared to the no crisis scenario. This respectively amounts to increases of 0.56 per cent, 1.08 per cent and 1.60 per cent in the total number of poor children across the country,<sup>21</sup> although the increases are not statistically significant in 2009 and 2010. Similar changes are also noted in terms of the poverty gap and severity indices.

The two largest cities, Yaoundé and Douala, have the largest increases. In Douala, the number of children in caloric poverty increases by 7.7 per cent in 2009, 11.3 per cent in 2010 and 16.3 per cent in 2011 due to the crisis. In Yaoundé, this number increases by 5.9 per cent in 2009 and by 9.7 per cent in 2010 and 2011.

## Alternative policy responses to the crisis

### Policy scenarios

Four alternative policy responses to the crisis are examined. By comparing these policy responses, the objective is to determine which one would best protect children from the impacts of the crisis. The budget allocated to each policy is presented, although the administrative costs are not taken into account. In each case, the policy is combined with all elements of the crisis scenario presented above.

### Food subsidy

The first policy analysed is a food subsidy – actually a cut in the VAT on food products – with an annual budget equivalent to 1 per cent of Cameroon's base year GDP. To avoid negative effects on public finances, we assume that the loss of tax receipts is entirely compensated by an increase in foreign aid. We also suppose that the VAT reduction is entirely passed on to retail prices for all relevant food products.

*Tariff exemption on food imports*

It is expected that poor children would be among the beneficiaries of lower prices for imported food products assuming, as in the case of the VAT subsidy, that the benefits of removing customs tariffs on food imports would be passed down the distribution chain and lead to an equivalent decline in retail prices. The annual loss of customs receipts resulting from this measure is estimated at 0.4 per cent of GDP and is offset by drawing on the government's foreign reserves.

*School feeding program*

A school feeding program is provided to all children attending school if they live in a district in which the level of monetary poverty among children is greater than the national average (50.2%). Geographic (district) targeting is thus used to identify the most vulnerable children. Districts (or *arrondissements*, 361 in total) are the third biggest administrative units in Cameroon, after regions and departments. Meals provided at school include rice (150 g), vegetables (30 g) and vegetable oil (10 g), providing 730 kilocalories per meal served. This is a typical meal given by the World Food Programme. Based on the prices of these goods and the predicted number of beneficiaries (180 days per year), a nationwide program would have a total annual cost of 0.19 per cent of GDP. We assume that the program is financed by external aid. By valuing meals at current prices, we are able to assess the potential impact on monetary poverty (as well as caloric poverty).

*Child cash grants*

In this scenario, foreign aid equal to 1 per cent of Cameroon's base year GDP is distributed as a cash grant to households whose children are predicted to be poor. Poor children are identified using a proxy means approach with a quintile-based regression model (Table 7) that estimates consumption based on a limited number of easily observable socio-demographic characteristics. It is assumed that the cash grant is equitably distributed among household members.

*Growth impacts of the policy responses*

All the simulated policy responses have a positive effect on GDP growth. However, the stimuli that these policies provide are very small at the macroeconomic level, and far from fully counteract the crisis' negative effects on real GDP growth (Figure 1). Cash grants appears to be the least effective in this sense, whereas tariff exemptions on food imports are the most effective,

Table 7. Proxy-means test targeting performance (in %).

Child's actual status <sup>a</sup>	Child's predicted status <sup>a</sup>					
	National		Urban		Rural	
	Non-poor	Poor	Non-poor	Poor	Non-poor	Poor
Non-poor	63.3	36.7	73.8	26.2	51.4	48.6
Poor	10.7	89.3	21.4	78.6	9.7	90.3

Note: <sup>a</sup>The model correctly predicts the actual status of children when the actual and predicted statuses are the same. It fails when the statuses do not coincide, either through leakage (actually "non-poor", but predicted "poor") – calculated as the share of the non-poor population receiving the grant – or under-coverage (actually "poor", but predicted "non-poor"), calculated as the share of the poor population not receiving the grant.

Source: Compiled by the authors using results from the simulations and ECAM3.



Figure 1. Impact of policy responses on the real GDP growth rate (in %).<sup>a</sup>

Note: <sup>a</sup>Changes are expressed with respect to the no-crisis scenario.

especially as these results are obtained at a cost of only 0.4 per cent of GDP, as compared to 1 per cent of GDP for the two others. The growth impacts of the school feeding program are marginal and thus not included in the figure.

#### *Impact of policy responses on child monetary poverty*

Of all the simulated policy responses, only cash grants completely offset the adverse effect of the crisis on child poverty at the national level (Figure 2). The three other policy responses reduce the increase in monetary poverty brought about by the crisis, but do not entirely eliminate it over the study period. The most effective of the three is the school feeding program. It eliminates the increase in poverty in 2008 and reduces it by about a quarter in 2009, 2010 and 2011, and this is despite the fact that it has the smallest cost (0.19% of GDP). Indeed, when we simulate an increase in the budget for the school feeding program – by increasing the number of meals provided and/or providing meals on non-school days – to 1 per cent of GDP (not shown), we actually find that it is more effective than cash grants in offsetting poverty impacts.

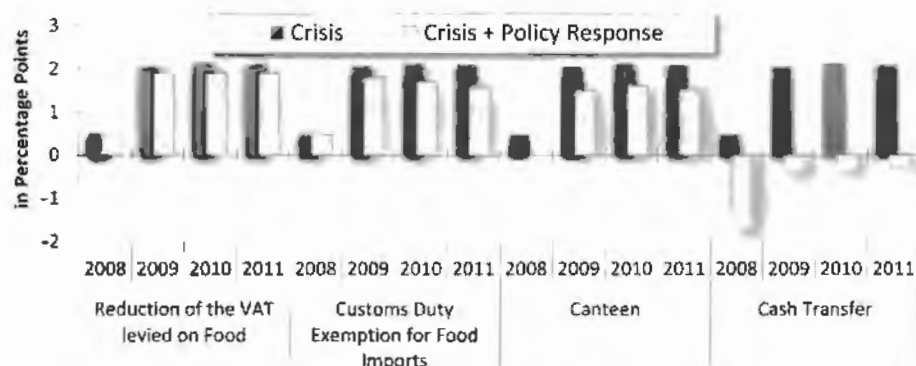


Figure 2. Changes (in %)<sup>a</sup> in child monetary poverty rate, by policy response.

Note: <sup>a</sup>Changes are expressed with respect to the no-crisis scenario. All changes are statistically significant at the 5 per cent level, with the exception of the "cash grant" scenario for 2009, 2010, and 2011. Tests run with the DASP statistical package (Araar and Duclos 2007).

The extent to which poor children are targeted by the policies is one of the principal factors explaining the relative efficacy of each policy response. Given the relative accuracy of proxy means targeting, the cash grant policy provides the greatest benefits by focusing the intervention on poor children. The impact of the school feeding policy stands out for its low cost (0.19% of GDP) and also because it only benefits children who attend school in districts in which the level of monetary poverty is higher than the national average.

However, the policies of subsidising food products – either by cutting the VAT or eliminating customs tariffs – are applied universally, and do not specifically target poor households. In their review of 15 universal food subsidy programs, Coady, Grosh and Hoddinott (2002) only found three to be progressive. Indeed, most food products, which occupy by far the largest share on consumption expenditures among the poor, are not covered by the VAT because they are produced in the informal sector.<sup>22</sup> Emini, Cockburn and Decaluwé (2005) note that, in 2001, 61 per cent of expenditures of the poor in Cameroon were on agricultural products, while the VAT levied on these products only represented 0.43 per cent of total VAT receipts. Similar reasoning suggests that eliminating customs tariffs on food products does not substantially affect the consumption basket of the poor.

Let us now look in more detail at the impacts of the cash grant policy. In rural areas, cash grants reduce child poverty below their no crisis levels, by 3.3 per cent in 2008 and around 1.5 per cent in the following years (Figure 3). In urban areas, the cash grant policy reduces the crisis-generated increase in monetary poverty, but only completely offsets it in 2008, despite the fact that these increases are smaller than in rural areas. At the regional level, the cash grant policy annuls or inverses the increase in monetary poverty generated by the crisis in nine of the 12 regions, the exceptions being the Central region and the two main cities, Douala and Yaoundé. These differential impacts of cash transfers primarily reflect differences in the cost of living and average levels of consumption.

This suggests that cash grant amounts might be differentiated geographically. Several alternative criteria for harmonisation could be used beyond the headcount ratio, notably the impacts on the poverty gap or squared poverty gap to better account for the differential impacts on the severely poor.

Currently, Cameroon does not have an institutional mechanism to implement a short-term targeted cash grant policy. This would require time and considerable financial resources. An alternative, at least in the short term, would be a universal cash grant, which is less complex and costly to implement. We thus also simulate a universal cash grant to children aged 0–5 years, regardless of

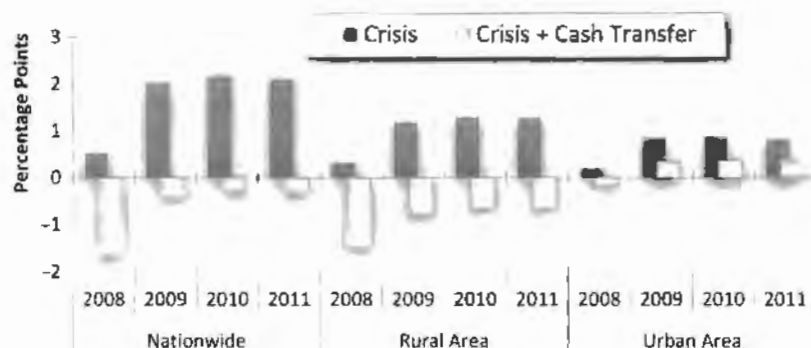


Figure 3. Impact (in %)<sup>a</sup> of targeted cash grants, by geographic area.

Note: <sup>a</sup>Changes in the absolute contribution to child poverty are expressed with respect to the no-crisis scenario.



Table 8. Child monetary headcount poverty rate under a universal cash grant versus a targeted cash grant, by age group.

Age group/base year poverty rate	Year	Crisis scenario	Crisis + targeted grant to (predicted) poor children ages 0–14	Crisis + universal grant to benefit all children ages 0–5
Children ages 0–14/poverty rate in the base year: 50.2%	2009	52.1	49.6	50.1
	2010	52.2	49.8	50.2
	2011	52.2	49.8	50.0
Children ages 0–5/poverty rate in the base year: 47.4%	2009	49.4	46.9	46.5
	2010	49.5	47.0	46.6
	2011	49.5	47.1	46.5

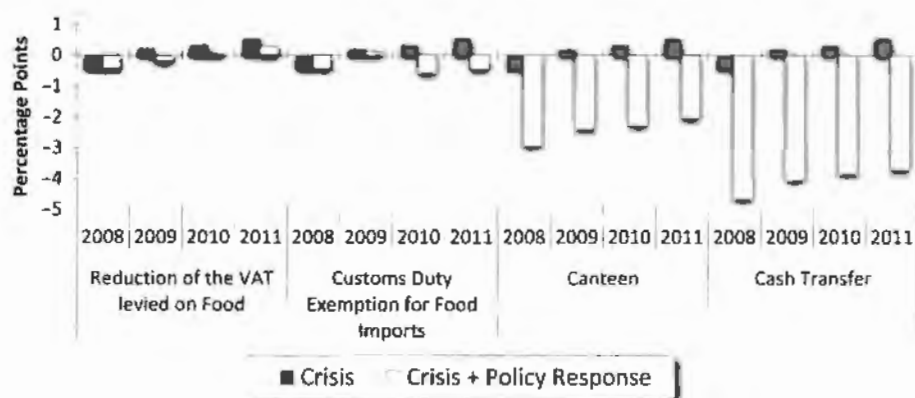
Source: Authors' calculations.

whether or not they are poor. The total budget is held the same as the cash grant targeting poor 0–14-year-olds. As there are fewer 0–5-year-olds in total than 0–14-year-olds living in poverty, the grant per child is greater.

Table 8 shows that the universal cash grant is also very efficient in reducing child poverty, with similar results to the earlier targeted cash grant scenario. For 0–14-year-olds as a whole, the impacts are slightly smaller. While poor 0–5-year-olds receive a larger grant per child, their older counterparts receive nothing. However, for poor 0–5-year-olds – the most vulnerable children in nutritional/health terms – the impact is greater as all are covered and receive a larger grant per child.

#### Impact of policy responses on child caloric poverty

The school feeding and cash grant programs are also very effective at protecting children from increases in caloric poverty and, indeed, lead to substantial reductions relative even to the no crisis scenario (Figure 4). Once again, when budgets are equal (not shown), the school feeding program is found to be more effective than cash grants, in part because it focuses the entire

Figure 4. Change (in %) in child caloric poverty rate,<sup>a</sup> by policy response.

Note: <sup>a</sup>Changes are expressed with respect to the no-crisis scenario. These changes are statistically significant at the 5 per cent level for scenario 1 (2008), scenario 2 (2010), scenario 3 (2008, 2009, 2010, and 2011), and scenario 4 (2008, 2009, 2010, and 2011). Tests run with the DASP statistical package (Araar and Duclos 2007).

budget on providing food to children. Food subsidies and customs exemptions also reduce caloric poverty, even relative to the no crisis scenario in some years, but the impacts are much smaller.

Regional differences are again noted. For instance, in Yaoundé and Douala cash grants do not completely offset the increase in child caloric poverty generated by the crisis. This again suggests a need to adjust a cash grant program regionally.

## Conclusion

The results of this study show that the effects of the world economic crisis are real and pernicious in Cameroon, both in terms of deteriorating macroeconomic indicators and aggravating child monetary and caloric poverty over the entire simulation period of 2008–2011. As a result of the crisis, the real GDP growth rate falls 0.4 percentage points in 2008, 1.3 in 2009, 0.9 in 2010 and 0.8 in 2011. Child monetary poverty rates rise 0.52 percentage points in 2008, 2.02 points in 2009, 2.17 in 2010 and 2.09 in 2011, in comparison to a reference scenario with no crisis. The crisis actually reduces caloric poverty among children in 2008 as a result of falling food prices, but subsequently leads to increase of 0.20 per cent in 2009, 0.38 per cent in 2010 and 0.56 per cent in 2011, with respect to the no crisis scenario.

A targeted cash grant program for 0–14-year-old children living in poor households, at a total cost of 1 per cent of GDP, is found to be the most effective of the four policy responses simulated in this study in terms of protecting children from monetary and caloric poverty. At the national level, the cash grant policy fully offsets the increase in monetary and caloric poverty resulting from the crisis over the entire study period. Moreover, it leads to a sizeable fall in these two dimensions of poverty compared to their levels in the absence of the crisis. Following this policy, the number of children in monetary poverty at the national level is 3.38 per cent lower than in the no crisis scenario in 2008. This reduction is 0.86 per cent in 2009, 0.56 per cent in 2010 and 0.62 per cent in 2011. The beneficial effects of the cash grants are also larger in terms of caloric poverty: with respect to the no crisis scenario, the total number of children in caloric poverty falls by 12.95 per cent in 2008, 11.37 per cent in 2009, 10.85 per cent in 2010 and 10.57 per cent in 2011.

The school feeding program, with a budget five times smaller than the cash grant (0.19% of GDP), comes in second in terms of its effectiveness on reducing child poverty. As it focuses on providing food to children, it is particularly effective in terms of caloric poverty, actually reducing child caloric poverty with respect even to the no crisis scenario by 8.3 per cent in 2008, by 6.7 per cent in 2009, 6.3 per cent in 2010 and 5.7 per cent in 2011. However, it only reduces the crisis-induced increase in child monetary poverty by a quarter. When a budget of 1 per cent of GDP is allocated to the school feeding program – i.e. through an increase in the number of meals provided per day and/or extending to non-school days – it is actually found to have stronger impacts on child monetary and caloric poverty than the cash grant program.

Simulation results show substantial regional and urban/rural divergences in the effects of the crisis and the policy responses. This suggests that these policy responses might be calibrated to local conditions in order to better harmonise their impacts.

It is also important to note that Cameroon does not presently have the logistical and administrative framework that would be required to implement a cash grant policy targeted to benefit specific households. The study shows that a universal cash grant program to 0–5-year-olds, which is less costly and complex to implement, has similar impacts to the targeted cash transfer program.

These results echo findings by Bibi et al. (2010b), using micro-econometric simulations of the impacts of the food crisis and policy responses in Mali to protect child wellbeing, who also find

strong monetary and caloric poverty impacts from crises, as well as a promising role for child cash grant and school feeding programs. Using a CGE-microsimulation framework like the one presented in this paper, Antwi-Asare et al. (2010) find even stronger impacts of the global economic crisis on child monetary and caloric poverty in Ghana, whereas Balma et al. (2010) find weaker impacts in Burkina Faso, illustrating country specificities that influence the impacts of a given global crisis.

This paper has illustrated how an integrated CGE-microsimulation modelling approach has the potential to allow governments to simulate the impacts of crises and alternative policy responses *ex ante*. This would allow them to rapidly put in place mechanisms to protect the most vulnerable – notably children – from the worst impacts of crises. A national child cash grant or school feeding program, if already in place, could be quickly adjusted, possibly calibrated to specific regional characteristics, to cost-efficiently respond to the crisis.

Obviously, these simulations will only be as precise as the estimates of the nature and evolution of the channels of impacts of the crisis. Furthermore, they depend on a number of important modelling hypotheses and parameters that would merit deeper analysis and testing. The simulations also assume an equitable distribution of both the harmful impacts of crises and the benefits of the various policy responses within the household. A more sophisticated bargaining framework may create scope for even more cost-effective policies, for example involving the distribution of child cash transfer to mothers rather than fathers.<sup>23</sup>

Finally, this analytical framework could be considerably enriched by adding in other dimensions of child wellbeing – such as schooling, child labour and access to health services<sup>24</sup> – and by considerably extending the simulation period to capture the impacts of the temporary deprivations in all these dimensions of child wellbeing on long-term outcomes such as health and earning capacity.

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### **Biographical notes**

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## Notes

1. For some other examples, see Bibi et al. (2010b) for the case of the impacts of the global food crisis on children in Mali, Dercon and Krishnan (2000) for the case of individual shocks in Ethiopia in 1994 and 1995, and Attanasio and Szekely (2004) for the case of Mexico during the 1990s.
2. See Robillard, Bourguignon and Robinson (2008) for a general presentation of this “top-down” approach. For a partial equilibrium analysis of the poverty impacts of crisis, refer to Wodon (2012).
3. A child is in a state of caloric poverty if the ratio of her/his caloric intake to age- and sex-specific caloric requirements, as defined by World Health Organization (WHO) nutritional tables, is less than one.
4. Other likely impacts include reduced school attendance, increased child labor and reduced access to health care.
5. Monetary poverty fell from 53.5 to 39.9 per cent between 1996 and 2007, whereas the proportion of underweight children aged 0 to 5 fell from 22.2 to 19.3 per cent between 1998 and 2006 (UNDP 2008).
6. See UNDP 2008.
7. According to the World Development Indicators database (published by the World Bank; <http://data.worldbank.org/data-catalog/world-development-indicators>, accessed September 2009), Cameroon's exports and imports were respectively 29 per cent and 28 per cent of its GDP in 2008. In the same year, these figures were respectively 33 and 32 per cent on average for low income countries (which includes Cameroon) and 37 and 40 per cent for countries in sub-Saharan Africa.
8. Calculations made using IMF data posted in 2010 at [www.indexmundi.com](http://www.indexmundi.com) (accessed December 2010).
9. See World Development Indicators, <http://data.worldbank.org/data-catalog/world-development-indicators> (accessed September 2009).
10. In 2008, ODA support provided by DAC members was 93 per cent of total ODA.
11. For more details, see Bibi et al. (2010a).
12. The assumption of flexibility in the informal sector (free entry/exit, flexible wages, etc.) and rigidity in the formal labor market is adopted in several studies. See, for example, Boccanfuso and Savard (2001).
13. We use historical data from Cameroon's Statistical Yearbook 2008 (in French; INS 2009a) to compute annual population growth rates. The breakdown of labor supply into specific categories is based on the trend growth rates of rural, urban skilled and urban unskilled populations, which are extrapolated from 2001 and 2007 data in the ECAM3 household survey (INS 2008).
14. In fact, economic crisis can lead to increases in child labor. While this can, in principle, be captured in this modeling framework – as can school attendance and access to health services, for example – we have left it out to simplify this illustration.
15. Equivalence scales were used to account for caloric needs by age and sex (see FAO/WHO/UNU, 1985).
16. See INS (2008) for regional poverty lines.
17. These results closely mirror actual growth rates observed ex post with the biggest fall in 2009 and a subsequent rebound: 3.6 per cent (vs. 3.8% simulated by our model) in 2008, 1.9 (vs. 2.9) in 2009, 3.3 (vs. 3.4) in 2010 and 4.1 (vs. 3.6) in 2011 (IMF 2013). Of course, actual growth rates reflect many other factors occurring during the 2008–2011 period that are not included in our ex ante analysis.
18. In 2007, roughly two-thirds of children living in rural areas suffer from monetary poverty, compared to 14 per cent in urban areas. 91.5 per cent of poor children live in rural areas.
19. Results are not shown here for lack of space and can be obtained by the authors on request.

20. Correlation coefficient equal to 0.40, 0.37 and 0.33 respectively in 2009, 2010 and 2011.
21. In the case of an earlier economic crisis in the 1990s, and the ensuing structural adjustment plans, Pongou, Solomon and Ezzati (2006) show that the prevalence of child malnutrition increased from 16 to 23% nationwide and from 19 to 25% in rural areas.
22. In 2001, for example, 96 per cent of agricultural goods were produced by the informal sector.
23. Hoddinott and Haddad (2005) provide a classic analysis of the impact of female income shares on intra-household allocation of resources.
24. See Bibi et al. (2010b), for such an analysis in a purely micro-econometric simulation framework.

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## **Exploring/contesting expertise: communication, context and connection(s) in Latvian–Canadian criminal justice reform**

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**ABSTRACT** While international legal technical assistance has emerged since the 1990s as a means to assist developing and transition countries reform governance structures, debate exists about its value, role and delivery. This article explores the views of 27 Latvian and Canadian participants involved in a Latvian justice reform project between 2002 and 2004. While existing literature is often skeptical about the role of Western reform models, this project was successful in helping establish the State Probation Service (SPS). Beyond numeric outcomes of project efficacy, of specific interest are the ways participants presented and problematised the provision of expertise. The findings reported in this article suggest that sustainable knowledge transfer can be understood through efforts to democratise the provision of training and justice education.

**RÉSUMÉ** Alors que, depuis les années 1990, l'assistance technique juridique est vue comme une façon d'aider les pays en voie de développement et en transition à reformer leur structure de gouvernance, sa valeur, son rôle et sa mise en œuvre font l'objet de débats. Cet article analyse les vues de 27 participants lettons et canadiens sur un projet de réforme du système judiciaire letton entre 2002 et 2004. Même si la recherche actuelle est souvent sceptique quant au rôle des modèles de réforme occidentaux, ce projet a contribué à mettre sur pied un service national de probation. Au-delà de la performance du projet en termes quantitatifs, notre étude s'est intéressée à la manière dont les participants ont problématisé l'apport d'expertise. Les résultats laissent entrevoir qu'un transfert durable de connaissance passe par un effort de démocratisation dans la façon de concevoir la formation et l'éducation juridique au sein de tels projets.

**Keywords:** legal technical assistance; justice reform; Latvia; expertise; knowledge transfer

### **Introduction**

While more than four billion people live under dysfunctional justice regimes (UNDP 2008), the promotion and support of good governance in developing and transition countries is complex (Jensen and Heller 2005). While most definitions of good governance include the assumption that a state should operate under the rule of law (ROL), few developing and transitioning countries specify what this means in practice. Legal technical assistance may range from policy advice and assistance in drafting legislation to the introduction and implementation of new laws, policies, agencies and regulations. It often includes devising procedures to support institutions in carrying out new functions by providing training and building competence

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(Hammergren 1997). Less is known about how culturally specific values, rules, institutions inform how people generate authority, legitimacy and exercise power (Kaufman et al. 2005).

While some challenge the notion that legal reform in any form is necessary for development (Upham 2003), others doubt that a single definition of rule of law exists (Carothers 2003; Taiwo 1999). Despite these definitional and conceptual challenges, the administration of a country's justice system has consistently emerged as a key means to understand, assess and attempt to measure the efficacy (or lack thereof) of governance regimes (Chodosh 2005; Power 2009). Drawing on commonalities between participant perceptions and existent literature, in this article we present communication, context, and connection as useful themes to reframe the debate on the role of expertise in international justice reform, focused on Latvian-Canadian co-operation through the Latvian Legal Reform Project (LLRP).

The LLRP culminated in the establishment of the Latvian National Probation Service, the first court-sanctioned alternative to prison that relies upon community-based programming in the Baltics. It has been recognised as a success by both the Latvian and Canadian governments, based on the establishment of a Probation Law, the number of probation offices established and new probation officers hired, and the number of clients at the time the project was completed (AUCC 2005; Caldwell 2005; Luksenaite 2005; Jurevičius 2008). Questions remain about why this project is seen as a success, while others in the region were not (Gestauteite 2001; Luksenaite 2005). In this article we consider insights about the role of Latvian-Canadian interactions through the project and egalitarian approaches to legal technical assistance reported by participants. These interactions involved community workers and volunteers, state officials, legal experts, prosecutors and judges. The diversity of views about law and society required that space be created for dialogue about how different people understood the role of law in society and how that shaped their expectations for the nascent probation service.

The article is organised to provide an overview of the literature on the rule of law and legal technical assistance, introduce the LLRP and detail the methods used to collect and analyse data gathered over five years. We suggest the qualities of humility, flexibility and openness offer an important way to conceive of collaborative justice reform and legal technical assistance. Interactive and egalitarian approaches may not, alone, be a sufficient means to ensure sustainable justice reform. More research is needed to understand the role of these approaches within complex and multifaceted development initiatives. We argue this kind of programming is worthy of more comparative analysis in Canada and beyond. Quantitative research designs must make room for the voices and views of actual participants, and in this article we offer some insights about how future research might be organised. We conclude that the challenges and opportunities presented by efforts to democratise the training workshop make it a central site to assess future collaborative approaches to justice reform.

### **Literature review: rule of law and legal technical assistance**

The rule of law is considered both a major aspect of modern governance (Sundstrom 2006) and a controversial means to view development (Shklar 1987; Waldron 2002). Focusing on the justice system is useful because countries and agencies navigate the complexity of balancing individual rights on the one hand and collective public safety on the other in profoundly different ways. Nevertheless, rule of law programming through legal technical assistance has a complicated history. While legislative reform may be integral to broader sustainable reform initiatives, few would argue legal reform is simply a matter of drafting and enacting new rules (Hendley 1996). Yet, more often than not, when foreign experts assess the legal needs of developing countries, they seem to assume that the problems they identify can be resolved by enacting a



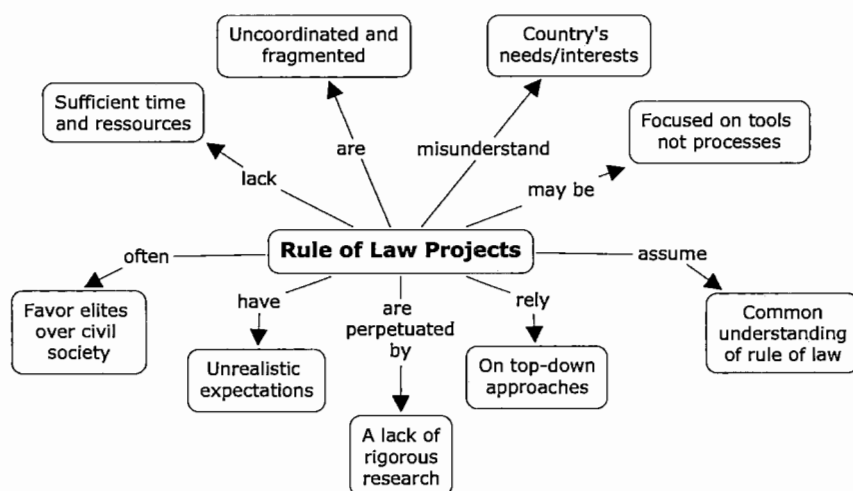


Figure 1. Rule of law.  
Source: Wheeldon (2012, 83).

new set of legal rules (Demlietner 1999). The issues associated with past approaches to rule of law programming are numerous, as presented in Figure 1.

Similar challenges are relevant for the design of legal technical assistance projects, typically organised through an overreliance on the formal structures of the state (Kleinfeld 2003). Based on historical understandings of governance, early reformers assumed that formal structures and state institutions were the key to reform (Steinmo, Thelen, and Longstreth 1992). This view is common in the field of political science (Krasner 1988), where institutional evolution is often framed as occurring either by restructuring existing institutions or adding new ones (Thelen 2003). With too little time afforded for local adaptation or recognition of systemic problems within the country (Linn 1999), this approach has done little to address some of the more ingrained, culturally based challenges to criminal justice reform (Karstedt 2001; Seidman and Seidman 1996). Previous conducted research in Latvia has revealed that better front-end planning can build organisational and individual capacity to guide evidence-based aid, but questions remain about how best to organise international expertise (Wheeldon 2010).

As noted above, legal technical assistance can take many forms. It may involve developing new laws, reforming older ones or building capacity among local actors to administer existing laws. One means to consider programmatic interactions is to focus on the contested notion of “expertise” in international development. This involves considering the ways that informal approaches within workshops and training sessions may or may not model the sort of democratic values development projects portend to support. Beyond the question of whether external expertise is “good” or “bad”, how trainers and participants viewed expertise itself may be relevant, as well as the relationships between formal and informal practices at work within legal technical assistance projects. This requires a consideration of the roles of authority, legitimacy and power, which are often intertwined with expertise.

### Understanding/contesting expertise

The role of Western-based expertise remains controversial (Dezalay and Garth 2000). Critics decry the role expert knowledge has played in the formation of the contemporary state, suggesting “expertise” has been neither neutral nor unbiased. Expert knowledge and the culturally

understood legitimacy and authority it conveys has often been used to hierarchically influence and order social relations (Mitchell 2002) including in the Baltic region (Zdanevicius 2001). Others have challenged the simplistic dichotomy between "expert" and "learner", arguing that day-to-day practices may affect issues of legal regulation through the existence of and interactions between varieties of "hybrid knowledges" (Valverde 2003). In this view, space must be created for diversity within the understanding of law, and theoretical or ideologically driven debates should only be considered based on more careful empirical study. Essentially, these arguments present the notion that to study the role of power in social relations one must examine how knowledge, authenticity and legitimate authority are created through meaningful interactions with situated social actors (Bloom 2002; Merriam 2002).

Research on knowledge transferability and the role of expertise in the field of criminal justice is still evolving (Chodosh 2005). Some literature addresses the challenges of transferability (Karstedt 2002) and the obstacles associated with exporting existing models to new countries (Cohen 1982). Other literature considers the institutional and contextual constraints inherent in any attempt to promote systematic reform (Jiao et al. 2005). These include the challenge of expert-based legal ethnocentricity (Demlietner 1999) or focus on the skills required among those who deliver assistance through training and technical assistance abroad (Abramson and Ai 1999; Chatterjee 2001; Hawes and Kealey 1981; Luo and Chen 1997). In Canada, this work initially considered the role of communicative competency in cross-cultural adaptation (Ruben and Kealey 1979) and the relationship between the selection of technical assistance personnel and the overall effectiveness of any development initiative (Hawes and Kealey 1981). This literature suggests that effectiveness in technical assistance requires more than technical knowledge and expertise; it requires understanding the importance of professional modesty, mutual learning and cultural awareness to create a positive learning environment (Kealey and Protheroe 1995).

Emergent views within organisational and international development literature also assert that project success is related to the role of intercultural competence and relationship building within development initiatives (Kealey et al. 2005; Rogers 2005). This includes the "soft skills" of participants, such as the development of procedures and training processes related to client interaction, community participation, inter agency networking and collective problem-solving within the justice system (Chodosh 2005). Efforts to undertake collaborative reform must contend with these informal arrangements, especially when they may undermine broader attempts to promote systemic change (Helmke and Levitsky 2004). Based on work exploring the impact of international actors on the development of non-governmental organisations (NGOs) in Russia, one suggestion is that the most promising means to engage reformers is thinking about how to specifically and deliberately model democratic practices through international interactions (Sundstrom 2006). What is less clear is what this means for legal technical assistance programming focused on the agencies of the criminal justice system.

### **The Latvian legal reform program**

The end of the Cold War ushered in a massive surge in development assistance for Rule of Law (ROL) projects in developing and transition countries (Trubek and Santos 2006). While Central and Eastern Europe (CEE) and the former Soviet Union (FSU) comprise a wide and disparate group of countries, they do share some common political, economic and social legacies from their experience of state socialism. The Marxist-Leninist state was ideologically framed as a socialist state of the people and set a blueprint for political organisation and all state institutions, including criminal justice (Los 2003). Since the function of the state was to facilitate the transition to an ideal Communist society where all means of production would be communally owned, any and all efforts to facilitate that end could be justified (Fatic 1997). As a result, criminal laws and

institutions were used to enforce conformity with state ideology (Shelley 1996). While the imitation of Western institutions has been an expedient first step in promoting change (Jacoby 2001), it has since been observed that sustainable reforms cannot be achieved if they are seen as externally imposed through legal transplantation (Jacoby 2006).

Since 1991, Latvia and other countries of the FSU have come face to face with challenges posed by the processes of criminal justice reform following a history of occupation and the sudden advent of independence (Joutsen 1996). By seeking to reform their criminal justice system in line with international standards, reduce crime and meet public demands for safety and security, the Baltic transition to independence has altered the political landscape (Lauristin 1997). Part of this new environment has been the emergence of international pressures as well as the desire for regional integration, including accession to the European Union (EU). During the 1990s, an immediate and recognised need was new programming to rectify the lack of effective alternatives to imprisonment, which often resulted in long pre-trial detention periods, especially in the cases of juveniles (Asquith 2002).

In 2002, the Latvian Legal Reform Program (LLRP) was funded by the Canadian International Development Agency (CIDA) to support training activities organised by the Latvian Ministry of Justice as it established the State Probation Service (SPS) in Latvia. Formally established in 2003, the SPS has since grown year by year in staff, programs offered, and services delivered (Jurevičius 2008). Figure 2 presents some formal outcomes and impacts of the LLRP, as reported by AUCC to CIDA in the final report submitted in 2005.

Latvian-Canadian collaboration in justice reform has also prompted an overall reduction in Latvian incarceration rates. As Table 1 illustrates, incarceration rates between 2004 and 2007 fell just as the number of probation clients and services offered to them increased. Despite fluctuations in total population, the rate of incarcerated per 100,000 inhabitants suggests a gradual reduction in incarceration rates from a high of 410 per 100,000 inhabitants in 1998.

The overall drop in incarceration rates has occurred despite the fact that the reported crime rate in Latvia, per 10,000 inhabitants, has remained relatively stable over the same period, as indicated in Table 2.

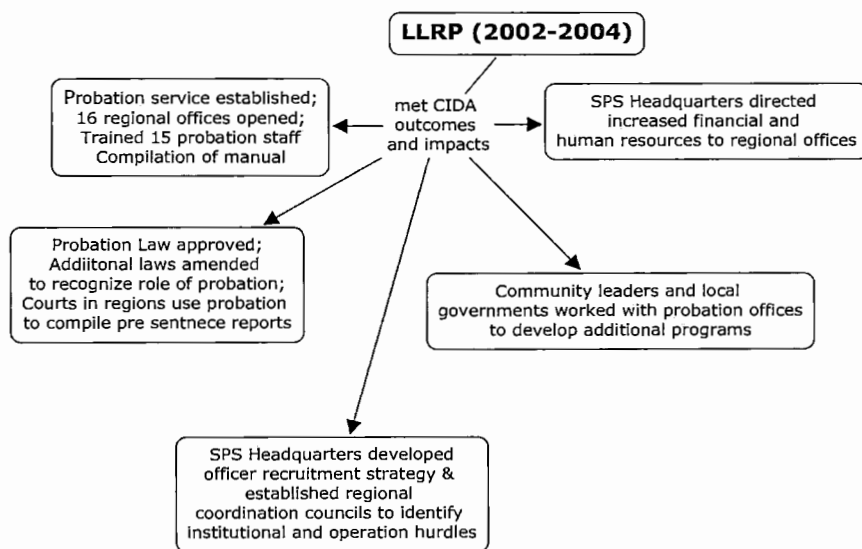


Figure 2. LLRP outcomes and impacts.  
Source: Wheeldon (2012, 34).

Table 1. Latvian prison population trends.

Year	1992	1995	1998	2001	2004	2007	2010	2012
Prison population	8,340	9,457	10,070	8,831	8,179	6,548	6,780	6,117
Per 100,000	314	374	410	373	353	287	319	304

Note: See International Centre for Prison Studies (ICPS) Latvia Brief at <http://www.prisonstudies.org/country/latvia>.

Table 2. Latvian overall crime rates.

Year	1992	1995	1998	2001	2004	2007	2010	2012
Recorded crimes	16,871	39,141	36,674	51,082	62,173	55,620	51,108	63,413
Per 10,000	237	158	152	217	269	244	228	212

Note: See data provided by the Central Statistical Bureau of Latvia at <http://www.csb.gov.lv/en/statistikas-temas/crime-and-justice-key-indicators-30683.html>.

Table 3. Numbers of clients in Latvia's State Probation Service activities, 2005–2012.

Activity	2005	2006	2007	2008	2009	2010	2011	2012
Mediation	51	251	744	1140	745	440	696	706
Pre-sentence reports	633	1,156	1,532	1,725	930	176	140	102
Probation supervision (conditionally released from prison + suspended sentence)	—	—	11,492	13,795	13,580	10,563	11,858	11,381
Community work for juveniles (educational measure)	77	138	188	190	212	163	109	97
Community work service	1,059	2,545	3,159	3,904	4,290	4,018	3,724	3,851
Total	1,820	4,090	17,115	20,754	19,757	15,360	16,527	16,137

Note: Latvia's probation statistics are available at: [http://www.probacija.lv/uploads/gada\\_parskati/2012vpd.pdf](http://www.probacija.lv/uploads/gada_parskati/2012vpd.pdf).

The most important indicator of success is that the number and type of programs and services offered through the State Probation Service has grown. Although numeric indicators alone are rarely sufficient to establish meaningful understandings of the utility of a criminal justice intervention, the number of new non-custodial (see Table 3) and community-based sanctions such as mediation, community service for juveniles and adults help explain the reduction in custodial, prison-based sentences. Despite a reduction in total number of probation activities from a high in 2008, probation remains an essential agency within the criminal justice system, despite reduced budgets as a result of Latvia's fiscal and political woes stemming from the global financial crisis of 2008–2009. While budgets for the probation service have not yet increased, the SPS was not subsumed under the Prison Administration, a sincere fear in 2011 (Wheeldon 2012). Table 3 provides key data on these new non-custodial sanctions, currently managed by the SPS.

In past research on the Latvia project, scholars have explored the programmatic aspects including: international and regional pressures; the nature and type of resources allocated by donor and recipient government to facilitate reform; the role of high level government officials; and the suitability of proposed programs to the local problems, culture and institutions (Jurevičius 2008; Randma-Liiv and Kruusenberg 2010; Wheeldon 2010, 2012). Unexplored to date is the specific role of project personnel in the outcomes of the project. Of interest is how "expertise" was used to support democratically oriented legal technical assistance to develop informal institutional behavior and socially shared norms among individuals, communities and state agencies.

Such research requires an explicit focus on the experiences of the Canadian trainers and Latvian participants. Their interactions may offer important insights into successful strategies for implementing legal technical assistance projects.

### **Methods and analysis**

This article explores the views of 27 Latvian and Canadian participants involved in a Latvian justice reform programming. Between 2002 and 2004, 12 Canadian justice practitioners travelled to Latvia and worked on the Latvian Legal Reform Project. Trainers were drawn from Nova Scotia, Ontario, Manitoba and British Columbia, and included academics, practitioners and policy experts. They delivered a variety of training seminars to more than 25 Latvian participants drawn from the Ministry of Justice, Prison Administration and a host of regional NGOs working within the existing justice system. Beyond the question of project success, based on meeting CIDA outputs and outcomes (AUCC 2005), what explains this accomplishment? In this article, we re-analysed data collected through two separate studies and combined qualitative themes to offer a deeper and more nuanced view of the project based on views of Latvians and Canadians involved in the project.

The first was a purposive pilot study based on a convenience sample designed to investigate the perceptions of four Canadian trainers from British Columbia on their role as “expert” (Wheeldon 2007). In this first study, the research methodology utilised a two-pronged data collection technique designed to provide both a “snapshot” of a participant’s experience and develop a means for deeper consideration of experiences and perceptions. This two-pronged data collection included: (1) creation of a mind map by participants on their perceived role as expert (Wheeldon and Faubert 2009); and (2) follow-up interviews to explore areas identified in the map (Wheeldon 2011). Following this pilot study, the process was repeated with an additional four Canadian participants from Nova Scotia, Ontario and Manitoba. In total eight Canadians have offered their view and insights as part of previous research.

While unique in the field of development and law and society, interest in the use of concept maps and mind maps in social science research is increasing (Nesbit and Adescope 2006). As a data collection tool, maps provide a valuable means of gathering more personalised and individualistic material from research participants (Wheeldon and Ahlberg 2012). By requiring research participants to first frame their experience, individuals can demonstrate the importance of various concepts and their relationships (Wheeldon and Faubert 2009). This exercise can prompt recall in ways traditional data collection might not (Legard, Keegan and Ward 2003, 148). An exemplar Canadian trainer map is reproduced as Figure 3.

The maps offered new means for data collection, and concepts identified in the maps led interview questions to draw out more nuanced reflections from participants. These are listed in Table 4.

The second study was the basis for a PhD dissertation. It was designed to explore themes that emerged in the first study (Wheeldon 2009). In sum, 19 Latvian participants reported their views on a variety of elements presented through the project, including the themes identified through the first pilot study. A complex weighted coding scheme was developed to score the responses based on their inclusion in the participant-generated maps and follow up open- and closed-ended questions.<sup>1</sup> The construction of the salience score involved a number of separate, yet rather simple operations. In the first step, unique, individual concepts, elements and activities identified by participants in different stages of data collection were recorded as variables. These variables were quantified through the use of a concept counting system that recorded the frequency or presence of individual variables throughout data collection. Individual variables could be identified in mind maps, through general or specific interviews, or in summative and reflective statements. For each individual variable identified in multiple stages of data collection, a salience score or weighted

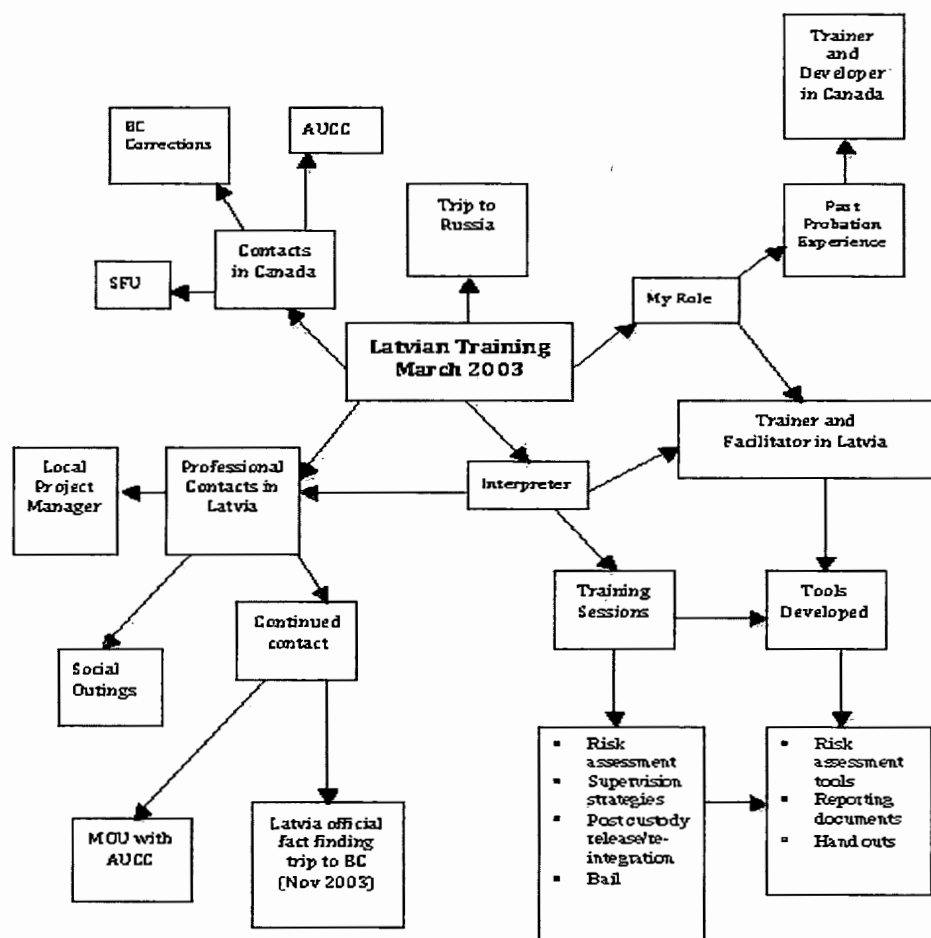


Figure 3. Map from a Canadian trainer.  
Source: Wheeldon (2012, 125).

Table 4. Interview questions.

Question no.	Question text
1	Most positive experience as a trainer in Latvia?
2	Most negative/challenging experience as a trainer in Latvia?
3	Most memorable experience as a trainer in Latvia?
4	Are you still in touch with the State Probation Service?
5	What if anything did you learn through the mapping exercise?
6	Role of the translator?
7	In your opinion, what was the project's most important result?
8	How do you understand the model employed by the project to deliver training?
9	How did you view the role of formal relationships with state agencies?
10	How did you view the role of informal relationships with individuals?
11	What were your perceptions of the roles of the government and community in reform process?
12	Anything else you'd like to add?

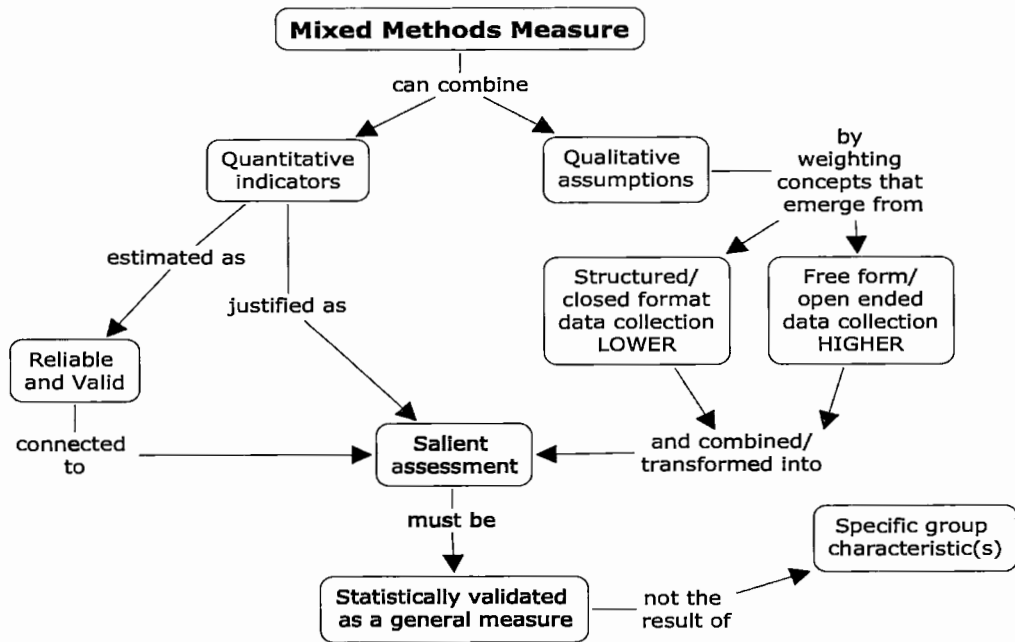


Figure 4. Calculating salience scores.

measure was developed using a weighted count system (Wheeldon 2010). The Individual Variable Salience Score (IVSS) sought to privilege, by weighting higher, those elements that appeared through more open-ended and less researcher-led data collection as presented in Figure 4.

To obtain the score for every variable, user-generated concepts gathered through the maps were worth four points, along with responses to general, nonspecific questions worth three points. Concepts identified by participants based on specifically designed questions by the researcher were worth the least at one point. Those that emerged through conclusionary questions asked at the end of were worth two points, given that participants came back to these concepts after several other data collection stages (Wheeldon 2010). By adding the points assigned through each stage of the data collection process, salience scores for a number variables were tabulated and produced values ranging from 0 (not salient) to 10 (extremely salient). The results of this mixed method scoring procedure is outlined in Table 5.

Like the maps in the first project, these scores served as a means to guide additional open-ended data collection, through face-to-face interviews with Latvian participants based on the questions presented in Table 6.

In the next section we report only the qualitative findings that emerged from maps and interview data from Canadian trainers in the first project, and the salience scores and interview data from Latvian participants from the second project. Using the numeric findings in the second project provided a useful means to revisit the wealth of qualitative data gathered through both projects. By focusing on participant reflections that contained keywords connected to the highly scored concepts identified above, additional and consistent refrains were identified. Based on a revision of Kvale's (1996) seven stages of doing qualitative research, common and unique themes were identified and combined. In some cases, data were combined from specific questions outlined in Table 4 above, like the specific questions on the role of translator/translation. In others, themes emerged from more open-ended questions related to positive and negative

Table 5. Key individual variable scores.

Individual variables (IV)	IV salience score
Personalities	5.64
Site visits	4.86
Networking	4.71
Role plays	3.93
Probation draft	3.64
Pilot projects	3.42
Case management	3.14
Program manuals	2.86
Regional coordination	2.79
Risk/needs assessment	2.79
Restorative justice	2.57
Working groups	2.50
Presentence reports	2.43

Source: Wheeldon (2009, 124)

Table 6. Questions to Latvian participants.

Question no.	Question text
1	Describe your most positive/memorable experience with Canadian trainers.
2	Describe your most negative/challenging experience with Canadian trainers.
3	What (if anything) did you learn through the mind map exercise?
4	How important was the role of the translator/translation?
5	Have you remained in touch with any of the Canadian trainers?
6	What would you say was the biggest result of Latvian-Canadian cooperation?
7	What would you say was the biggest challenge for Latvian-Canadian cooperation?
8	Was working with Canadians different than working with other international experts?
9	If you could change one thing about working with Canadian experts, what would it be?
10	Anything else you'd like to add?

experiences, views on results and challenges, and similarities and differences reported by Latvians about working with Canadian justice trainers through the LLRP.

### **Findings: communication, context, and connection(s)**

One common finding focused on associations formed both through the formal delivery of project activities and the informal, social exchanges and events that are an important part of Latvian culture. Through the development of "personal networks" between the Canadian trainers and Latvian participants training sessions included "... [more] meaningful participation, networking, and collective problem solving". Key quotes from Latvians and Canadians are used to set up additional themes.

### ***Communication: language, translation, and interpretation***

You can translate language, but without a common frame of reference it is easy to miss the nuance. The meaning of what you are saying can be lost. (Personal communication with a Canadian trainer)

These people [Latvian-Canadians] helped us to see and understand probation using Latvian language. (Personal communication with Latvian probation officer)



There is arguably no more important element to understanding the means and mechanisms of knowledge transfer than that of translation. To translate or interpret is to consider the meaning of concepts in one language and transfer that meaning into another. A relevant distinction should be made between translation and interpretation. Translation includes transferring ideas expressed in writing from one language to another. Interpreting consists of transferring ideas expressed orally. Although interpreting requires different skills than translation, similar challenges exist as a result of trying to transfer concepts in one language, based on concepts drawn from another (Spencer-Oatey and Xing 2007). Because interpreters are not always able to provide a firmly defined one-to-one correlation between the words and phrases of different languages, the focus is on developing phrases that carry similar scope and shades of meaning from the original language into the new one (Kelly 1979).

Within the criminal justice training environment, this challenge is especially grave. Words and phrases like *human rights*, *civil liberties*, *supervision*, *due process*, *rehabilitation* and *reintegration* all have a general meaning in North American and some have a specific connotation based on the Canadian Charter of Rights and Freedoms. Given these culturally seated origins, it may not be reasonable to assume a common starting place from which a shared rule of law or justice lexicon can be established. This is an essential issue for anyone claiming expertise in one jurisdiction and applying it to define authority, legitimacy and justice in another.

All participants in both studies identified the role of translation/interpretation within the training workshops as a significant issue. For some participants, this issue was identified as one of the "most challenging". One approach suggested to address the translation barrier is to involve interpreters in the training to help provide locally appropriate context to specific terminology (Knapp and Knapp-Potthoff 1987). Some participants suggested that more important than word-to-word translation was first understanding the meaning of terms used by trainers and then being provided with "examples" that would make sense in the Latvian context. Others, while acknowledging the challenge of the language barrier, suggested that understanding could be achieved through connections and relations with trainers during non-formal activities such as dinners, saunas and social gatherings. In this way, opportunities for informal verification helped mitigate this challenge.

For others, successfully presenting concepts and "reshaping and reworking what was offered so it could be of some value to those involved" was challenging. This required more participatory and interactive approaches. Of importance, according to one Canadian respondent, were efforts to establish relationships ahead of time, reviewing terms that may be new or unique, and seeking regular confirmation throughout the workshop. Indeed, trainers commonly noted that "nodding of heads" could be misleading and some "give and take was required" to transfer key justice concepts. One approach to addressing these language issues was asking Latvian-Canadian participants to identify and clarify some of the new terms early in the project.

For the Latvians, trust in those who led the Canadian trainers was a central theme. Identified as "friends" and "role models", trainers provided background information about approaches taken in Canada, shared both successes and failures, and "unlike trainers from other countries, took time to learn about Latvia". This line of discourse was telling in that, via the interactive and egalitarian methods adopted by the Canadian trainers, the Latvian participants understood themselves as equal partners in the endeavor. This was understood as a fundamental shift from earlier projects wherein outside experts were perceived to have taken a distinctly more hierarchical, ethnocentric approach.

For example, as one senior official suggested, "sometimes we feel like trainers from outside Latvia are telling us what to do ... Canadians only asked, how can we help?" Another aspect

identified was the adaptive ability of Canadian trainers to "change [the] training program" as required, in order to address emergent questions and concerns, lending flexibility and interactivity. This view furthers the notion that legal technical assistance being provided was geared towards enabling the Latvian participants, as opposed to dictating prescribed, culturally disembedded institutional procedures. What is more, Canadian trainers were seen as "passionate about justice", and many participants suggested they were never worried about asking questions, as they had come to understand themselves as integral members of the project. Many participants even spent social time in the evenings after training seminars to learn more about the trainers, their jobs, and the Canadian justice system in general, suggesting some participants had internalised an active, participatory stance within the training sessions.

### ***Context: participation, interaction, and engagement***

Interactive exercises allow[ed] trust to be built amongst participants. Used properly, they can be used to uncover the informal impediments to justice reform. (Personal communication with Canadian trainer)

[We] created Latvian networks of people and promoted agency cooperation ... and a common strategy for reform ... the [project] didn't just alter [my] attitude, but changed the attitude of all that participated. (Latvian probation staff, Central Office)

Another recurrent theme was the acknowledgement that significant differences existed at basic levels in how Canadians and Latvians thought about crime, punishment, rehabilitation and reintegration. These differences required that adjustments be made in the delivery of core concepts related to probation, a key element of the entire LLRP. Canadian trainers gauged successfulness by the degree to which training sessions went beyond the presentation of facts and figures and engaged participants through group activities. These included role-plays, group-based scenarios and the participation of local experts who presented on the reform experiences of their communities.

For some Canadian trainers, the ways Latvian participants interacted, came to consensus (or did not) and resolved conflicts provided important "clarifying moments". These moments of disagreement during group exercises often occurred when there were questions about what new concepts meant. This could lead to more meaningful, participant-based discussion about the similarities and differences in conceptualising given ideas, and the consequences associated with accepting one definition over another. These kinds of interactions served as a valuable means to uncover some of the more informal impediments to reform, including underestimation of the role of powerful interests in developing countries, as well as the challenges that mischaracterisation of the interrelation of legal and social facets present to reform efforts (Chodosh 2005, 79–82). As Schuck (2000, 181) argues, "change is produced not by simply changing management systems and structures, but involves meaningful and value laden interaction of complex individual human beings". By making every effort to understand the local context, previous training and expectations, Canadian trainers moved from an institutional approach to justice reform to a fundamentally more democratically and culturally seated one. For example, during an interview, one trainer suggested:

I was concerned I could cause confusion if I appeared to contradict preceding advisors or presented information that had already been considered and rejected by our Latvian hosts. To that end I vividly remember pulling "all-nighters" preceding virtually every session in an attempt to incorporate local knowledge/context into the content of my presentations. While I have had the privilege to continue my involvement with the SPS, the lessons learned from these initial experiences have continued to guide all subsequent interactions with my Latvia colleagues.

Canadian participants reported that participatory training exercises helped develop a "human connection" between the trainers and the Latvian participants. It also helped illuminate and establish better relationships between the styles and approach of Latvian participants drawn from local communities and those coming from institutions of the Latvian criminal justice system. These differences could be observed in people's willingness to engage in participatory training exercises. While the seeds for long-term partnerships were sown in these environments, and the training provided through the project was generally seen in a positive light, other aspects were viewed more critically. A number of Latvian participants spoke in problematic terms about ways the project was wrapped up. Many asserted that during the end of the project, opportunities for longer-term collaborations were missed. Latvian and Canadian participants as well as senior probation officials reported that the project had ended too quickly. Many suggested that the Canadians should have "... stayed on and assisted as mentors" and "funded projects focused on poor families ... [which] seem to feed the justice system".

Remaining mentors could have been useful as the programs adapted by the Latvians were rolled out. Participants spoke about the difficulty of engaging Latvian support for rehabilitative programming, as many who had not participated in the LLRP were resistant to these new ideas. According to a Latvian project participant, "a group work program for correction of behaviour was a concept hard to understand for [Latvian] society and many people view this as waste of resources ... ok for rich countries, but something Latvia cannot afford". Such sentiments shed light on the fundamental shift in how project participants had come to conceptualise notions of rule of law, justice, correction and rehabilitation. They underscore what appears to be a paradigmatic shift in participants' approach to criminal justice reform, one that began to come into conflict with locally situated ideas about corrections programming. In part, this may have been a result of the decision by Probation Headquarters in Riga to train only certain "specialist" staff in these programs. This undermined program delivery when these staff left their positions and there was no one within the local offices to deliver the programs they had led.

### ***Connection: relationships, personalities, and networks***

Without relationships no knowledge transfer was possible. They can make or break training sessions.  
(Internet communication with a Canadian trainer)

We trusted them [Canadians] and this made working easier ... we had to participate in sometimes strange exercises ... but it was ok ... it was good. (Interview with a Latvian probation officer)

All participants made clear statements about the role of relationships within the project. While differences existed in education, experience and engagement of the participants, many suggested that the "personalities of those involved were much more important than the positions that they held". Common reflections focused on relationships formed both through the formal delivery of project activities and through the social exchanges, as well as culturally significant events. In general, for the Canadians surveyed in this study, being a trainer in Latvia was associated with some sort of personal or professional growth. Again and again Canadian trainers suggested their experience was one of the most "rewarding times of [my] professional career". Other participants suggested they were uncomfortable with the "expert" title. Instead, many agreed with the view presented by a senior Canadian official that their participation in the project was a chance to share "information and experience gained through lifelong learning in the field of criminal justice in Canada". There was also a strong narrative of bringing information "to the table" as opposed to themes of direction or top-down knowledge transfer. Many saw the project as an opportunity to engage with a group that was eager to make changes in their country. One

individual described the experience as a "privilege and honour" and another suggested it was extremely "humbling". Working in Latvia appeared to foster both overt recognition of the paradigmatic assumptions that informed their understanding of justice and criminal justice systems, as well as an appreciation for the Canadian system, "warts and all".

The role of relationships within literature on international training initiatives is widely reported and credited with creating conditions for real and sustainable reform (Biebesheimer and Payne 2001). The findings in this study support more than two decades of research into the critical role of technical assistance personnel in state development effectiveness (Hawes and Kealey 1981; Kealey and Protheroe 1995; Kealey et al. 2005). One way to understand the reported importance of relationships in the training experience is to acknowledge the increased internationalisation in economic, political and social arenas. Increased global connectedness on the whole means that cross-cultural training plays an important role in facilitating more effective interpersonal interactions (Black and Mendenhall 1990). As Beeson and Davis (2000, 180) argue, the "change process often overestimates the role of management and the central place of systems and structures without engaging the numerous actors whose behavior is not only adaptive but also creative and contentious".

Again, like their Latvian counterparts, for many Canadians, a core aspect of developing good relationships was related to social interactions framed around Latvian cultural events. These included evenings in the sauna, the frequent singing and playing of music at gatherings, visits to historic sites and meeting the friends and families of the Latvian participants. These interactions encompassed attempts to understand the complexity of life in Latvia. Canadian participants identified the stark poverty in the streets of Riga and were cognisant of the relative poverty of the Latvian participants. Many described conversations with Latvian participants about the differences between life today and life during "Soviet times" as a useful mechanism to begin to appreciate some of the social processes that operate outside formal legal rules surrounding normativity, deviance and notions of justice.

While developing such relationships was consistently identified as integral, various constraints were also identified. These included the limited time spent in country, cultural and linguistic differences, and difficulty in avoiding traditional and hierarchical expert/learner roles. While some Canadians have remained involved in post-project programming funded by the Latvian Ministry of Justice, others have remained in touch through donations of time and equipment. This continued involvement has allowed them to "re-evaluate and reconsider principles, policies, and desired outcomes in the light of Latvian experience". It has also provided additional insight into Canadian best practice and how that experience might best be shared. As one Canadian stated during an interview:

the Latvians have, with little money or experience, made great strides in reforming their system. . . . by relying upon community examples and taking best practice from around the world . . . I think Canada has a lot to learn from them.

This discourse of equity and partnership may also be indicative of how the Canadians reflected on the shift in learning styles they witnessed among the Latvian participants. While moving from "authoritarian to interactive and participatory", expectations within the training sessions were challenged in ways that many recognised as powerful. Some Latvian participants spoke about the initial difficulty of "staying quiet" when listening to a speaker with whom they did not agree. In several sessions, exercises were used to highlight how difficult, emotional or stress-related environments or situations can alter one's actions or responses. While a new concept for many Latvian participants, many recounted the experiential nature of the exercises described in great detail. Further, these practices have begun to be integrated into the developing Latvian

justice system. According to a senior Probation Headquarters official, some of these "[exercises] are being used in mediation training sessions in prison and schools, led by Probation officers".

### **Discussion and limitations**

It is easy to be cynical about international development of any sort. Accounts of systemic abuse and corruption have resulted in serious doubts about the role and utility of international development assistance. In recent years public opinion has shifted away from supporting development initiatives. Critical scholars accuse development of amounting to international imperialism, driven either by craven national economic interests or naïve global impulses (Morrison 1998). This article presents a more optimistic account. At its best, development is a process of constructive and collaborative interactions. It cannot succeed when it is externally planned and proscriptively delivered. To be sustainable, it must be voluntary, truly participatory, and above all else pragmatic in its delivery. Instead of relying upon outdated solutions such as simply changing old laws or drafting new ones, legal technical assistance must find ways to support the development of formal tools while building the human capacity required to utilise and adapt those tools. This means confronting the role of expertise in legal technical assistance. It requires humility.

Those with experience in CEE and the FSU often caution that efforts must be made to resist the tendency to promote impatient, top-down reform structures. In these contexts, it is only through the "incremental cultivation of understanding and action over time" that sustainable reform can be achieved (Chodosh 2005, 196). Against simplistic views about the all-powerful expert and meek, ignorant learner, a more complex view of knowledge transfer through international development has emerged. It may be that personalities trump policy and that traditional concepts of expertise as related solely to one's knowledge of subject matter must be complemented with other skill sets. Trainers need to remain flexible about how the exchange of expertise and experience occurs. To be effective, those working abroad must be able to forge key relationships, facilitate memorable interactions, and promote new sorts of debate and deliberation between different and diverse groups to engage questions of justice, law and society.

The findings in this article indicate that egalitarian, participant-focused strategies supported and facilitated the development of engaged and proactive participants through the LLRP. Many of the themes that arose from this research indicate strong levels of internalisation among the Latvian participants that appear derived from the equitable and interactive approaches promoted by the Canadian trainers. There is evidence of shifts in conceptualisations of justice, rehabilitation programming and ideas surrounding legitimate criminal justice responses. The more culturally centred approach to legal technical assistance through the LLRP remained relevant for Latvian participants and the institutions they worked for, more than five years after the project ceased. Despite the financial crisis of 2008 in Latvia, probation has continued to serve clients, offer alternatives to prison, and promote and facilitate community-based rehabilitation.

The value of democratising law and development training requires more exploration. It may be that Latvia was simply a unique case and those on the ground were ready to embrace reform for a multitude of reasons. Would the Latvians been receptive to the reform ideas regardless of the approach employed? This seems unlikely. Previous work has compared efforts by the United Nations Development Program (UNDP) and Soros-Fonds Latvija, and reviewed project funding by stated outcomes (Wheeldon 2012). The LLRP appears unique. For less than a million dollars, over a total of five years, Canada made a significant contribution to Latvia's justice system, reduced incarceration rates and promoted community-based alternatives for crime prevention. As this article suggests, it is the experiences of those who participated in

this project that may provide a glimpse into why this project succeeded where others in the region have failed (Gestauteite 2001).

However, there are other complications associated with emergent views that international expertise involves creating more democratic space(s) for disagreement. While the Canadian trainers and Latvian participants were enthusiastic, there is reason to remain cautious about the applicability of such efforts. Peeling back the lid of societies historically living under certain forms of control can lead to unexpected and sometimes ugly outcomes. For example, while in Canada, collective security requires some recognition and respect for individual rights, some Latvians reported that this view was naïve. During one early training session, in response to a question about how to address juvenile delinquency, a senior official with the nascent Probation Working Group loudly suggested the best answer was to line offenders up against a wall and shoot them. While some Latvian participants saw the limitations in a punitive justice policy, others remained skeptical:

Look, we [Latvians] see things differently than these Canadians ... we don't like change ... we believe you must punish, not these things like programs and this rehabilitation. Latvia is not like this.

One reply may be that this culture clash is a necessary part of reform. Life is messy and development work is difficult. Perhaps the provision of legal technical assistance cannot avoid coming to grips with how and why to acknowledge diverse or contradictory views. It may be that stifling discussion is more dangerous than allowing conflicting stances to surface and facilitate a conversation about the implications that may result from taking one position over or against another (Sundstrum 2006). While viewing development projects themselves as a central site of investigation about the assumptions that inform different justice systems, facilitating these sorts of debate and dialogue requires a certain level of skill and cross-cultural ability. These skills are not easily acquired.

One clear implication is that more and more detailed research on development initiatives is required. This is difficult in an era in which cynical views about the value of such initiatives seem in ascendance. There are regional projects that offer a means to further explore the findings in this article. Since Baltic programming has been concluded, CIDA has funded youth justice reform programs in Ukraine and Russia. In both, project activities appear to have been based on the Latvian experience, and include many of the programmatic elements, staff and approaches employed in the Baltics. Important questions remain about the extent to which the lessons from the LLRP can be applied to these larger and politically more complex countries. While recent events make rigorous research in these countries unlikely in the short term, even before the internal strife in Ukraine and Russian cross border activity in the Crimea, neither project was subject to any scholarly analysis (Wheeldon 2012).

The failure to engage in detailed assessments of development projects makes comparative analysis difficult (Carothers 2003). As such, comparative analysis of the kind undertaken here is not yet possible. It remains to be seen if the democratic approaches identified by Latvian and Canadian participants in this project can be shown to be valuable in other contexts, both within FSU and beyond. Two general questions should guide future research: are there regional examples of where this approach was used, but the outcomes were not so positive? Are there other examples in which additional approaches also proved successful?

While the findings reported in this article are more optimistic than many others, there are two important limitations that ought to be acknowledged. The first is related to the role one author played. As Project Manager for the LLRP, he wrote the proposal, negotiated the contract and managed all aspects of project delivery, including the selection of Canadian trainers. His former role may have impacted this project in two important ways. One is his relationship

with the research participants. It may be that certain participants, based on their relationship with him, sought to share only more positive retrospections. Another is that despite questions included in the research designed to provoke more critical reflections, a key feature of this study's findings is the high level of satisfaction with the project amongst the project participants on both the Canadian and Latvian side.

Existing studies point to the challenge of language and the importance of relationships in effective international development; the role of interactive and participatory training processes is infrequently reported. While the author's role may have influenced the findings reported here, steps were taken to mitigate this risk. Some were built into the design such as the mind map methodology and asking participants about negative experiences. Others were based on the co-author's collaborative approach to re-analysing the qualitative data based on the quantitative findings and reframing the findings in sociologically richer ways. Despite these efforts, there may be no way to adequately address this critique. It suggests something of a paradox when trying to study underexplored areas of research interest. Access to the kind of data and participants able to offer unique views on project activities complicate the objectivity required for analysis and limit the potential utility of this contribution.

## **Conclusion**

In 2013, the Canadian International Development Agency and Department of Foreign Affairs and International Trade (DFAIT) merged into a new department to be known as the Department of Foreign Affairs, Trade, and Development (DFATD). In some ways this represents the end of long-running tensions between CIDA and DFAIT (Brown 2008). Whatever the potential value of this reorganisation, the lessons learned by CIDA and their partners in Central and Eastern Europe and the Former Soviet Union may be lost in the shuffle. If nothing else, this article aims to ensure the experiences of Canadian trainers and Latvian participants are catalogued and can inform the next generation of international development practitioners. An important contribution this article makes is that for all the challenges, limitations and paradoxes inherent in international development, the common critiques about the role of expertise often fail to consider the experiences, reflections and interactions of the experts and training participants themselves.

As more nations struggle for democracy, overthrow regimes and battle for a say on the world stage, how those from very different worlds can come together and find common ground to share experiences and acknowledge errors of the past will remain crucial. Although these findings are regionally limited and occurred at a specific time and place in Latvia's history, the voices of the Latvian and Canadian participants offer a hint at what a participant-based collaborative approach to justice reform might involve. The exploration of notions of power within international development programs, coupled with a more nuanced view of the role of communities from passive implementers to active developers are important areas for future research. While interactive and egalitarian approaches may not be sufficient, this article sets out some preliminary findings that suggest their importance.

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### Note

1. Coding was complicated by the fact that researchers spoke limited Latvian, and not all Latvian participants spoke English. The author worked with two different translators, with experience on the project, to code the mind maps and interview data. In two instances discrepancies emerged and participants were re-contacted for clarification (Wheeldon 2009).

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## POLICY FORUM / FORUM POLITIQUE

### Between missions and development: Christian NGOs in the Canadian development sector

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**ABSTRACT** This paper examines how Canadian Christian development organisations construct the boundaries between missions and development work. Because of their participation in evangelism, and their often conservative political and social stances, missionary organisations are considered marginal actors and are regarded with suspicion by donor agencies, secular NGOs and more liberal faith-based NGOs. Yet, they remain primary service providers in many development contexts. They make complex political decisions about fundraising and resource allocation, and these choices are affected by their efforts to balance between religious identity and strategic goals. These choices have become more difficult as missionary organisations have experienced increased pressure from the Canadian International Development Agency and their own donors to “NGO-ise”.

**RÉSUMÉ** Les organisations missionnaires sont considérées comme des acteurs marginaux par la recherche et par le monde du développement. À cause de leurs activités évangélistes et de leur conservatisme politique et social, elles suscitent de la méfiance chez les organismes donateurs, les ONGs non confessionnelles et les ONGs confessionnelles progressistes. Néanmoins, les organisations missionnaires sont d'importants fournisseurs de services dans plusieurs contextes. Elles prennent des décisions politiques complexes dans la recherche de financement et l'allocation de ressources limitées, des décisions qui sont souvent colorées par la recherche d'un équilibre entre leur identité religieuse et leurs objectifs stratégiques. Au Canada, sous les pressions de l'ACDI et de leurs propres donateurs, elles risquent d'être de plus en plus marginalisées si elles s'accrochent à leur identité missionnaire plutôt que de se conformer au modèle des ONG.

**Keywords:** missionary organisations; religion and development; faith-based organisations (FBOs); CIDA

The June 2013 special issue of the *Canadian Journal of Development Studies* on religion and development featured two articles that examined federal funding to Canadian faith-based organisations (FBOs). Despite the fact that both articles focus mainly on Christian NGOs and examine similar time periods, the authors reach quite different conclusions about funding trends to Canadian FBOs. Using data on project expenditures published by the Canadian International Development Agency (CIDA) as well as registered charity information filings from the Canada Revenue Agency, Ray Vander Zaag (2013, 338) concludes that Canadian faith-based NGOs have received one-third of all funding to Canadian NGOs, and one-fifth of funding to Canadian civil-society

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organisations between 2005 and 2011. He further concludes that federal funding to FBOs has remained relatively constant between 1996 and 2011, with no evidence of increased or decreased government support to religious organisations (2013, 339).

In contrast to Vander Zaag's findings, Audet, Paquette and Bergeron conclude that, within a sample of 198 Canadian charities, funding received by religious organisations increased by 42 per cent from 2005 to 2010, in comparison to secular organisations, whose funding only increased by 5 per cent over the same time period. In the preceding five-year period, between 2001 and 2005, funding to secular organisations from the federal government increased by 27 per cent, while religious organisations only received a 5 per cent increase (Audet, Paquette and Bergeron 2013, 299). Furthermore, Audet, Paquette and Bergeron claim that federal funding to proselytist organisations decreased by 2.4 per cent under the Liberal government, but dramatically increased by 74.6 per cent under the later Conservative government (Audet, Paquette and Bergeron 2013, 300). One of the main conclusions that Audet, Paquette and Bergeron draw is that the Conservative government, led by Stephen Harper in the latter half of the decade, has led a move toward the "confessionalisation of Canadian foreign aid", in contrast to a process of secularisation that occurred in the 1980s and 1990s (Audet, Paquette and Bergeron 2013, 293).<sup>1</sup> The article also expresses a sense of anxiety about religious organisations' growing participation in overseas development work: Audet, Paquette and Bergeron (2013, 303) argue that a return to the era of the missionary may not only be anachronistic, it may also be counterproductive.<sup>2</sup> Prior to its publication in *CJDS*, Audet, Paquette and Bergeron's study was picked up by mainstream Canadian media outlets (*CTV News*, February 10, 2013; *CBC Radio-Canada.ca*, January 14, 2013; *Toronto Star*, February 12, 2013), which also expressed concern about the apparent ascendancy of religious charitable organisations in Canada.<sup>3</sup>

The different conclusions reached in these two articles can in part be explained by the authors' use of different categories to classify FBOs. Vander Zaag's study only distinguishes between religious and secular organisations, and although it recognises the need for further qualitative research that identifies variation between religious organisations, it does not address this point. In contrast, Audet, Paquette and Bergeron distinguish between religious NGOs (RNGOs) and proselytising RNGOs, with the argument that the former are inspired by a religious "philosophy, missions, values, or vision" (2013, 295), whereas the latter is a sub-category of RNGO that attempts to change or replace one's belief with another belief or religious norm (2013, 296). Nevertheless, Audet, Paquette and Bergeron's classification of such organisations as the Aga Khan Foundation of Canada, the Canadian Friends Service Committee and the United Church of Canada as proselytising is problematic, even according to the study's own classificatory criteria. Indeed, the website quotes that are included in Audet, Paquette and Bergeron's Appendix for these organisations – and a number of others – reflect a religious orientation, but not necessarily a proselytising agenda.<sup>4</sup>

While the main disagreement between the two articles is in regard to federal funding patterns to Christian charitable organisations in Canada, the debate raises the question of whether and how it might be possible to distinguish between faith-based development work that is "missionary" or "proselytist" in its objectives and faith-based development work that is not. In attempting to draw such distinctions, I am all too aware of reproducing problematic categories even while attempting to dismantle them. In fact, the findings of this paper suggest that drawing strict boundaries between "missions" and "development" overlooks the complex – and sometimes contradictory – ways in which Christian organisations understand themselves as engaging in development and missions. Furthermore, arguments that presuppose that Christian organisations – including proselytising ones – are homogenous, and have not engaged in their own processes of learning and adaptation to an ever-evolving development sector, neglect to account for this complexity. In this regard, little academic research has sought to understand how Canadian Christian

organisations view their involvement in overseas development assistance activities. The present article seeks to correct this gap by investigating how Canadian Christian charities *themselves* understand and construct the boundaries between missions and development. The article's aim is not to pinpoint or define the precise difference between the two, but to argue that the distinction between missions and development work is a matter of internal theological debate, as well as organisational strategy and adaptation to the changing demands of the broader development sector. In other words, Christian organisations are active participants in defining, changing and even blurring the boundaries between missions and development.

There are a number of reasons why Christian FBOs merit further analysis. First, Christian organisations command a significant number of resources, which is confirmed through both Vander Zaag and Audet, Paquette and Bergeron's studies. Despite their differing conclusions, both studies suggest that the influence of Canadian FBOs is far from waning. Second, Christian development organisations make complex political decisions about how to seek funding and where to allocate their resources, and these choices are often coloured by their efforts to balance theological orientation and strategic goals. These choices have become more difficult as Christian organisations have experienced increased pressure to "NGO-ise", or face the prospect of becoming even more marginal if they cling to their "missionary" identity. As Vander Zaag (2013, 340) has argued, more qualitative research is required in order to understand how various faith perspectives are expressed in a variety of manners through development activities. This article helps to fill the qualitative gap with regard to understanding the diverse ways in which Christian organisations choose to divide their resources among traditional evangelism and development work. Such choices have arisen both as a result of doctrinal shifts about the meaning of missions and also are strategic choices related to organisational survival. This study can provide some insight into how faith-based actors understand themselves as religious actors, and how they construct their own distinctions between missions and development. As we shall see, these boundaries are not fixed, but are shaped in meaningful and strategic ways by FBOs. As such, another contribution of this study is to give due recognition to the complexity of the debates that are taking place within Christian organisations about how they frame their work; debates that are not accurately captured by simply relying on the categories of "missions" and "development". Furthermore, existing research on Christian development organisations has tended to focus on differences between so-called secular and religious NGOs, thus overlooking debates within and between Christian organisations, and the present article seeks to correct this omission.

Drawing on interviews with senior staff members from seven Canadian Christian organisations, this article examines how these organisations navigate oftentimes competing internal and external demands. As the identities and activities of these organisations shift, it becomes more difficult to apply easy categorical distinctions between "development" and "missionary" work, or even between "proselytistic" and "non-proselytistic". A note on terminology is necessary. When I refer in this paper to "missionary" or "missions" work, I mean the explicit act of sharing a religious creed through, for instance, teachings, literature distribution, church planting or personal testimonials of faith with the goal of changing another person's beliefs.<sup>5</sup> When I refer to "development work", I mean activities that may or may not be inspired by religious belief, which are associated with traditional relief and development work, such as building wells and schools, providing health care or supporting microfinance. Even while making this distinction, it is important to note that these debates cut to the heart of the question of what it means to "do" development, and who is a legitimate agent of development. Moreover, in questioning the assumption that there is a clear distinction between missions and development, this article speaks to other research that challenges the notion of a strict division between the sacred and the secular (Berger 1999; Paras 2012; Shakman Hurd 2008; Thomas 2005). It also contributes to the growing literature on FBOs by examining how Christian organisations position themselves

vis-à-vis the broader development sector, and also contributes to theoretical debates about the place of religion in development. The study focuses on Christian Protestant organisations in Canada (as opposed to organisations from other faith traditions) because they have a long history of participation in Canadian overseas development work and of partnerships with CIDA.<sup>6</sup> By no means does this study claim to be a comprehensive survey of Christian organisations in Canada.<sup>7</sup> Rather, this is a preliminary attempt to provide a more nuanced qualitative analysis in order to improve our understanding of the political dynamics of contemporary Christian missions and development work.

The next part of the paper will review how scholars have understood the role of missionary organisations in development and speculate as to why these organisations have remained largely understudied. The following section will examine the specific Canadian context and go on to analyse how Christian charities have adapted their overseas action to meet both internal and external pressures. The final section offers some remarks about how we might better understand the contributions of Christian organisations to the Canadian relief and development sector.

### **Missionaries of development**

Over the past decade or so, there has been a rediscovery of the contributions of religion to development. A flurry of initiatives has sought to investigate how religious actors can make unique contributions to the fields of development and relief. For instance, beginning in 1998, the World Faith and Development Dialogue sought to investigate how the integration of faith could lead to better development practices. A 2001 World Bank report entitled "Voices of the Poor"<sup>8</sup> argued that religious institutions could act as "agents of transformation". A conference sponsored by the Asia Foundation and USAID in March 2010 brought together 70 community leaders from 14 different countries to discuss the role of religious leaders in Asian development. These initiatives have been accompanied by a growing body of academic research. This work provides taxonomies of different varieties of faith-based actors and argues that FBOs have distinct advantages over secular NGOs, or, at the very least, problematises the distinctions that have been made between the "religious" and the "secular" within the development sector (for example, Clarke and Jennings 2008; Deneulin and Bano 2009; Haynes 2007; Marshall and Marsh 2004; Ter Haar and Ellis 2006; Tyndale 2000).

One of the ironies of the turn to religion in the development sector is that it leads development researchers and practitioners to face an uncomfortable history. In fact, the very foundations of contemporary development work were laid by the original NGOs of the nineteenth century; that is, the missionary agencies. In 1857, David Livingstone conducted a lecture tour in Britain, during which he formulated his famous catchphrase about the combined religious and economic imperative of European colonialism in Africa: "[It] is therefore most desirable to encourage [trade], and thus open a way for the consumption of free productions, and the introduction of Christianity and commerce" (quoted in Nkomazana 1998, 54). Particularly in the context of efforts to replace the slave trade with the exploitation of raw materials, the civilising mission was seen as a two-pronged effort to promote moral and economic reform simultaneously. Development, in its nineteenth-century form, was as much about making new markets available for exploitation as it was about reforming the soul to produce a particular kind of morally disciplined – and civilised – subject (Cooper and Stoler 1989, 617). The colonial era also saw the rise of voluntary sending agencies that were unaffiliated with formal church hierarchies (Kurti 2005, 61). Erica Bornstein has characterised these agencies as the precursor to the contemporary development NGO: missionaries preached the gospel and worked hand-in-hand with colonial administrations to provide infrastructure, education and agricultural reform (Bornstein, 2003; see also Nyamanga Amutabi 2006, 81–107; Jennings 2008, 20–24). While it was often true that

missionaries were complicit with the extension of European colonial power, in other cases their belief in the unity of humankind led them to promote more emancipatory programs, thus attracting the suspicion and ire of colonial administrators (Barnett 2011, 64–70). In short, the early missionary organisations laid the foundations for the development sector that would emerge the following century. In the beginning, there was religion.

The essential institutions of the contemporary development sector were founded through efforts to rebuild Europe after the Second World War and, later, to modernise newly-independent states after decolonisation. Whereas prior to the war religious agencies dominated the overseas charitable sector (Barnett 2011, 119), during and after the war a number of secular NGOs, including Oxfam, Save the Children and CARE, were founded as volunteer-led efforts to contribute to relief. The new language of development shifted the focus away from charity and relief work toward promoting long-term economic growth and self-reliance in these newly-founded states. Missionaries had continued their work through the twentieth century, oftentimes acting as a source of relief and humanitarian assistance during the violent processes of decolonisation and independence struggles (Bornstein 2003, 12–13; Hedayetul Huq 1999, 210). However, they were now joined by a growing community of non-religious NGOs, motivated by a “secularised discourse of humanity” (Barnett 2011, 119) to expand their activities into the newly emerging field of development (Barnett 2011, 118–131; Jennings 2008, 24–29; Salamon 1994, 113–114).

Alongside the emergence of a formal, secular development sector, the 1960s and 1970s can be characterised by a process of the “NGOisation” of missions. Amidst a growing disenchantment with religion and the church in the West, many members of the younger generation found themselves drawn to working with the new development NGOs rather than the traditional church-based agencies, even though they might have been motivated to work overseas by their religious beliefs in the first place (Compton Brouwer 2010, 662–663). At the same time, many former missionaries were recruited to staff newly-founded state donor agencies, as they were acknowledged to have significant expertise about the countries to which those agencies were providing aid (Paras 2012, 237). The overall trend was for secular NGOs to replace church agencies as the dominant non-state actors involved in the relief and development sectors. However, a number of Christian NGOs, including World Vision and World Relief, were also founded in this era, and these organisations explicitly chose to adopt the language of development (rather than mission) and the institutional model of a development NGO (rather than a church-led agency). At the same time, many Protestant denominations, inspired by the Catholic liberation theology movements in Latin America, were engaging in theological debates about the role of the church in promoting social justice and equality (personal communication with Terry Smith, March 1, 2013; see also Compton Brouwer 2010). In response to these debates, denominational agencies underwent institutional reform by creating specific departments to oversee their “relief and development” activities, as opposed to traditional “missionary” work. In short, secular NGOs became the new missionaries of development, while the old missionaries tended to look more and more like NGOs.

Despite these shifts, it would be inaccurate to conclude that missionary organisations were on the decline. On the contrary, there is evidence to believe that, as Julie Hearn has argued, “we are living in the greatest missionary era” (2002, 35). Hearn reports a five-fold increase in the total number of missionaries from the beginning of the twentieth century to the end (2002, 36). More recently, a 2008 survey conducted in preparation for the 2010–2012 edition of the authoritative *Mission Handbook* revealed that American missionary agencies reported a 9.7 per cent increase in the number of full-time missionaries between 2005 and 2008,<sup>9</sup> and a total income in 2008 of USD5.7 billion for American agencies alone (Moreau 2011, 12; Weber 2010). Since the 2008 survey only covered Protestant organisations, and did not account for workers mobilised by mega-churches that bypass the traditional sending agencies, there is reason to



believe that the actual numbers are even higher. In the Canadian context, although the number of full-time Canadian missions staff decreased by 17 per cent between 1996 and 2008, the income of agencies increased by 139 per cent over the same time period (Moreau 2011, 14). However, the shortfall in staff has been more than made up for by the growth in non-Canadian citizens working for Canadian agencies: the number of in-country non-Canadian staff quintupled between 1996 and 2008 (Moreau 2011, 14). According to a 2013 study by the Centre for the Study of Global Christianity, both the US and Canada were ranked among the top ten "missions sending" countries in 2010, despite an overall increase in missionaries originating from countries in the global South (Centre for the Study of Global Christianity 2013, 76). In short, in terms of financial and human resources, missionary organisations have increased, or at the very least maintained, their potential to impact overseas development initiatives and set the development agenda.

Despite the impressive numbers, and even with increased scholarly attention to FBOs, missionary organisations remain largely "invisible" within the scholarly literature on development (Hearn 2002). It is difficult to determine an exact reason for the omission. One possible explanation is that the secularist assumptions that underlie the development sector have precluded in-depth analysis by moving these organisations outside the purview of what is considered appropriate development activity. For instance, Gerard Clarke provides a typology of FBOs, which identifies five different categories of organisations. Within the typology, he distinguishes between "faith-based charitable or development organisations" and "faith-based missionary organisations". His basis of differentiation is that the former are concerned with tackling poverty and social exclusion, whereas the latter are concerned with promoting faith and seeking converts (Clarke 2006, 840). His categorisation presumes that there is a fundamental difference between the work of development organisations and missionary organisations, but it overlooks the reality that many Christian FBOs engage in both kinds of activities, thereby making it difficult to apply the two definitions in the first place.<sup>10</sup>

Another possible reason for the exclusion of missionary organisations from scholarly analysis is that they are perceived as too small, too extreme or so organisationally distinct from other development organisations as to preclude comparison. However, the figures quoted above about the growing numbers of missionaries working abroad, and the significant resources that are mobilised by their sending agencies, should immediately put to rest any doubt about their significance as global non-state actors. As for the charge of extremism, this overlooks the vast diversity that exists within the category of FBO. For instance, Julia Berger has classified FBOs along a dimension of "pervasiveness", which conceives of an organisation's religious identity in terms of degrees of "religiosity" rather than in absolute terms (Berger 2003, 25). Similarly, Laura Thaut has argued that the assumption that Christian organisations are homogenous obfuscates how important theological variations lead to divergent practices (Thaut 2009, 321). Thaut offers a corrective typology that classifies Christian organisations along four dimensions. As Michael Barnett and Janice Gross Stein have argued, there is often more variation among organisations from the same faith tradition than there is between faith-based and secular agencies (Barnett and Stein 2012, 23).

Finally, the assumption that missionary agencies are so organisationally distinct that they cannot be compared with other development NGOs overlooks the ways in which these agencies operate as strategic, goal-oriented actors, similar to any other kind of organisational structure. In this regard, Stephen Hopgood and Leslie Vinjamuri have identified how small and medium-sized FBOs adopt two main strategies – alliance formation and specialisation – in order to compete in an oligopolistic NGO market (Hopgood and Vinjamuri 2012, 38). Even when Christian organisations are strongly motivated by heavenly goals, they still must face the same challenges of earthly existence as an NGO: securing limited resources and maintaining donor loyalty.



However unique missionary organisations might be compared with other kinds of FBOs or secular agencies, organisational structure is not the essential distinguishing feature.

In short, Christian organisations had a long history of overseas charitable work prior to the emergence of a secular development sector in the mid-twentieth century. Furthermore, despite their “invisibility” to some, they have continued their work, and studies indicate that the Christian NGO sector is healthy and possibly growing. In some cases, Christian organisations have chosen to operate firmly and visibly within the mainstream development sector, while in other cases, they are content to remain, as several of my informants described it, “under the radar”. Although scholars have argued for the inclusion of FBOs as a site of analysis, there have been few studies to date that focus on the changing identities and strategies of Christian agencies, despite their acknowledged diversity. Furthermore, there has been little analysis of the contestations and tensions that occur within Christian organisations about their identity as they adapt to broader changes in the development sector. The way in which organisations resolve these tensions is ultimately tied to how they conceive of “missions” and “development” in the first place. The challenges are acute for organisations that engage in both types of work: those that have had to adapt to the “NGOisation” of missions (Compton Brouwer 2010) and those that receive government funding for projects. The next section will explore these tensions in greater depth, by examining how Christian organisations in Canada have evolved both within and alongside the development sector.

### **“Under the radar”: Christian missionary and development organisations in Canada**

In many regards, the history of Canadian Christian organisations closely follows the overall trajectory of the global development sector, with the emergence of a secularised, professional development sector in the 1960s, signified in Canada by the founding of CIDA in 1968. Many – although certainly not all – Canadian Christian development organisations started as traditional missions organisations and, beginning in the 1960s, had to adapt themselves to the rise of a professionalised development sector. In CIDA’s early days, there were close ties between the agency and the Christian missionary agencies. David Morrison has recounted how CIDA’s first president, Maurice Strong, was intent on harnessing the expertise of the voluntary sector, and to that end recruited many new staff from churches and missionary organisations (Morrison 1998, 68). Former CIDA staff members recall that the agency “recruited a lot of ex-missionaries” in its early years (quoted in Paras 2012, 237). The importance of Christian organisations to Canadian development initiatives was even reflected in CIDA’s organisational structure: within the NGO program, the objective of which was to create funding partnerships between CIDA and voluntary agencies, a “Church Division” existed well into the 1990s that was solely responsible for overseeing CIDA’s relationships with Canadian religious organisations.

There are, however, dynamics unique to Canada, particularly compared to the US. As mentioned earlier, a survey conducted for the 2010–2012 *Mission Handbook* found the missionary sector to be growing in both Canada and the US in terms of the number of organisations and the income that organisations report (Moreau 2011). However, the rate of increase is significantly higher in Canada: between 1996 and 2008, reported income increased by 139 per cent in Canada, compared to 79 per cent in the US.<sup>11</sup> If one compares income growth during the shorter period of 1996–2005 in order to remove the 2008 financial crisis as a confounding factor, Canadian agencies still show a significantly higher growth rate (126%) than their American counterparts (82%). In other words, if “we are living in the greatest missionary era,” as Hearn (2002, 32) observes, this is particularly the case for Canada, assuming that we can consider income growth as an indicator of success. Another feature of Canada’s missionary sector is that it is more concentrated than America’s, with fewer organisations receiving higher income per

organisation. This would suggest that, on average, the scale of the programs – and potential impact – is higher for Canadian organisations.

Another unique feature in Canada is the relationship between FBOs and CIDA. As mentioned above, there was a lot of cross-fertilisation between CIDA and the missionary sector through the 1970s, in terms of recruitment of expertise. In the early 1990s, there was an extended dialogue between CIDA and Christian organisations that resulted in a widely-distributed policy paper, which provided a framework for CIDA's engagement with Canadian FBOs (CIDA 1995). The policy paper recognised that FBOs and spirituality play an important role in development processes, but specified that CIDA funding could not be used to support programs designed to convert people to a different religion, thereby further entrenching a distinction between "missions" and "development" activities. This dialogue was remarkably forward-thinking, in that it occurred years before other donor agencies and multilateral lending institutions started to engage with religious communities. USAID founded its own Centre for Faith-based and Community Initiatives in 2002 (Marsden 2011) and the UK's DFID has actively engaged with FBOs since the early 2000s (Clarke 2007). Ironically, just as the broader development sector began taking up the question of how faith contributed to development practices, the completion of CIDA's own dialogue with FBOs led to a closure of the conversation in Canada (Paras 2012, 241). In a sense, the role of Canadian missionary organisations in overseas development has been rendered doubly "invisible", with the halt of active engagement by CIDA and the dearth of analysis by scholars.

Since the goal of this paper is to understand how Christian organisations construct the boundaries between missions and development, my research focuses on organisations that have themselves attempted to distinguish between the two. The key common features among the organisations I studied are: they self-identify as Christian FBOs; a significant portion or a majority of their work takes place in developing countries, rather than domestically in Canada; and they self-identify as engaging in development work. In relation to this third criterion, they identify themselves as engaging in development either by explicitly stating that their work is distinct from missionary work or by creating institutional structures that distinguish between the two. For example, an organisation might demonstrate this distinction by virtue of the fact that it has received CIDA funding (and must necessarily separate its "missions" activities from its "development" activities for the purposes of the CIDA funding), or by pointing to the existence of different divisions or branches with responsibility for "missions" and "development". This is not to say that the distinction between missions and development is unproblematic for these organisations. In fact, as we shall see below, the distinction is highly contested within organisations, both how and whether it should be made.

In order to narrow the field and identify the appropriate organisations for this study, I compiled a database of 260 Canadian Christian charitable organisations based on information from a number of Christian coalitions or membership-based organisations: the Canadian Council of Christian Charities (CCCC),<sup>12</sup> the Evangelical Fellowship of Canada (EFC),<sup>13</sup> the Canadian Foodgrains Bank (CFB)<sup>14</sup> and the Canadian Christian Relief and Development Association (CCRDA).<sup>15</sup> I also included Canadian organisations that were listed in the 2004–2006 edition of the *Mission Handbook* (Welliver and Northcutt 2004). Membership in the CCRDA and the CFB is an easy indicator that an organisation views itself as contributing to overseas relief and development work. At the same time, many of the organisations that self-identified as "relief and development" organisations also were affiliates of the EFC, a national association of Evangelical Christians in Canada. Similarly, inclusion in the *Missions Handbook* indicates that an organisation identifies as being engaged in overseas missions. Finally, the CCCC website has an extensive online database in which users can identify organisations based on the sectors in which they work and the *Missions Handbook* provides a similar categorisation. These two

sources were used to identify organisations that participated in both “development”<sup>16</sup> and “missions”<sup>17</sup> activities.

After triangulating results in the database, it was possible to identify which organisations appeared to be leading actors within the sector (based on multiple affiliations), as well as which ones were engaged in a mix of “development” or “missions” activities. Interviews were conducted with senior administrators from seven Canadian organisations. Four of the seven said they engaged in both kinds of activity, but made an explicit distinction between them. The other three explicitly claim to be solely engaged in development work that is inspired by Christian faith, but not engaged in “missions”. Of the seven organisations in which I conducted interviews, all but one appear in the *Missions Handbook*; five are members of the CCCC and four are members of the CCRDA.

### Between missions and development in Canadian FBOs

One of the most important findings that emerged was the clear lack of agreement – both among organisations and within them – about the distinction between “missions” and “development”, suggesting that these categories cannot adequately capture how Christian agencies view their objectives. Even when such a distinction is reflected in an organisation’s structure or CIDA funding proposals, organisations make no clear philosophical distinction between “missions” work and “development” work. Interviews with staff members demonstrated that all of the organisation’s activities, be it building a well or running a hospital, are infused with religious significance. Staff members frequently referred to a “holistic” approach, whereby it is impossible to separate the physical from the spiritual, despite the appearance or necessity of doing so on paper. For instance, Ida Kaastra-Mutoigo, the Director of World Renew<sup>18</sup> (the relief and development agency of the Christian Reformed Church), explained:

If you ask me to explain how my faith connects to development, I would say it is everywhere. Because we see anything that has to do with a change in relationships of people with each other, of people with God, of people with creation or with the environment, then that is an expression of their faith and we are constantly involved in the activity of addressing that. You could, by all accounts, say that we are completely faith-oriented in the work that we do. (Personal communication, March 7, 2013)

World Renew has a history of receiving large amounts of CIDA funding, which indicates that the organisation has successfully responded to donor pressure to make a separation between its development and religious objectives. World Renew leaves all traditional missions activities, such as church planting and teaching, to its sister organisation, the Christian Reformed World Missions. The institutional separation has existed for over 50 years, and is the result of theological and organisational dynamics that are specific to the Christian Reformed Church. Nevertheless, the separation also has instrumental value, both because World Renew can claim that its personnel are involved in relief and development, and also because it provides a layer of insulation between its overseas development activities and the church denomination.<sup>19</sup> Yet, in conversations with World Renew staff, it is evident that its activities are given meaning within the framework of Christian faith.

The same could be said for World Relief, which, unlike World Renew, has no denominational affiliation. World Relief’s CEO, Laurie Cook, explains that the organisation’s founders “wanted to ensure that they had an appropriate methodology to do humanitarian work, as opposed to missions” (personal communication, March 1, 2013). World Relief has not historically engaged in traditional proselytising ministry and currently receives large amounts of CIDA funding for its overseas projects. Here, there appears to be a fairly clear delineation between missions and

development. Following Berger's classification of FBOs along the dimension of "pervasiveness" of religiosity, it would appear that World Relief is on the "religion lite" side of the spectrum. Yet Laurie Cook maintains that the organisation's philosophy of development is grounded in an understanding of Christian theology that sees the promotion of social justice and human rights as the true mission of the Church:

We use this terminology and it sounds like a number of our relief and development organisations are actually doing missions. We're not doing missions in the sense that people outside would think of missions. What we're doing is saying to the church, 'This is the mission, and you guys have left it out!' So we're calling the church back to compassion, and bringing it to a new level of social justice. (Personal communication, March 1, 2013)

This is not simply a matter of semantics, although there are certainly multiple theological interpretations of the word "mission". Rather, World Relief's mandate to promote social justice and economic development is seen as a return to a more authentic interpretation of scripture.<sup>20</sup> In other words, there is actually no distinction between "mission" and "development", because development *is* the mission.<sup>21</sup>

Another significant finding of the research is that the financial pressure to make a distinction between missions and development comes from both state donors and the organisation's faith community. CIDA's requirement that organisations demonstrate the funds will not be used for "programming that is designed to convert people from one religious faith to another" (CIDA 1995) leads both actors to adopt a "secular fiction" that is both philosophically and practically incoherent, even if administratively understandable (Paras 2012, 244).

While it is not surprising that a state donor agency would expect such a separation, a more unexpected finding is that the financial pressure to distinguish between missions and development also comes from within the organisation's own faith community and donor base. An informant from a denominational agency that makes an institutional separation between missions and development made the frank observation that the distinction between the two is administrative rather than theological:

It is more separated in structure than in philosophy or theology or thinking. The structural separation is there for administration reasons and management reasons. If you were to look at the theology side or the philosophy side, the philosophy is that we need to address in a holistic way human need. So we are going to go in with a philosophy that there is a spiritual need, there is an emotional need, there is a physical need and we want to address all of those within their context. (Personal communication, March 6, 2013)

Interestingly, the organisation referred to in this comment does not receive CIDA funding but, as the informant explained, church constituents (who make up a significant portion of the donor base) were more interested in providing financial support for development activities than for traditional missions activities. Informants frequently referred to a "generational shift" in church congregations. Today they are informed by the lingua franca of development rather than traditional missions, and they want to be able to respond to poverty and social justice issues by giving through church agencies.<sup>22</sup> There are two features of this shift: individual donors are better educated about overseas poverty and development issues as a result of globalisation and access to information; and individual donors have fewer attachments to specific institutions. For instance, Kaastra-Mutoigo from World Renew observes:

One of the significant [challenges] that we are facing in the world today is what I mentioned about the youth and young adults. They don't have the institutional loyalty that our older generation has, so when you are connecting with them, and especially in terms of looking at them as meaningful supporters or donors in the future, any kind of institutional label is not a real benefit for any organisation.

I think you have to be a whole lot more causal [sic] in your focus. (Personal communication, March 7, 2013)

In practice, the generational shift means that FBOs are answerable to better-informed constituents who can “shop” the humanitarian marketplace to find the organisation that best suits their donor objectives. Thus, even in the absence of pressure from CIDA to separate missions from development, Christian agencies face a similar kind of pressure from their donors to make this distinction. While FBOs often explain their reluctance to apply for CIDA funding because of the strings that will be attached to that money, denominational agencies that often rely heavily on church-based donors are equally dependent on satisfying the demands of those constituents in order to maintain their funding levels.<sup>23</sup>

The calculation to distinguish between missions and development also arises as a result of strategic choices that are made to secure funding from a donor base. As Hopgood and Vinjamuri (2012, 40) argue, in a humanitarian marketplace where donors have the choice about where to put their money, even church-based organisations have to “adopt, adapt and project” a particular identity in order to secure funding. An interesting example of this adaptation is the case of the Christian Reformed World Relief Committee (CRWRC), which recently adopted the new name “World Renew”. Senior staff members explained that the new name (which makes no reference to the affiliated church denomination or to religious faith) was adopted partly so that the organisation would appeal to a broader set of potential supporters.<sup>24</sup> So far, informants assure me, the name change has been a great success.

We have seen how FBOs are incentivised to make a distinction between development and missions in order to satisfy members of their donor base. However, identities are malleable and can be strategically deployed according to other audiences and needs. Terry Smith, the Director of International Partnerships at Canadian Baptist Ministries, referred to this malleability:

We wouldn't say that we are a development organisation. We would say that we are a Christian, faith-based ... sorry, let me say it depends on who you are talking to, right? If you are talking to a guy on an airplane, and you think, 'Does he know what I mean by mission?' or if you are talking to a pastor in a church in rural Kenya, you would define yourself maybe a bit different. It is the same definition. What angle are you looking at? So we don't define ourselves as a relief and development organisation, we don't define ourselves as a traditional Christian mission, the classic Christian mission. We would define ourselves as being either a faith-based or as a Christian NGO that is doing both spiritual and humanitarian transformation in the world. (Personal communication, March 1, 2013)

In some regards, organisations that *do* make a distinction between “missions” and “development” have more flexibility about when they choose to emphasise certain aspects of their identity over others. This flexibility is a potential advantage, as it could expose the organisation to a wider spectrum of supporters, as seen above in the case of World Renew.

Another important reason that organisations have increasingly focused on relief and development is because theological debates within Christian communities have shifted the meaning of missions and service away from traditional evangelism. When asked whether there was a distinction between missions and development, several informants responded by reviewing, sometimes in great detail, shifts in missiological thinking over the past half century. Likewise, most informants, including those from organisations that still engaged in missionary work, indicated the term “missionary” is perceived as old-fashioned and out of touch with needs on the ground. As Laurie Cook observes:

[There] is a lot less of what used to be termed missionary work going on, just from the fact that there are no parts of the world that haven't been touched by that. Literally it's arrogance on the North

Americans' part to feel that they can "missionary" the rest of the world when the rest of the world is probably far more advanced than we are [ ... ]. What's happened is that some of those missions organisations have turned to humanitarian work, because there isn't that much of the other work needed or going on. Part of it is a re-awakening, and part of it is just practical. (Personal communication, March 1, 2013)

Some organisations wish to distance themselves from the term "mission" because of its negative connotations. For instance, a staff member from one organisation declined to be interviewed for this study, insisting that his organisation was not an appropriate candidate for a study about Christian FBOs. (Ironically, the name of his organisation contains the words "Christian" and "Mission".) Even the older, more traditional organisations that might wish to stay close to their original mandates are struggling to adapt to the marginalisation of missionary work. The comments of a staff member from one such organisation betray both nostalgia and awareness of the need to adapt if it is to survive:

We're moving away a little bit, I guess from what I would term 'fringe work', as in working with an unreached people group. We would still do that, but in other words, kind of, I guess, [sic] traditional mission understanding is we go to some weird place that nobody has heard of and we transform people from their natural habitat or culture into something that's kind of Christian. We would still go to those kinds of places, but more of our work is in cities and areas where naturally the population is moving to. There's that side that's changing [ ... ]. Part of it is the way the world is changing. We're changing ourselves to where the world is. That's the greatest difference. Mission was a lot simpler in the 1900s than what it is today. (Personal communication, February 28, 2013)

In other words, shifting the focus away from spreading the good word toward "development" activities might be a matter of theological interpretation, but reinterpretations that organisations undertake are also intrinsically connected with the long-term struggle to remain relevant.

Additionally, since organisations experience greater pressure from donors to be able to demonstrate impact, the language of development, rather than missions, is more suited to demands for improved accountability. Practically speaking, it is much easier to quantify how many donor dollars have gone toward purchasing goats or water filtration systems than saving souls.<sup>25</sup> Tim Brown, Africa Inland Missions' Director of Relief and Development, has a favourable view of how CIDA's stringent reporting requirements have improved overall levels of accountability in the organisation: "If you can point to statistics or numbers, you can point to what exactly their dollars are going to do, 50 dollars will do this, 100 dollars will do this, people are more captivated by the work, and they recognise that you are professional, you know what you're doing. I'm sure some of our donors would appreciate that" (personal communication, March 1, 2013). In general, several informants cited increasing levels of professionalisation as an indicator of their organisation's competence and legitimacy. For example, in the case of Africa Inland Mission, accountability to the Canada Revenue Agency has led to improved transparency and accounting (Tim Brown, personal communication, March 1, 2013). For other organisations, adherence to common humanitarian standards of best practice, such as the SPHERE standards<sup>26</sup> or the Humanitarian Accountability Partnership (HAP) standards<sup>27</sup>, constitutes evidence that they are competent humanitarians. For these organisations, professionalisation serves to improve an organisation's credibility and demonstrate that it is a legitimate member of the global development sector.

While the flexibility of an organisation's identity might lead to some of the advantages described above, it also has the potential to alienate potential donors who want to maintain a focus on traditional missions activities. While many organisations do not see a contradiction in engaging in development and mission activities, there is the danger that their supporters will view the choices in zero-sum terms: allocating greater resources toward development work

could indicate that an organisation is moving away from its religious roots; that it is “moving away from God”.<sup>28</sup> This is a challenge particularly for organisations that started as traditional missions organisations (sometimes as early as the late nineteenth century) and have migrated into relief and development work. A staff member from such an organisation articulates this concern:

Now we have this professionalising of what development looks like. And that is almost antagonistic to what would be our spiritual side, so we have this kind of dichotomy where the world is saying, ‘You’re either spiritual or physical’, as in either into development or into this kind of evangelism, but the two don’t meet. We don’t see ourselves that way. The professionalising of development is really something we struggle with. (Personal communication, February 28, 2013)

In some cases, organisations deal with the fear of appearing “too secular” by redefining missions in a way that portrays development work as integrally connected to spiritual objectives. The redefinition can potentially open the door to more donor resources, such as CIDA funding, since the organisation can then consistently engage in development work that has very little explicit religious content (at least in appearance).<sup>29</sup> Although a theological redefinition can partly address the problem, it cannot completely erase the appearance of inconsistency between motives and methods. The danger, as Ingie Hovland has argued, is that organisations experience a kind of “schizophrenic identity” when they attempt to stay true to theology even while maintaining administrative distinctions between missions and development in order to satisfy the demands of donors (Hovland 2008, 185).

The other alternative, of course, is to attempt to maintain consistency between word and deed, but this comes with the risk of further narrowing the potential donor pool. Canadian Baptist Missions provides an example of this strategy, as it has undergone structural reforms that erased previously-held administrative differentiation between its missions and development departments. Terry Smith from Canadian Baptist Ministries acknowledges the potential financial risk of this decision, but insists that the organisation remains successful because it is staying true to biblical principles by engaging in “integral” missions:

If we wanted to follow the money, we would have canned this idea, and we could have rationalised it on the basis, like some of our other buddies in church circles, we could have justified it on the fact that we don’t think that its right to impose our belief system on other people. But if mission is truly integral, there’s no sense of imposing it on anybody. (Personal communication, March 1, 2013)

In short, Christian organisations face a series of strategic decisions and trade-offs. One option is to seek to increase their legitimacy as competent NGOs within the broader development sector by maintaining an administrative distinction between missions and development without compromising their principles. A potential problem, however, is that moving too far in this direction risks alienating core donors and living with a fragmented identity. The other option, which is to maintain consistency by aligning word with deed, risks narrowing the potential donor pool or shutting the organisation out of the development sector. To put it crudely, the trade-offs between faith and funding have important implications for the sustainability and success of Christian organisations that engage in development.

FBOs have been regarded as marginal actors within the mainstream development sector. This is particularly the case for Christian missions organisations that have migrated into development work, or that engage in both missions and development. In the Canadian context, Christian organisations struggle with how to survive within a cultural milieu that is extremely suspicious about the motives of faith-based NGOs. Organisations face pressures on multiple fronts: from state

donor agencies; from their own church-based constituents, who may have conflicting theological interpretations of missions; and from the “secular” development sector itself, including organisations’ own staff members, who must strategise to maintain a competitive edge in the humanitarian marketplace. This paper has sought to understand how different Christian organisations make sense of these pressures, and how they respond to potential trade-offs between identity, values and resources. One of the main contributions of the underlying study has been to demonstrate how religious identity is fluid and contestable. It also can be strategically deployed to secure support from both secular and religious donors.

Indeed, the pitfall of classification is a major finding of this study. While my initial intention was to devise a method of distinguishing between “development” and “missions”, as the research proceeded I concluded that such distinctions are extremely fluid and often very blurry, even within organisations themselves. The distinction between “development” and “missions” might be a matter of theological interpretation in some respects, but the full story is much more complex. My conclusion that even theological identities and beliefs can be adapted or redefined as organisations compete for funding and aim for institutional success is provocative, and might be negatively received by those who believe that FBOs are solely motivated by theology. However, this research reveals that Christian organisations are fully aware that theological orientation is not an instant recipe for institutional success. They are also deeply concerned with appealing to certain donor audiences, striving for professionalism and, for some organisations, being perceived within the broader development sector as “development NGOs” rather than “missionary” organisations. This argument is not intended as a criticism of FBOs for “watering down” their theological content or for being theologically inconsistent, nor am I suggesting that faith-based development is an impossibility. Rather, my analysis shows that Christian organisations are remarkably successful at maintaining their distinct faith-based identities even while participating fully in the development sector. Hence the title of the article: that they operate in the fluid space between “missions” and “development” is a factor in their success.

In some respects, the debates within Christian organisations about how to balance missions and development are reflective of discussions in the broader Canadian society about the relationship of religion to politics, and the role of religion in public policy. Multicultural Canada has long struggled with how to respect religious identities in the public sphere without compromising certain civic values. Religious identity has been a core issue in debates about whether Sikh policemen can replace their caps with turbans (*Calgary Sun*, January 26, 2013), whether veiled women can testify in court (*Toronto Star*, December 20, 2012) or whether religious tribunals can issue binding rulings (*Guardian*, February 8, 2008). Discussions about the role of faith-based development organisations are no exception to a long history of negotiation in Canada about the appropriate boundaries between the sacred and the secular. The study described above indicates that Christian organisations are active participants in setting these boundaries, as they work to determine their own role within the Canadian development sector. One possible response would be to regard them as a threat and further marginalise them from the public sphere and academic scrutiny. However, the evidence above would suggest that the influence of faith-based development actors remains as important as ever, and to turn a blind eye to this risks ignoring an important sector within Canadian civil society. My findings suggest that a more effective strategy would be to investigate exactly how faith-based actors are shaping debates about development, and contributing to the way that Canadians understand the role of religion in their lives at home and abroad. Perhaps the success of Christian organisations in Canada over the past decade is not so much the result of the confessionalisation of Canadian foreign aid, or a return to a previous missionary era, as it is an indication of the remarkable capacity of these organisations to adapt to an ever-changing world.



### Biographical note

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### Notes

1. See also Audet's comments to the media regarding this study: "'On peut parler d'une certaine forme de confessionnalisation de l'aide étrangère,' explique le directeur de 'Observatoire canadien sur les crises et l'aide humanitaire, François Audet [...]'. C'est un changement de cap dans la mesure où nous étions habitués dans les années 1980 et 1990 à une laïcisation de l'aide humanitaire internationale". Quoted in *CBC Radio-Canada.ca*, January 14, 2013.
2. By no means do I want to minimise the problematic potential of socially-conservative organisations to promote intolerant practices abroad. To be sure, there are legitimate concerns about the potentially negative influence of North American socially-conservative evangelicals on gay rights or access to family planning, among other issues. However, this opens a whole other series of questions about who decides what Canadian development priorities should be, not to mention how to determine whether members of the diverse community of NGOs meet the test. I will set aside these questions for the purposes of the present discussion.
3. This anxiety about religious organisations may be a feature of Canadian society more generally, as demonstrated by a recent survey on Canadian's perceptions of charitable organisations carried out by The Muttart Foundation. Based on a telephone survey conducted with nearly 4,000 participants, *Talking about Charities 2013* reports that religious organisations (excluding churches and other places of worship) receive the lowest levels of trust among 11 categories of charitable organisations, and that, moreover, reported levels of trust in religious organisations have declined since 2008. Furthermore, among the 11 categories, "religious organisations" is the only category in which fewer than half of the participants reported having "A lot" or "Some" trust in both years of the survey, 2008 and 2013 (Lasby and Barr 2013, 33).
4. I am grateful to an anonymous reviewer for this point.
5. In deploying the word "missions" in this specific way, I do not want to overlook the well-established view that all development, whether inspired by a sacred or secular world view, is rooted in a "mission" that relies on a certain degree of faith. See Rist (2002). I also recognise that there is a significant degree of contestation about the meaning of the word "missionary" and "missions" among Christian organisations, as will become apparent in the following discussion. I am grateful to an anonymous reviewer for pushing me to make this point more explicitly.
6. While there are increasing numbers of Canadian development organisations from other faith traditions (the majority of them Muslim), these are relatively young organisations with very different historical origins, no history of involvement in overseas missionary work and a smaller record of partnerships with CIDA. Given the nature of the research questions, it would not be appropriate to include development organisations from other faith traditions in this particular study, although the findings of this study may pave the way to future comparative research.
7. To limit the scope of the study, I have not included Catholic organisations, which have a distinct institutional history, structure, and theology compared to Protestant organisations.
8. See the project page at: <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/0,,contentMDK:20613045~menuPK:336998~pagePK:148956~piPK:216618~theSitePK:336992~isCURL:Y,00.html> (accessed July 8, 2014).
9. Taking an earlier baseline and using the figures given by Moreau, the number of full-time US missionaries increased by 15.3 per cent between 1996 and 2008, indicating that a rise in the number of missionaries is a long-term trend.
10. Clarke's overall argument is to support an engagement with a broader range of faith-based actors, so he is not arguing that the development sector should exclude missionary organisations. My point is simply that he views them as fundamentally distinct from charitable and development organisations.
11. The figures in this paragraph's discussion are calculated on the basis of data provided by Moreau (2011). He surveyed 800 American organisations and 166 Canadian organisations. With a total income of USD5,701,000,000, the American organisations average USD712.625 per organisation.

In comparison, the Canadian organisations average CDN4,319,277 per organisation, with a total income of CDN717,000,000. Obviously, a simple average provides no sense of how income is actually distributed among specific organisations. Some will take much higher shares, while others will take much lower. It does show, however, that proportionally fewer organisations in Canada have access to a proportionally higher level of income than those in America.

12. The CCCC (known colloquially as the “4 Cs”) is a member-based association of over 3,200 Canadian faith-based registered charities. One of its most important functions is to provide a Seal of Accountability that indicates that an organisation adheres to high standards of financial accountability and governance. It also indicates that all members of an organisation’s governing board have signed a statement that affirms commitment to the Christian faith.
13. The EFC is a national association of Evangelical Christians in Canada. It provides a forum for networking and collaboration, as well as taking public stances on ongoing public policy issues. Its affiliates include a variety of church denominations, as well as FBOs engaged in overseas development work.
14. The CFB is a partnership of 15 member agencies that work on issues related to food assistance and food security.
15. The CCRDA was formerly the Relief and Development Group of the CCCC. In 2004, the group adopted the designation CCRDA, and in 2007 it obtained charitable status. The CCRDA describes itself as “an association of Canadian Christian organisations and individuals involved in relief, development, and justice who are committed to integrated, transformational development” (CCRDA, “Background,” <http://www.ccrda.ca/?action=1917490825&sectionID=1858>, accessed on March 29, 2013).
16. In the CCCC database, categorisations used to identify organisations engaged in “development” work included: sustainable agriculture, micro-enterprise, general relief and development, food security, environmental programs, emergency response, construction, clean water and sanitation, HIV/AIDS prevention, medical, peacebuilding, human rights and human trafficking.
17. In the CCCC database, categorisations used to identify organisations engaged in “missions” work included: missions agency, general evangelism, church planting, Bible translation and Christian literature distribution.
18. Formerly known as the Christian Reformed World Relief Committee (CRWRC).
19. “We have a sister organisation called Christian Reform World Missions and they are the ones that largely do things like church planting and teaching in theological schools and so on. And I think perhaps that has given us a little bit of an easier way of explaining ourselves to CIDA or other organisations that are concerned about what we are doing and the proselytisation that happens, because we can easily say, well, we have a sister organisation who does all of those things and largely focuses on those things” (Ida Kaastra-Mutoigo, personal communication, March 7, 2013).
20. “What often happens with an older group, they try to resolve which is more important. If I’m down to my last 20 dollars, am I going to try to keep someone out of hell, or am I going to meet their humanitarian needs? That question gets posed by an older generation. My angry retort is that you have no basis for that question. So if you want to be Christian, Christ-follower or whatever, guess what, you have no basis for asking that question. There is nothing anywhere, in fact, everything in scripture would lead you to believe you can’t ask that question. Because the charge or the calling appears to be more on the humanitarian and compassionate and setting the captive free side than your other thing, and so you may feel the other thing is very critical. But what you’re doing is applying a lot of reason and logic. Well, it must be more important to keep people out of hell. But that’s not supported by scripture or anything in the true Christ-following faith” (Laurie Cook, personal communication, March 1, 2013).
21. Terry Smith from Canadian Baptist Mission similarly commented: “We still get cheques from little widows in New Brunswick who send in the money, saying, ‘Here is my cheque for 25 dollars. Be sure it is used for the spread of the gospel’. Are they not spreading the good news? Is there a division between the two? You respect the donor’s request as much as possible. We see it all as spreading the good news” (personal communication, March 1, 2013).
22. As further anecdotal evidence of the debates about charitable work that are taking place in Christian communities, one informant proceeded to substantiate his claims about a “generational shift” by giving me a brand-new copy of the book *When Helping Hurts: How to Alleviate Poverty Without Hurting the Poor ... and Yourself* by Steve Corbett and Brian Fikkert (2012). On the publisher’s website, the book is described as taking a “biblically-based approach to poverty alleviation” and as a resource for “moving churches to a healthier framework of engaging with low-income communities” (see <http://www.chalmers.org/>). As of writing, the book is listed in third position on Amazon’s list of bestsellers

- in Christian social issues and in sixth position on Amazon's list of bestsellers about poverty; above Paul Collier's bestselling *The Bottom Billion* (listed in eighth position) (2008). In a similar vein, the book that is in fifth position on the bestsellers in Christian social issues list is entitled *Toxic Charity: How Churches and Charities Hurt Those They Help, and How to Reverse it* (2012).
23. "We sense that there are individuals that want to be involved in humanitarian social work. They would choose if they had the possibility to work through our denominational organisation, to not go to some, what I would term, third party [ ... ]. They are looking and they are saying, 'I want to get involved. Why would I serve with the Red Cross or World Vision if I can go within my organisation?' [ ... ] We are saying that we probably need to open that door. And we are getting a sense of a pressure where youth are coming to us, and, best-case scenario, we could work them in because we have personnel teams, networks, whatever. Second case scenario, we can point them to another organisation that is healthy and worth[y] of their consideration. Or we lose them and they lose their vision, they lose their passion, because we can't really find a situation that is comfortable. So there is a pressure from outside. I say outside, it is from within, but it is outside of our office. The constituency, the stakeholders of the organisation, say, you know, we need to broaden this to give us more opportunity to serve in this type of ministry within our organisation" (Anonymous, personal communication, March 6, 2013).
  24. The Director of World Renew explained: "Not that it was a huge problem, the name and in itself but some of the trends, like we have more young people who have less attachment to institutions and we are a name that captures an institution might actually be a barrier or not as great of an interest to them anymore. We have a larger number of community churches that are built from members that have no connection to the Christian Reform faith per se. So again having a name that really is out there with the denominational label might present a barrier" (personal communication, March 7, 2013).
  25. "The other things that are changing are tied to people's concerns about the integrity of use of your funds. I mean, if you say this is what it is going for, then this is what it is going to go for, and there is no, 'Well, it also went for this type of thing'. So, really, if it's designated, then it really goes to what it is designated for. Or you are transparent upfront, and say 'When you give in the gift catalogue, and you give for the goat, there is going to be at least 10 per cent that is going to go into the support of staff who will do the training for that goat' (Ida Kaastra-Mutoigo, personal communication, March 7, 2013).
  26. The Sphere Project is a voluntary initiative that brings a wide range of humanitarian agencies together around a common aim: to improve the quality of humanitarian assistance and the accountability of humanitarian actors to their constituents, donors and affected populations. See <http://www.sphereproject.org/about> (accessed July 15, 2014).
  27. See <http://www.hapinternational.org> (accessed July 8, 2014).
  28. "Within the church, if you understand anything, there's always this fear that you are secularising, that you're forsaking your spiritual roots and everything. For some of the people, this move away from proselytising, any move away from that being your sole purpose in life is a secularisation of the church, the moving away from God" (Laurie Cook, personal communication, March 1, 2013).
  29. A staff member from a denominational agency that receives significant CIDA funding confirms this point: "We did have excellent [CIDA] proposals, which followed the guidelines exactly to the letter, and I think we were able to demonstrate good results, good value for money. And I think we used the right language, the right words. And I assume we made a clear separation between word and deed in our proposal, but I mean we always have done. In our CIDA proposals, we don't talk much about our faith, and what motivates us, and how it comes across in our development work or our relief response, because CIDA doesn't want to hear about that. But of course they know it is happening; they know what drives us. In one way, it is not something that you can easily separate because you know the fact is that we are a Christian organisation and we only work with Christian partner organisations. We do talk about our faith" (personal communication, March 7, 2013).

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## POLICY FORUM / FORUM POLITIQUE

### Trends in CIDA funding to Canadian religious development NGOs: analysing conflicting studies

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**ABSTRACT** This article examines conflicting findings from two articles in a previous issue of this journal: Audet, Paquette and Bergeron (2013) reported increases in Canadian government funding to religious (and especially proselytising) NGOs after the election of the Conservative government in 2006; while Vander Zaag (2013) found no significant trend. This study reviews these two studies, and finds that the best evidence indicates there has been no significant, lasting increase in public funding to religious NGOs since 2005. This is based on analysis of the quality of the datasets used (both the organisations included and the financial data sources used), the use of a full annual time-series instead of three point-years, a statistical analysis of the differences in funding levels, assessment of the proselytising classification of some organisations and inclusion of now available data from 2011–2012.

**RÉSUMÉ** Cet article examine les résultats contradictoires de deux études présentées dans un numéro antérieur de cette revue. Audet, Paquette et Bergeron (2013) montrent qu'il y a eu une augmentation du financement accordé par le Canada aux ONG religieuses (en particulier, à celles qui font du prosélytisme) après l'élection d'un gouvernement conservateur en 2006, alors que Vander Zaag (2013) ne décèle aucune tendance significative. Notre étude conclut qu'il n'y a pas eu d'augmentation significative et durable du financement public accordé aux ONG religieuses depuis 2005. Cette conclusion est fondée sur une analyse de la qualité des bases de données utilisées; un examen des organisations retenues pour l'étude; le recours à des séries chronologiques annuelles plutôt qu'à des données pour trois années déterminées; l'analyse statistique de la différence entre les niveaux de dépenses; l'évaluation du prosélytisme des organisations; et l'ajout des données maintenant disponibles pour la période de 2011 à 2012.

**Keywords:** faith-based NGOs; CIDA funding; religion and development; Canadian development assistance; secularism and pluralism

### Introduction

Two articles in this journal's June 2013 theme issue on religion and development examined Canadian government funding to Canadian faith-based (religious) development organisations. Audet, Paquette and Bergeron (2013) investigated how changes in the ruling federal political party influenced the allocation of public funding among secular and religious development organisations. They reported that federal government funding to secular NGOs was higher in 2005 compared to 2001, after a period of Liberal government, while funding to religious NGOs had increased in 2010 compared to 2005, four years after the election of the Conservative government in 2006. This increase was greatest for NGOs engaged in what they defined as proselytising

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activities. Vander Zaag's (2013) study was a broader study of CIDA funding to faith-based NGOs (fbNGOs), and found no obvious significant trend in the relative proportion of CIDA funding to religious and secular NGOs from 2005–2006 to 2010–2011. For NGO funding from CIDA's Partnership Branch alone, for the longer timeframe of 1996–1997 to 2010–2011, there was also no significant trend in relative funding.

This article examines these conflicting findings. It reviews the methods and data used in each study, and analyses which results are better supported by the data sources and analytical methods used, and by an additional year of now available funding data.

The results are important for several reasons. While Canadian aid policy priorities have always responded to evolving domestic politics and changes in federal governments (see, for example, Pratt 1996 and Morrison 1998), this influence is seen to have increased greatly since the election of the Conservative government in 2006 (see, for example, Brown 2012). Audet, Paquette and Bergeron's (2013) study is the first to apply this analysis of political influence to the issue of religious NGOs in Canadian development cooperation. As their title states, their finding of significant government policy bias toward religious development organisations is preliminary and thus merits testing and confirmation.

Second, the overall role and funding of NGOs within official Canadian aid structures has undergone major upheavals in the past three years, with the ending of CIDA's long-standing NGO program and project funding windows in 2010. These have been replaced with infrequent, competitive "calls for proposals" for projects that are aligned with specific government development priorities. These changes are part of broader Canadian government initiatives to make its aid program more closely aligned with Canadian trade and private sector interests, which culminated in the folding of CIDA into the renamed Department of Foreign Affairs, Trade and Development (DFATD) in 2013. In response to civil society protests against these policy changes, CIDA's minister responded that CIDA doesn't "exist to keep NGOs afloat", nor should NGOs presume CIDA would "fund them for life" (*Globe and Mail*, November 28, 2012). Thus, NGO access to government funding has become much more competitive, and has created the possibility of an "advocacy chill" on civil society regarding government aid policies. Reports of government policy bias for or against particular segments of Canada's voluntary sector could reduce solidarity among development organisations and stifle their collective voice. Ian Smillie, a well-known commentator on Canadian development assistance policy, has warned against allowing these policy changes lead to unproductive in-fighting amongst development NGOs.<sup>1</sup> The results of Audet, Paquette and Bergeron's (2013) study generated significant media attention (for example, *La Presse*, January 14, 2013; *Toronto Star*, February 12, 2013). They have subsequently been used in critiques of the "right-wing" agenda of the Conservative government and the role of Canadian faith-based NGOs – for example, the study was cited in an op-ed article by the Official Opposition Critic for International Cooperation<sup>2</sup> (*Embassy Magazine*, January 23, 2013).

Third, Audet, Paquette and Bergeron's (2013) study also aligns with current debates, particularly in Québec, but also in other parts of Canada on the place of religious expression in the Canadian public arena and the appropriate neutrality of the official public sector. The roles of faith-based development NGOs are one element of these debates on the appropriate balance between secularity and plurality in Canadian (and international) public affairs.

Thus, an understanding of possible changes in the relative roles of religious and secular NGOs in Canadian development assistance and of possible changing government policy towards sub-sectors of the NGO community is important for Canadian debates about development assistance and public policy.

This article begins with a comparative presentation of the contrasting published results of the two studies. It then describes the methods used to compare and evaluate their findings. The results

of this present comparative study are then presented for four areas: the accuracy and appropriateness of the data sets used; the funding trends observed when all years in the two data sets and data sources are utilised; the statistical analysis and interpretation of the quantitative data used; and the appropriateness of the classification of proselytist NGOs used in Audet, Paquette and Bergeron (2013). The article concludes with a short reflection on the nature of research on religious commitment.

### The contrasting findings regarding CIDA funding of religious NGOs

The key contrasting findings of Audet, Paquette and Bergeron (2013) and Vander Zaag (2013) are presented together in Figure 1. Audet, Paquette and Bergeron's data are presented as originally given (Audet, Paquette and Bergeron 2013, 299, Figure 1),<sup>3</sup> as well as a common comparable metric – religious NGO funding as a percentage of all funding to NGOs (labelled data points). For Vander Zaag's data, data presented in the text (Vander Zaag 2013, 329) and as a bar chart (330, Figure 1) were converted into this measure.

This figure shows the difficulty in determining the nature and significance of trends found in the data sets. The data for three individual years – 2001, 2005 and 2010 – from Audet, Paquette and Bergeron's (2013) study show substantial changes in the proportion of funding to religious and secular NGOs that correspond to the change in the governing party after the federal election in January 2006. In Vander Zaag (2013), the trend lines depict annual data over periods of six and 15 years (funding from all CIDA branches and from only CIDA Partnership Branch respectively). These trend lines show the considerable annual variability in percentage funding to faith-based NGOs, and do not show a significant increase or decrease, given that variability.

It should immediately be emphasised that the data from the two studies, presented together in Figure 1, are not directly comparable due to a number of important differences, which will be reviewed below.

Since CIDA's online Historical Project Data Set (HPDS; <http://www.acdi-cida.gc.ca/acdi-cida/acdi-cida.nsf/eng/CAR-1128144934-R9J>) only provides data starting for the 2005–2006

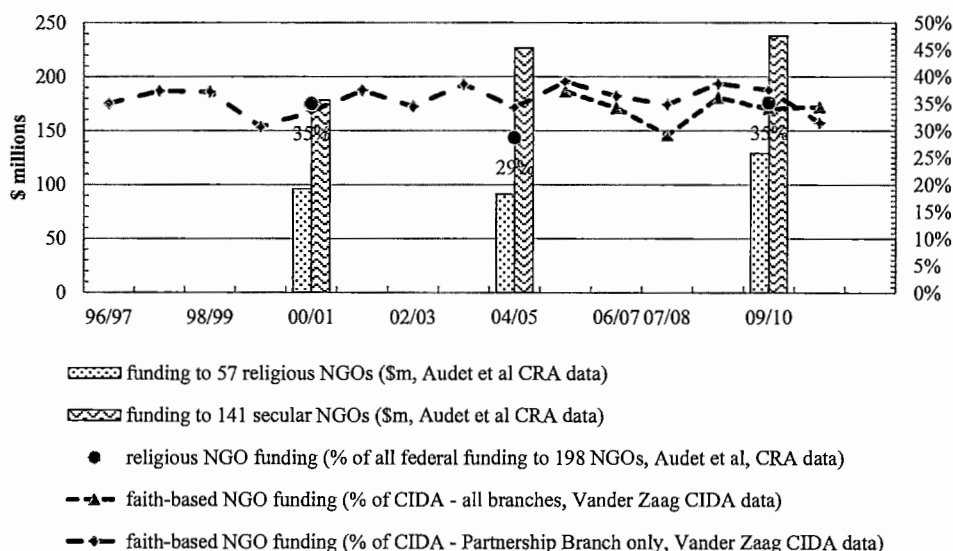


Figure 1. Comparison of conflicting results of the Audet, Paquette and Bergeron (2013) and Vander Zaag (2013) studies of Canadian government funding to religious (faith-based) development organisations.



year, the comparative analysis in this article focuses primarily (though not exclusively) on the period from 2005 to 2010, plus now available data for 2011 – the period of Audet, Paquette and Bergeron's (2013) reported increase in funding to religious NGOs. It is this reported increase which is the focus of analysis in Audet, Paquette and Bergeron concerning proselytism by religious NGOs, and which has generated the most public attention.

## Methods

In order to compare Vander Zaag's (2013) initial results with those of Audet, Paquette and Bergeron (2013), a full data set of government funding to the 198 organisations included in the Audet, Paquette and Bergeron study was created by looking up each organisation's filings with the Canada Revenue Agency (CRA) for each year from 2000 to 2011 from the CRA website's searchable Charities Listing (<http://www.cra-arc.gc.ca/chrts-gvng/lstngs/menu-eng.html>).

The information filed in each organisation's T3010 return<sup>4</sup> for line 104 (from 2000 to 2002) and line 4540 (from 2003 to 2011) was recorded in a spreadsheet, creating an annual time series data set including each year from 2000 to 2011, one year before to one year beyond the three interval years used by Audet, Paquette and Bergeron.

The compiled CIDA Historical Project Data Set used in Vander Zaag's study was updated by merging in the now-available 2011–2012 data to create a seven-year series of CIDA funding to Canadian civil society organisations from 2005–2006 to 2011–2012. The organisations used in the Audet, Paquette and Bergeron (2013) study were also located in the CIDA HPDS, and coded as “secular”, “religious” and “proselytising” using the same coding as that of Audet, Paquette and Bergeron. All of the 56 religious NGOs, and 136 of the 140 secular NGOs were located and recoded.<sup>5</sup> This allowed calculation of whether observed trends continued into 2011, and also a comparison of the annual CIDA-reported disbursements to these organisations with self-reported annual funding from the federal government recorded in CRA filings. It also allowed comparison of how the 198 organisations studied by Audet, Paquette and Bergeron were classified according to the CIDA civil society organisational “sub-class” system (as NGOs, volunteer sending agencies, cooperatives, specialised institutes, international NGOs, professional associations) also employed in Vander Zaag (2013).

From the CRA data, the changes in funding levels between 2001, 2005 and 2010 were analysed using several statistical methods. Statistical theory holds that inferential statistics (such as *t*-tests and *z*-tests) are only applicable in the context of random sampling, and thus would not be required when the population measured is the entire population (Oakes 1986). However, the 198 NGOs in Audet, Paquette and Bergeron's (2013) study are only a sample of all the NGOs receiving government funding in 2001, 2005 and 2010, as it is derived from a CIDA list of organisations receiving funding in 2011, and not the entire population of organisations actually receiving funding in 2001, 2005 and 2010. That this list is not the entire population can be verified from the much higher number of organisations in the CIDA HPDS used in Vander Zaag's (2013) study. Thus, inferential statistics should be used.

As well, even if the list of 198 organisations was the entire population of organisations receiving CIDA funding, it is not certain if, from the perspective of CIDA funding decision-making, these were two separate populations with a significant distinctive characteristic (religious or secular), or one population (and the religious or secular nature of these organisations was no more significant to CIDA than any random factor). In fact, this could be understood as one of the key research questions posed by Audet, Paquette and Bergeron (2013) – was CIDA “blind” to the religiosity of NGOs in making funding decisions, and the differences reported by Audet, Paquette and Bergeron simply the results of random variability, or the inverse?

The statistical analysis is complicated by the fact that there was great variability in average per-organisation funding (from over \$10 million per year to as little as \$10,000 per year),<sup>6</sup> and many organisations received no funding in one or two of the years selected in the Audet, Paquette and Bergeron (2013) study. As a result, several measures of change in funding were tested.

The simplest statistical test is the t-test, which was used to compare the average per-organisation funding level of a single group of organisations (either religious or secular) for any two periods. Paired t-tests were used, since the same organisations were in the sample for each of the two tested periods. This tested the hypotheses that the average total funding for each type of organisation in 2005 was the same as in 2001, and the same in 2010 as in 2005.

Second, the average *percentage change* in funding was also tested, which reduced the effect of the great variability in per-organisation funding – using this metric, a smaller organisation that doubled funding from \$100,000 to \$200,000 would be considered the same as a larger organisation that doubled funding from \$1 million to \$2 million. A z-test was used to test the hypothesis that the average percentage funding change was the same for different categories (religious or proselytising compared to secular organisations) in both the 2001–2005 and 2005–2010 periods. The specific value calculated was the funding at the end of the period, expressed as a percentage of the average of the funding amounts in the first year and the second year of the period (that is, 2005 funding as a percentage of the average of 2001 and 2005 funding, and 2010 funding as a percentage of the average of 2005 and 2010 funding).<sup>7</sup> The mean of the per-organisation percentage changes was then calculated separately for all the 56 religious organisations, the 38 proselytist organisations, and the 140 secular NGOs, and tested for significant difference using a two-sample z-test for each period.

## Results

### *Comparison of data sets*

As introduced above, there are several important differences in the data sets used in the two studies. This can be analysed in terms of the organisations contained in each, and in terms of the funding data reported in each.

### *Organisations included*

Audet, Paquette and Bergeron's (2013) analysis began with the 866 organisations registered in 2011 as CIDA partners, and narrowed this set to 198 organisations which: (a) they classified as NGOs; (b) had headquarters in Canada; and (c) were registered with the CRA as charities.

When the CRA database was searched for the Audet, Paquette and Bergeron (2013) NGO list, two NGOs were found to be included twice: Aide médicale internationale à l'enfance, or L'AMIE; and the Salvation Army of Canada. The Audet, Paquette and Bergeron study thus actually included 196 unique NGOs. Filings for two addition (secular) organisations were not found: Canadian Foundation for the Americas (FOCAL); and Human Rights Internet. Since both of these organisations received relatively small amounts of CIDA funding (combined, less than 0.3 per cent of the average total annual funding to secular organisations, according to CIDA HPDS data), this omission was considered insignificant in the subsequent analysis. Also, only the return for the charitable foundation of SOCODEVI (*Société de coopération pour le développement international*) was found, and it reported no federal government funding during this period, which is not unexpected since SOCODEVI operates as a cooperative and not a charity.

Vander Zaag's (2013) analysis began with the 658 unique civil society organisations (CSOs) in the combined CIDA HPDS for the six years from 2005–2006 to 2010–2011, and focused on the

311 unique Canadian NGOs and NGO consortia<sup>8</sup> that received CIDA disbursements during any year during this period. The main reason the set of organisations used in Vander Zaag's study is noticeably larger than that of Audet, Paquette and Bergeron's study (2013) is that it only included organisations listed as CIDA partners in 2011, thus excluding organisations that received CIDA funding in earlier years but not in 2011.<sup>9</sup>

Overall, for the 2005–2006 to 2011–2012 period, the CIDA HPDS includes 145 NGOs not included in the Audet, Paquette and Bergeron (2013) data set. Of these, 22 are faith-based NGOs, which together received an annual average of \$2 million in CIDA funding during these six years, and only one of which (Crossroads Christian Communications) received funding in either 2010–2011 or 2011–2012 and so might be expected to have been included in the Audet, Paquette and Bergeron data set. The 123 secular NGOs not included in Audet, Paquette and Bergeron received an annual average of \$53 million in CIDA funding during these seven years. Most significant are six NGOs that each received over \$1 million in average annual funding: the Canadian Red Cross (\$24.6 million/year); Save the Children Canada (\$13.9 million/year); Peace Dividend Trust (\$2.5 million/year); Club 2/3 (\$1.3 million/year); UNICEF Canada (\$1.3 million/year); and Consortium Save the Children/Norwegian Refugee Council (\$1.2 million/year). Of these six NGOs, only one (Club 2/3) did not receive CIDA funding in each of the seven years, and it is not clear why they were not included in the Audet, Paquette and Bergeron data set. Particularly significant is the exclusion of the Canadian Red Cross and Save the Children, two of the largest Canadian NGOs (they ranked second and sixth respectively in funding received from CIDA from 2005–2006 to 2011–2012, according to the CIDA HPDS). The DFATD website "Project Browser" (<http://www.acdi-cida.gc.ca/acdi-cida/acdi-cida.nsf/eng/CAR-1128144934-R9J>) indicates each had multiple CIDA-funded projects in 2011, and thus it is puzzling why they would not have appeared on the list of CIDA partners in 2011 used by Audet, Paquette and Bergeron to create their initial list of NGOs. Both organisations received more funding in 2010 than in 2005, according to their CRA filings, and including them in Audet, Paquette and Bergeron's calculations would have increased the secular NGO funding change between 2005 and 2010 from 5.0 per cent to 11.5 per cent.

Comparison of the types of organisations (CIDA's "sub-classes" of CSOs) included in the two studies also shows significant differences. Thirty-seven of the 196 organisations in Audet, Paquette and Bergeron's (2013) list were not coded as NGOs in CIDA's HPDS. Audet, Paquette and Bergeron do not specify the criteria they used to classify CIDA partner organisations as NGOs, and so it is not possible to directly compare the criteria. Nine of the 37 organisations not classified as NGOs are classified in the CIDA HPDS as volunteer-sending agencies, NGO umbrella organisations and cooperatives – what Vander Zaag (2013) classified as "NGO-like CSOs" – and so their inclusion is understandable. However, 28 are not NGOs, nor even NGO-like CSOs, but are professional associations such as Canadian Public Health Association and the Canadian Society for Civil Engineering, para-governmental agencies such as the Federation of Canadian Municipalities, international NGOs such as the Micronutrient Initiative<sup>10</sup> and the International Council of AIDS Service Organisations, and specialised institutes, including the International Institute for Sustainable Development, the Urban Institute, the Agricultural Institute of Canada, the National Judicial Institute, the Pearson Peacekeeping Centre, the Parliamentary Centre and the Institute for Public Administration. Almost all (35 of the 37) of the "non-NGOs" included in Audet, Paquette and Bergeron's data set were secular organisations.

While there is no universally accepted definition of what constitutes a NGO, the specialised institutes in particular are not popularly understood to be development NGOs, in that they do not have a broad voluntary membership or donor base. Thus, though Audet, Paquette and Bergeron (2013) consistently refer to their 198/196 organisations as "NGOs", about one-seventh are not NGOs, at least as CIDA classifies them, nor even "NGO-like" organisations.<sup>11</sup> Data presented

in the following section illustrate how the trends reported by Audet, Paquette and Bergeron change when only NGOs are included.

The classification of organisations as “religious” or “secular” was largely consistent between the two studies – Audet, Paquette and Bergeron (2013) classified eight organisations as religious that Vander Zaag (2013) classified as secular. Two were NGOs that received significant amounts of funding, and whose classification could be contested – Fondation Léger and YMCA-Canada.<sup>12</sup> The funding of Fondation Léger dropped \$1.5 million between 2005 and 2010, and reclassifying it as secular would make the increase in religious NGO funding between 2005 and 2010 reported by Audet, Paquette and Bergeron change from 40 per cent to 44 per cent. YMCA-Canada’s funding increased slightly between 2005 and 2010. The other six organisations should have been classified as “faith-based” using Vander Zaag’s study’s criteria, but given that they received relatively small amounts of funding, reclassification would not significantly alter the trends reported for Vander Zaag’s data in Figure 1.

### **Funding data**

The two data sets can also be compared as to the nature of the funding data they report. However, it is not possible to do a completely comparative analysis, since there are several variables that cannot be made consistent between the two data sets.

First, the reporting periods are not directly comparable. The CIDA disbursement data is reported by CIDA fiscal year, with ends March 31. The CRA data is reported by calendar year, but reports for organisations’ internal fiscal years, which can end in any month of that calendar year. Since over half the organisations had internal fiscal years ending on or within three months of March, it is more accurate to compare CRA data for a given year with the CIDA data for the fiscal year that ends in that same year (that is, compare CRA data for 2010 with CIDA data for 2009–2010), as was done in Figure 1.

Secondly, the CRA data used by Audet, Paquette and Bergeron (2013) is NGO-reported funding data from all federal government departments. For some organisations, particularly specialised institutes and organisations with mandates for social services in both Canada and internationally, this possibly also includes funding for domestic programming. Examples of organisations with considerably higher CRA-reported federal government funding than CIDA-reported funding included the Canadian National Institute for the Blind, the International Institute for Sustainable Development (IISD), the Canadian Public Health Association (CPHA), the Salvation Army and the Pearson Peacekeeping Centre, as well as the Canadian Red Cross. Several of these organisations were noted above as either questionable inclusions or significant omissions from the list of NGOs used in the Audet, Paquette and Bergeron study.<sup>13</sup> The CRA data set reported significantly greater funding to two religious NGOs – Christian Reformed World Relief Committee (CRWRC, now renamed World Renew) and Mennonite Central Committee (MCC) – than reported in the CIDA data set. Though exact comparison of yearly data is not possible because of differing fiscal-year-ends, the two data sets report largely similar funding data until the year 2009. Beginning in 2009, the CRA funding data was much larger than that reported in the CIDA data set – a combined \$16.6 million (CRA reported data) compared to \$4.2 million (CIDA reported) in 2010. Analysis of the annual reports of both CRWRC and MCC revealed a possible reason for these discrepancies – both are members of the Canadian Foodgrains Bank (CFGB), and reported funding received from CFGB, which originated from CIDA, approximately equal to the differences in the CRA and CIDA amounts. Personal communications with the directors of both organisations<sup>14</sup> confirmed that they did include CFGB “flow-through” funding from CIDA as federal government revenue on their CRA returns. Since these funding amounts are also included in CFGB totals, this results in double-counting of this funding. The significance of this

discrepancy in the CRA data on the Audet, Paquette and Bergeron reported trend in funding to proselytising NGOs will be discussed further below.

In summary, analysis suggests the CIDA data set can be considered to be a more accurate recording of the funding disbursed to the studied organisations for development purposes, since it includes more organisations, includes all organisations receiving funding in any year since 2005–2006, does not include over 20 organisations that are classified by CIDA not as NGOs but as specialised institutes, international NGOs and professional associations, does not exclude several of the largest Canadian NGOs, and includes a more accurate record of CIDA disbursements used only for development programming.

### Comparison of funding trends

Figure 2 presents the comparative funding amounts for the 196 religious and secular organisations from Audet, Paquette and Bergeron (2013) for each year from 2000 to 2011. The trend line (solid line) shows a more complex pattern for the changes in proportion of funding received by religious organisations than reported by Audet, Paquette and Bergeron. The proportion of religious organisation funding declines considerably from 2001 to 2004, and then begins to increase already in 2005, a year before the installation of the Conservative government in 2006. From 2006 to 2008 the funding level to religious NGOs is relatively flat, with a sharp increase occurring in 2009. In 2010 and 2011, funding levels drop to reach approximately the same relative proportions as at the beginning of the Conservative government in 2006. The yearly variation in this graph thus can neither confirm nor refute the claim that after 2006 government funding policy favoured religious NGOs.

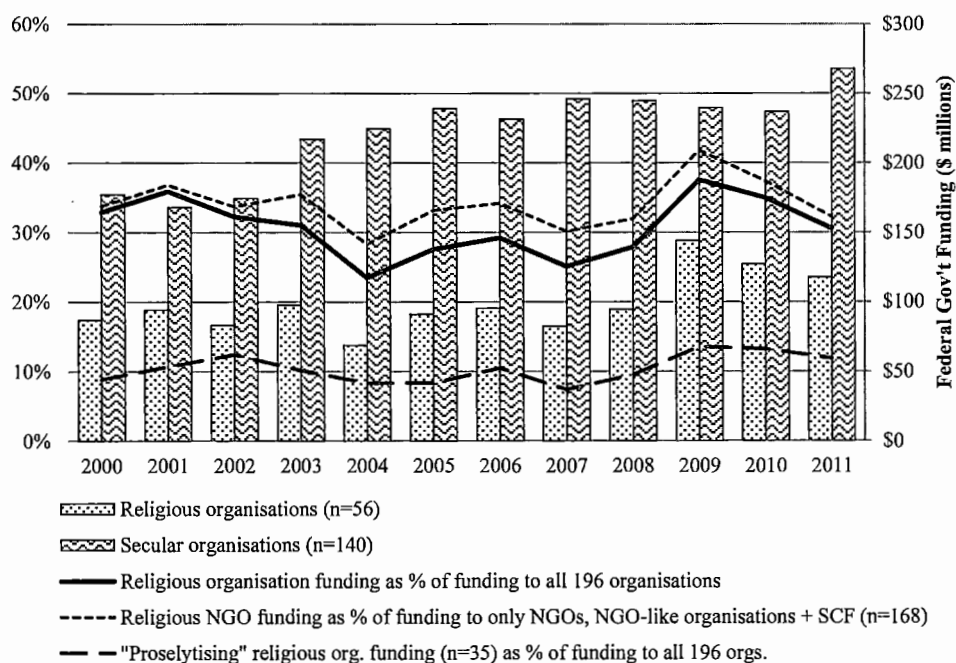


Figure 2. Annual trends in funding to religious, "proselytising" and secular development organisations, Canada Revenue Agency funding data, for the 196 organisations from Audet, Paquette and Bergeron (2013).

Figure 2 also demonstrates the limitations of Audet, Paquette and Bergeron's (2013) method of selecting individual years for their comparative analysis. If 2009 had been selected instead of 2010 as the year to observe any impacts of the change in government on CIDA NGO disbursement policy, an even greater change would have been reported. Conversely, if 2011 had been selected, very little change would have been reported.

Based on the finding that the Audet, Paquette and Bergeron (2013) data set included 26 organisations that should arguably not be considered NGOs, Figure 2 also includes the funding trend line (dashed line) for the CRA data excluding all organisations not classified as NGOs or NGO-like CSOs, and including Save the Children (see discussion above). This trend line shows that the inclusion of these non-NGOs increased the reduction of funding to religious NGOs from 2001 to 2005, and thus also exaggerated the reported increase in funding to religious NGOs from 2005 to 2010.<sup>15</sup>

Figure 2 also shows the annual trend line for funding to Audet, Paquette and Bergeron's (2013) list of 35 proselytising NGOs. The trend does not follow a simple decline from 2001 to 2005 and then increase to 2010, but rather a series of three increases and declines that do not show any obvious correlation to the federal governing party.

The funding totals to the 196 organisations used by Audet, Paquette and Bergeron (2013), using the better quality CIDA HPDS data from 2005–2006 to 2011–2012, are presented in Figure 3. The shape of the trend line (solid line) for religious organisation funding as a percentage of funding to all 196 organisations from Audet, Paquette and Bergeron (less the Micronutrient Initiative – see note 10) is quite similar to that in Figure 2, though the increase in funding to religious NGOs appears already in 2008–2009. It then declines for the following three years,

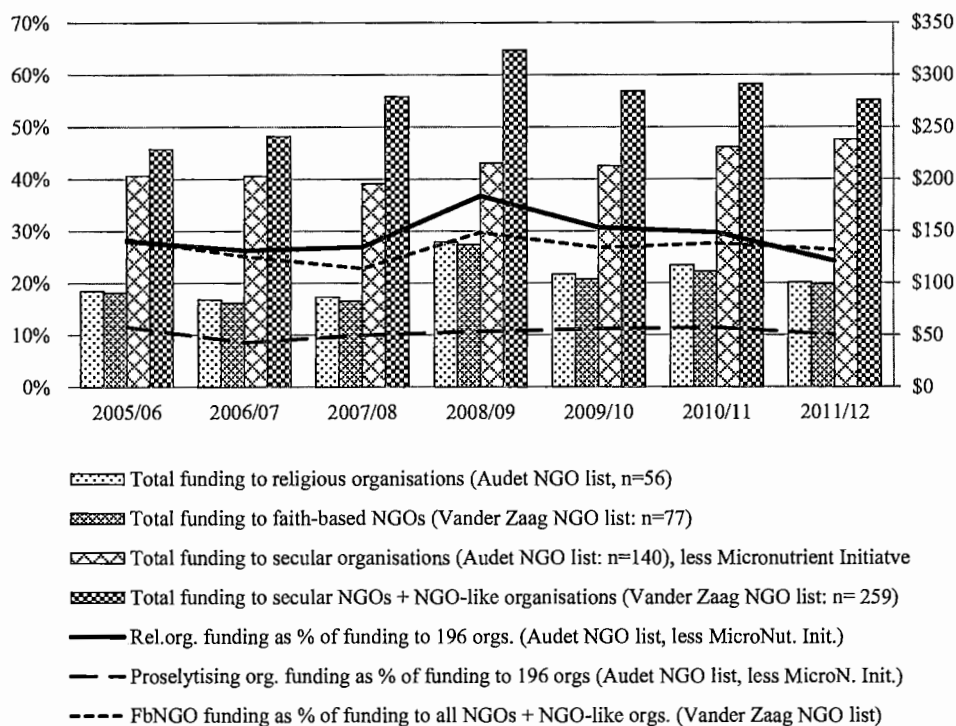


Figure 3. Funding to religious development organisations, Audet, Paquette and Bergeron (2013) list, and faith-based NGOs, Vander Zaag (2013) list, and funding trends, using data from the CIDA Historical Project Data Set.

confirming that any policy bias in favour of religious NGOs in 2008–2009 was short-lived (if, indeed, it was a deliberate or statistically significant bias – see the statistical analysis in the section below).

The finding in the Audet, Paquette and Bergeron (2013) study that the increase in government funding was particularly great for a subset of 38 so-called proselytising NGOs is not confirmed when the CIDA data are used to calculate funding trends for these NGOs (trend line with long dashes in Figure 3). As was discussed in the Results section of this current article when comparing funding data, the discrepancy between the CRA and CIDA data trends for this group of organisations is because the CRA reported funding data are much higher for two religious NGOs, CRWRC and MCC, since they include flow-through funding via the CFGB.

The funding totals for the 77 faith-based and 234 secular NGOs and 25 NGO-like CSOs included in the Vander Zaag (2013) study (bar chart), along with trend line for fbNGO funding as a percentage of funding to all 336 unique NGOs and NGO-like organisations (dotted line), is also included in Figure 3. The funding totals for the 77 fbNGOs in Vander Zaag's study is less than the 56 religious organisations in Audet, Paquette and Bergeron due to the differences in each study's classification of fbNGOs and religious organisations, as discussed in the section comparing data sets above – particularly the classification of Fondation Léger and YMCA-Canada as religious NGOs by Audet, Paquette and Bergeron. A significant trend in the funding total in both Audet, Paquette and Bergeron and Vander Zaag is a sharp increase of about \$50 million in funding to religious NGOs, visible in 2009 with the CRA data (Figure 2) and in 2008–2009 with the CIDA data (Figure 3). Analysis of the individual project coding available in the CIDA data set showed that large increases in funding to four NGOs (CFGB, World Vision, Aga Khan Foundation Canada (AKFC) and Catholic Development and Peace) accounted for 95 per cent of this increase: the CFGB was granted a \$5 million increase in its annual core funding and a major special programming grant of \$19.5 million for food security in Ethiopia (a response both to the global food crisis of 2008 and commitments to increase programming in 20 countries of focus); World Vision was granted an increase of \$9.9 million for humanitarian programming responding to disasters and post-disaster reconstruction in Haiti, Myanmar, Sri Lanka, China and Sudan; the Aga Khan Foundation was granted \$7.4 million for programming primarily in Afghanistan and Pakistan (related to Canada's broader involvement in the NATO actions in Afghanistan); and Catholic Development and Peace received additional funding of \$4.2 million in Partnership Program funding. While these funding increases could be viewed as evidence of a government policy favouring religious NGOs, the fact that the majority of the funding increase went to a small group of large, reputable development NGOs, and a significant proportion was for humanitarian assistance, a sector in which they appear to have greater capacity than their secular counterparts (Vander Zaag 2013) does not necessarily indicate a consistent or broad policy bias toward religious NGOs. More importantly, the fact that these funding increases did not continue in the three subsequent years suggests that these increases to these four religious NGOs were simply circumstantial and not the result of a coordinated policy.

### ***Statistical analysis of the funding increases reported by Audet, Paquette and Bergeron***

The analysis of the previous section raises the question of whether changes observed in funding levels from one year to another are in fact statistically significant, or simply the result of circumstantial or normal variability in funding to specific organisations. The results presented in Audet, Paquette and Bergeron (2013) characterise the changes they found in total funding levels for religious and secular NGOs as significant, without any statistical testing of the variability in underlying data. However, as discussed in the Methods section, Audet, Paquette and Bergeron's data set is a sample of the entire population of organisations that received CIDA funding, and thus



inferential statistics should have been used to determine if the changes in average funding, or average per-organisation percentage change in funding, are significantly different for religious and secular organisations.

The results for the four t-tests of changes in average per-organisation funding are presented in Table 1. The only statistically significant difference in average funding levels (with a probability score less than 0.05) was for secular organisations between 2001 and 2005. While the average per-organisation funding for religious organisation increased considerably between 2005 and 2010 (an average of \$646,000), because of the smaller sample size and greater variance the difference was not statistically significant.

Because of the high variance in the data, a paired t-test is not particularly powerful in identifying differences in this situation. As described in the Methods section, calculating the percentage change in funding controls for differences in absolute per-organisation funding levels, and allows direct comparison of the average per-organisation percentage change between the three categories of organisations, for a given year interval. The results of four z-tests (two-sample for means) are presented in Table 2.

The results show that only in the 2001–2005 period were there significant differences in the average percentage change in funding amounts between categories of organisations. The differences were significant both for the comparison between religious organisations and secular organisations, and the comparison between the subset of proselytising organisations and secular organisations. Between 2005 and 2010, though religious organisations and the subset of proselytising organisations had a larger average increase in funding, the difference was not significant. The result that the difference in funding between proselytising and secular organisations between 2005 and 2010 was not statistically significant is important, as the Audet, Paquette and Bergeron (2013) study showed that this subset of the religious NGOs had the largest absolute increase in funding. Review of the CRA data showed that the increase in funding to these 38 NGOs was almost entirely due to increases in funding to the three highest-funded NGOs in this group – the Aga Khan Foundation, Mennonite Central Committee and CRWRC – which accounted for 93 per cent of the \$20.7 million increase in funding from 2005 to 2010.<sup>16</sup>

As explained above in the section comparing data sets, the CRA-reported data for CRWRC and MCC included indirect or double-counted (via CFGB) government funding in their CRA filings. Removing the difference in CIDA-reported versus CRA-reported funding for CRWRC and MCC

Table 1. Results of t-tests of the average per-organisation funding of religious and secular organisations, for the organisations and CRA funding data used in Audet, Paquette and Bergeron (2013).

	Year	Average funding (per organisation)	t-test scores
Religious organisations ( <i>n</i> =56)			
Test 1: 2001 compared to 2005	2001	\$1,682,323	df=55, <i>p</i> =0.704
	2005	\$1,625,682	
Test 2: 2005 compared to 2010	2005	\$1,625,682	df=55, <i>p</i> =0.195
	2010	\$2,271,684	
Secular organisations ( <i>n</i> =137)			
Test 3: 2001 compared to 2005	<b>2001</b>	<b>\$1,220,981</b>	<b><i>df</i>=136, <i>p</i>=0.002</b>
	<b>2005</b>	<b>\$1,739,589</b>	
Test 4: 2005 compared to 2010	2005	\$1,739,589	df=136, <i>p</i> =0.943
	2010	\$1,728,555	

Note: Significant differences (*p* < 0.05) are indicated in bold.



Table 2. Results of z-tests of the average percentage change in per-organisation funding, comparing religious and proselytising with secular organisations, for the organisations and CRA funding data used in Audet, Paquette and Bergeron (2013).

		Average change in funding (per organisation)	z-test scores
Test 1: 2005 funding as percentage of average 2001 and 2005 funding	Religious organisations ( $n=45$ )	<b>93%</b>	<b><math>p=0.0003</math></b>
	Secular organisations ( $n=108$ )	<b>127%</b>	
Test 2: 2010 funding as percentage of average 2005 and 2010 funding	Religious organisations ( $n=52$ )	121%	$p=0.235$
	Secular organisations ( $n=123$ )	110%	
Test 3: 2005 funding as percentage of average 2001 and 2005 funding	Proselytising organisations ( $n=28$ )	<b>92%</b>	<b><math>p=0.001</math></b>
	Secular organisations ( $n=108$ )	<b>127%</b>	
Test 4: 2010 funding as percentage of average 2005 and 2010 funding	Proselytising organisations ( $n=28$ )	118%	$p=0.475$
	Secular organisations ( $n=123$ )	110%	

Note: Significant differences ( $p < 0.05$ ) are indicated in bold.

decreased the change in total funding to proselytising NGOs from 74.6 per cent to 52 per cent. Analysis of the project coding available in the CIDA data set showed that the Aga Khan Foundation Canada received large increases in its CIDA funding starting in 2008–2009 for increased programming in Afghanistan and neighbouring countries. While the classification of AKFC as proselytist is itself quite debatable (see below), certainly the selection of AKFC (an Islamic faith-based NGO) to deliver humanitarian and development assistance in Islamic-majority central Asian countries could be considered an appropriate recognition of recipient countries' cultural and religious values, and not an attempt at supporting proselytising Canadian NGOs.

The above analyses indicate that Audet, Paquette and Bergeron's finding of "funding to religious NGOs engaged in proselytising has significantly increased under the federal Conservative government" (2013, 291) is not supported by further statistical and qualitative analysis. Since the statistical analyses of the CRA data show that the only significant increase in funding was to secular NGOs from 2001 to 2005, which stopped between 2005 and 2010, it is possible to suggest that the Conservative government during this period was more favourable to religious NGOs than the previous Liberal government. Yet, the possible change in government policy would more accurately be described as the ending of a bias against religious NGOs, and not a significant increase in funding to them.

A final methodological point deserves mention. While Audet, Paquette and Bergeron reported evidence of a correlation between funding levels to secular and religious organisations and changes in government, this does not establish causation. Audet, Paquette and Bergeron may presume causation, but to establish whether other factors are determinant would require more sophisticated statistical modelling.<sup>17</sup> Moreover, the analysis presented here using t- and z- tests suggests that even correlation is difficult to prove with the data used.

The results presented here also raise concerns about the process of research review and dissemination. The public dissemination of the results of the Audet, Paquette and Bergeron (2013) study to Canadian media before the study was published with final revisions from peer review, should be questioned, particularly as media reports, once released, easily become accepted truths in segments of the public.

***Review of the classification and distinction between proselytist, religious and secular development organisations***

The Audet, Paquette and Bergeron study made an analytical distinction between simply religious NGOs and proselytist religious NGOs, identifying a subset of religious NGOs that engage in proselytism, defined as “activities carried out with the intention of changing, altering, replacing, convincing or modifying one’s belief to another belief or norm” (2013, 296). Good statistical and analytical evidence has already been presented above to dispute their findings that those NGOs classified as proselytist systematically received a greater increase in government funding between 2005 and 2010. However, the classification and analytical distinction of proselytist NGOs used by Audet, Paquette and Bergeron also merits review. Analysis will focus on the effects of using a declarative criteria instead of practice-based criteria to distinguish between religious and proselytising, and more conceptually, the presumption that NGO goals of producing change in religious belief are qualitatively different than goals of producing change in other types of foundational (though secular) belief.

Audet, Paquette and Bergeron (2013) provide the criteria and justification for their classification of some religious NGOs as proselytising, based on the degree of religiosity expressed in statements found on organisational websites, as well as information provided on organisations’ CRA T3010 returns listing their three primary programming areas. However, using such sources without examining the actual practice of these organisations risks significant misclassification of religious NGOs. Audet, Paquette and Bergeron acknowledge that such public statements “may or may not faithfully represent the real nature of the organisation’s actions in the field” (2013, 297). Yet, Audet, Paquette and Bergeron provide no evidence that any of the NGOs classified as proselytising do not follow the clear policies established between CIDA and Christian NGOs (see Paras 2012) regarding the appropriate balance between legitimate NGO faith commitments and respectful, non-discriminatory and non-conditional development practice.

The potential problems from using only website statements are highlighted by a review of the classification of specific religious NGOs as proselytist. Audet, Paquette and Bergeron’s listing of “proselytist” organisations includes a number of NGOs that observers familiar with their practices would be unlikely to include. For example, the Canadian Friends Service Committee, the peace and service agency of the Society of Friends (commonly known as Quakers), is on the “proselytist” list. Yet Quakers are well known as being among the most liberal of Christian religious traditions, and as stated in the declaration of action excerpt included in the appendix by Audet, Paquette and Bergeron (2013), “find meaning and value in the teaching of many faiths”. Similarly, the United Church of Canada, another Christian denomination with a strong “social gospel” tradition in which social service has largely replaced direct evangelism as its form of mission, is included. Other organisations whose website statements are provided only contain reference to being motivated by religious convictions (for example, International Child Care, Mennonite Central Committee and Christian Blind Mission International).

Further evidence of the questionable categorisation used for this subset of religious NGOs is the fact that the United Church of Canada and four other “proselytising NGOs” are among the 11 member agencies that sponsor KAIROS Canada, a religious NGO that had its funding terminated in a controversial manner in 2009 by the Conservative government. These cuts were widely considered to be related to KAIROS’s development and human rights advocacy work in Palestine. So, while there are a number of NGOs whose funding is widely perceived to have been cut as a result of the “policy ideology” of the Conservative government, at least some “proselytising” NGOs are associated with those affected negatively (rather than favourably) by these policies. These examples suggest that attempting to classify some religious NGOs as proselytising based on

written statements and not an understanding of their actual practices is extremely difficult, if not impossible.

While the accurate classification of some religious NGOs as proselytising is fraught with difficulties, this does not refute the point that many NGOs, including religious NGOs, do have goals of supporting specific foundational beliefs (including religious beliefs) through their development work. At the same time, many religious NGOs understand the dangers of sectarian bias or conditionality in providing relief and development services, and attempt to avoid this as counter to their religious witness to afford care and respect to all. Twenty-one of the larger faith-based NGOs included in Vander Zaag's (2013) analysis (which includes eight classified by Audet, Paquette and Bergeron 2013 as proselytising) are members in good standing of the Canadian Council for International Cooperation (CCIC) and subscribe to its Code of Ethics, which includes the commitment to "respect the cultural and spiritual integrity of all peoples" (CCIC n.d.). Based on the assessment of their secular NGO peers, these organisations give religious witness to foundational worldviews, while providing development programs in an ethical and respectful manner.

Yet, it is not only religious development organisations that witness – it can be argued that all development interventions give witness to some foundational worldview, whether secular or religious. In some development contexts, where the majority culture is rooted in a traditional religious worldview, the activities of a secular NGO could be considered to promote change in religious belief. While a modernist Western worldview might consider health care, education or crop production as secular domains, other cultures view these areas of life as also imbued with religious and spiritual significance, and outside agencies that ignore (or actively undermine) such understandings can be understood as supporting (secularising) religious belief change. Thus, the increase in funding to the Aga Khan Foundation for programming in Afghanistan (discussed above) can be interpreted not as support for proselytising development, but rather for culturally appropriate development. More generally, the view that "development" is secular and easily separable from the religious, or that secular worldviews are less "evangelistic" than religious worldviews, has been challenged recently by scholars of religion and development (Paras 2012; ter Haar 2011).

## **Conclusion**

This review has analysed why conflicting results were reported in independent studies by Audet, Paquette and Bergeron (2013) and Vander Zaag (2013) on Canadian government funding trends to religious or faith-based NGOs. This review has shown that the best evidence indicates there has not been a significant, lasting increase in public funding to religious NGOs since 2005. This is based on five related analyses:

- (1) The set of NGOs included in Vander Zaag's analysis better represents the Canadian NGO sector – it contains more organisations (including the Canadian Red Cross and Save the Children Canada – two of the largest secular NGOs which were omitted by Audet, Paquette and Bergeron, despite appearing to meet all their criteria for inclusion), it avoids possible bias in the selection of included organisations and it does not include organisations that are commonly understood to be specialised institutes and professional associations and not NGOs.
- (2) The CIDA Historical Project Data Set provides better funding data than the Canada Revenue Agency reporting of federal government funding to Canadian-registered NGOs.
- (3) Trend lines showing proportions of public funding to religious NGOs for every year during the period under study (and not just three selected years) show considerable variation that does not follow the simple trends described by Audet, Paquette and Bergeron based on data from three individual years.

- (4) Statistical analysis of the changes in average funding or average percentage change in funding to religious and proselytising organisations reported by Audet, Paquette and Bergeron shows that the only change that was statistically significant was the increase in funding to secular organisations between 2001 and 2005, while changes between 2005 and 2010 for secular, religious and so-called proselytising NGOs were statistically insignificant.
- (5) Inclusion of now available data from CIDA for 2011–2012 and the CRA for 2011 show that any claimed trend of increasing funding for religious NGOs has not continued.

This review also raised questions about the criteria and conceptual framework used to classify some religious NGOs as proselytising.

As discussed in the introduction, these findings are significant for several reasons. The current government in Canada has instituted significant aid policy changes widely seen as reflecting a more overt political influence on aid allocations. One particular policy change has been a reduced and newly competitive funding mechanism for Canadian NGOs that may cause tension between sub-sectors of the NGO community. In addition, the place of religious expression in the Canadian public arena is a topic of strong debate, particularly in Quebec, and Audet, Paquette and Bergeron's (2013) report of increasing public funding for faith-based development NGOs has become one element of this debate. This study found no evidence of significant or persistent change in comparative funding levels for faith-based and secular NGOs since 2005, and thus of "confessional" bias in the Conservative government's aid allocation policy. It has also questioned the easy identification of a group of proselytising faith-based NGOs.

Two final comments merit mention as reflection on the sensibilities of research on religion and development. Audet, Paquette and Bergeron (2013) express considerable alarm about the "confessionalisation" of Canadian development assistance, alarm that has found broader resonance in the media. This study presents considerable evidence that the findings of Audet, Paquette and Bergeron are based on inadequate analysis. It appears then that the Audet, Paquette and Bergeron research flows out of a secularist commitment that is suspicious of the place of religious belief in the public sector. The analysis presented in this article and in Vander Zaag (2013) clearly emerges out of an alternative commitment, which appreciates the role of religion in people's lives, and emphasises the inadequacy of easily separating the secular and the sacred, the shared roots of all development worldviews in "faith" of some kind, and the missionary character of much development activity. The challenge of genuine dialogue among contending foundational commitments, a key question in the religion and development literature, is well illustrated.

My final comment, therefore, would be to emphasise that this review is not intended simply to defend the position of faith-based NGOs (and thus contribute to the infighting Smillie 2013 warns against), and even less to defend the development assistance policy positions of the Conservative government. Rather, my interest is an accurate understanding of the evolution of the roles of different sectors of Canadian civil society in development assistance. I would suggest that careful analysis of the roles of the diverse range of Canadian development NGOs would reduce narrow and unproductive competitiveness and encourage them to focus on ways to contribute to an aid program marked by solidarity, openness, plurality and best practices.

### **Biographical note**

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## Notes

1. In a satirical "open letter" advising the Australian Prime Minister how the Canadian government has successfully instituted cuts in Canadian aid, Smillie (2013) suggests: "Cut back on funding to the rights-and-justice crowd, but start throwing small bones to new, less vocal players among the faith-based organisations. If you're lucky, a few of the secular outfits will smell smoke and cry 'fire'. Maybe an academic or two will get busy with a calculator, and pretty soon you'll have all the NGOs fighting among themselves."
2. Hélène Laverdière.
3. Nowhere in Audet, Paquette and Bergeron are the actual funding totals given for each type of organisation, so the data presented for Audet, Paquette and Bergeron were estimated by physically measuring enlarged copies of Figure 1. These estimates were within 2 per cent of the funding totals summed from my search of each organisation's CRA filing,
4. T3010 is the registered charity declaration form.
5. The four organisations were Groupe communautaire l'Itinéraire, Histoire Canada, Imagine 1 Day International Organisation, and On the Ground.
6. All dollars amounts in this article refer to CAD.
7. The simpler measure of end-period funding as a percentage of beginning-period funding (for example, 2005 funding as a percentage of 2001 funding, and 2010 funding as a percentage of 2005 funding) was not used, since a significant number of the 196 NGOs did not receive funding in one or two of these years. The percentage change measure would equal infinity if the denominator was zero, or a very high percentage if the initial funding was low and then increased significantly. Using the average of the two years' funding ensured the denominator in the percentage change calculation was always greater than zero, and the percentage change number was always between 0 and 200 per cent. This avoided unusable "infinity" data, and reduced the data variability, by making the data range remain within two equal "tails" on either side of 100 per cent (between 0% and 200%). When an organisation did not receive funding in either year of the interval being tested, no data were entered rather than a value of 100 per cent. Thus, the number of data in each test will vary.
8. Of the 311 organisations, nine were consortia of two or more NGOs. Since it was not possible to disaggregate these funding amounts, and they were all classified as secular organisations, they were included as separate organisations.
9. Selecting a list of only organisations receiving funding at the end of the study period creates a possible bias in the sampling of all organisations that received funding. Because there was considerable turnover in the organisations receiving funding, progressively fewer organisations received funding in 2005 and 2001: 167 of the 196 organisations in the Audet, Paquette and Bergeron data set received funding in 2010; 146 of the 196 organisations in the data set received funding in 2005, and only 124 of the 196 organisations in the data set received funding in 2001. (In addition, 11 of the 196 NGOs did not report federal government funding in any of the years 2001, 2005, 2010 and 2011, though they were on the list of CIDA partners for 2011. The other 19 NGOs that reported no funding in 2010 did have funding in 2011, or funding in 2005 or 2001.) Excluding organisations that only received funding in 2001 or 2005 removes the funding they received from the totals for these earlier years, making total funding levels appear to increase. If a greater proportion of either religious or secular organisations were funded in 2001 and/or 2005 but not in 2011, this would make funding levels appear to increase more for that category.
10. The inclusion of the Micronutrient Initiative does not affect analysis reported in Audet, Paquette and Bergeron, since it reported no federal government revenue in 2010, and this was the first year it filed a CRA return. It was not included in my 2013 study's analysis, since the CIDA HPDS classifies it as an International NGO. However, since the CIDA HPDS reported it received \$287 million from CIDA between 2005–2006 and 2011–2012, when the Audet, Paquette and Bergeron organisation list is analysed using the CIDA HPDS data (as presented below), its impact on trends will need to be considered.
11. It is for this reason that I have usually referred to Audet, Paquette and Bergeron's data set as consisting of 196 organisations and not 196 NGOs.
12. Audet, Paquette and Bergeron provide citations from each organisation's website to support their classification as religious. Yet, while both have a historical Christian identity, they no longer actively self-identify as religious organisations in any of their organisational identity statements or governance structures, the criteria used (Vander Zaag 2013, 325).
13. The Canadian Red Cross data are further complicated as the CIDA data also report \$142 million disbursed to the International Committee of the Red Cross and the International Federation of Red Cross and Red Crescent via CRC. These disbursements are not included in Vander Zaag's data set, as it was

- coded as funding to International NGOs in the CIDA HPDS. Because of the ambiguity of the nature and purpose funding to the Red Cross, it is not added to the Audet, Paquette and Bergeron data in the analysis presented in Figure 2.
14. Email messages received by the author from the Director, CRWRC/World Renew (July 2, 2013) and the Director of Finance, MCC Canada (January 7, 2014).
  15. It should be noted that if the Canadian Red Cross was also included, the reported trend of increased funding to religious NGOs would decrease even further.
  16. The Aga Khan Foundation increased its funding from \$10.4 million to \$19.8 million, CRWRC from \$2.1 million to \$9.1 million and MCC from \$4.7 million to \$7.5 million.
  17. Thanks to one of the reviewers for raising and emphasising this point.

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## FORUM POLITIQUE / POLICY FORUM

### Pour un débat plus large sur l'influence de la religion dans l'administration publique canadienne

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**RÉSUMÉ** Deux articles publiés dans une édition précédente de cette revue arrivent à des conclusions différentes concernant le financement du gouvernement canadien envers les organisations religieuses. D'un côté, Vander Zaag (2013) convient qu'il n'y aurait pas d'augmentation de ce type de financement alors que notre article (Audet, Paquette, et Bergeron 2013) soutient qu'une croissance s'est opérée depuis l'arrivée du gouvernement conservateur. Au-delà des divergences méthodologiques, l'objectif de ce texte vise à préciser quelques points fondamentaux qui remettront dans les rails, espérons-le, un débat enrichissant sur les nouvelles orientations de la politique canadienne en matière d'aide internationale. L'article convient que l'influence des groupes religieux dans l'administration publique canadienne est considérable et mérite qu'on lui prête une meilleure attention.

**ABSTRACT** Two articles published in a previous issue of the journal arrive at different conclusions concerning government funding for religious organisations. On the one hand, Vander Zaag (2013) states that there is no increase in funding while our article (Audet Paquette, and Bergeron 2013) finds that there has indeed been an increase since the arrival of the Conservative government. Aside from pointing out the methodological differences between the two studies, this article seeks to clarify several fundamental points that will, we hope, ignite an enriching debate on the new directions of Canadian foreign aid policy. This article agrees that the influence of religious groups in Canadian public administration is considerable and deserves further attention.

**Mots clé :** aide canadienne au développement; idéologie religieuse; organisations religieuses; administration publique

## Introduction

Deux articles publiés dans une édition précédente de cette revue arrivent à des conclusions différentes concernant le financement du gouvernement canadien envers les organisations religieuses. D'un côté, Vander Zaag (2013) convient qu'il n'y aurait pas d'augmentation de ce type de financement alors que notre article (Audet, Paquette, et Bergeron 2013) soutient qu'une croissance s'est opérée depuis l'arrivée du gouvernement conservateur.

Nous devons au préalable nous réjouir que les sciences sociales s'intéressent au phénomène de l'influence du religieux au sein de la politique étrangère canadienne. Comme les deux articles le démontrent, il y a un manque criant de recherches qui s'intéressent à ce phénomène, aux implications politiques, et surtout, à l'influence de l'idéologie religieuse sur les processus de décision.

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Il aurait été intéressant que ce débat se fasse de vive voix dans le cadre du dernier congrès de la CASID en mai dernier mais, faute d'avoir été invités à participer à l'atelier portant sur le sujet, nous profitons de la sollicitation de la *Revue canadienne d'études du développement* pour mettre en lumière les divergences fondamentales existantes entre notre approche et nos conclusions avec celles avancées par Vander Zaag dans son article de 2013, et principalement dans son dernier texte publié dans la présente édition (2014).

En effet, si l'approche, les questions de recherche et la méthodologie du texte de 2013 de Vander Zaag sont originales et enrichissent la réflexion, le texte de 2014 se confine essentiellement à vouloir décrédibiliser nos conclusions qui révèlent une augmentation du financement des organisations religieuses canadiennes depuis 2005. La critique entreprise par Vander Zaag ne considère pas un ensemble important d'éléments qui permettent de mieux saisir l'influence de l'idéologie religieuse chrétienne sur l'administration publique.

En tout état de cause, étant donné un nombre important d'inexactitudes, il apparaît donc nécessaire de préciser ici quelques points fondamentaux qui remettront dans les rails, espérons-le, un débat enrichissant sur les nouvelles orientations de la politique canadienne en matière d'aide internationale. S'il revient à la revue de valider certains éléments du texte, concernant notamment la revue par les pairs, d'autres affirmations méritent d'être clarifiées. Vander Zaag (2014) souligne que cinq éléments de son texte de 2013 sont des preuves plus évidentes que celles utilisées dans notre texte (Audet, Paquette, et Bergeron 2013). Nous ne répéterons pas ici ce qui a déjà été démontré dans notre recherche publiée et qui répond déjà en parti aux énoncés de Vander Zaag, mais tiendrons plutôt compte de trois éléments centraux divergents.

Premièrement, Vander Zaag (2014) estime que nos conclusions (Audet, Paquette, et Bergeron 2013) ne peuvent être jugées rigoureuses étant donné l'absence d'une démarche quantitative ou d'une analyse statistique. Il faut peut-être rappeler que la démarche qualitative et interprétative est tout aussi valable qu'une démarche quantitative (Brower, Abolafia, et Carr 2000). Qui plus est, l'ajout d'analyse statistique à notre démarche n'aurait pas contribué à nos conclusions étant donné que la tendance observée était clairement apparente. Par ailleurs, malgré ce que Vander Zaag (2014) prétend dans son texte, notre article n'émet aucune conclusion corrélative. Au contraire, seuls les résultats empiriques ont été exposés.

Deuxièmement, notre démarche (Audet, Paquette, et Bergeron 2013), clairement présentée dans notre article, est interprétative. La construction du corpus est fondée sur (1) les documents institutionnels des organisations, (2) ce que les organisations proclament qu'elles font et (3) les contrats qu'elles ont obtenus du gouvernement canadien pour la mise en œuvre de projets de coopération internationale. Ces dernières informations sont tirées des formulaires fiscaux T3010 que les organisations doivent fournir au gouvernement canadien qui les invite à se définir elles-mêmes. Cela implique que si une organisation prétend être séculaire, elle a été catégorisée dans ce groupe, de même pour les organisations religieuses ou celles stipulant faire de l'évangélisation.

Le défi est venu du fait que les organisations religieuses sont généralement réticentes à exposer leurs identités et leur mission confessionnelle. Voilà pourquoi il aura fallu pousser notre recherche dans les documents institutionnels et les sites internet. Il faut noter d'ailleurs que plusieurs organisations religieuses ont modifié leurs sites au lendemain de la publication de notre article, suggérant un certain malaise de ces dernières par rapport à ce qu'elles font, ou à ce qu'elles proclament faire. Pour toutes organisations à but non lucratif, comme les organisations de coopération internationale, l'image de marque et la levée de fonds sont des éléments centraux de la survie institutionnelle. En effet, comme l'explique Friedman (2006, 487), définir une mission qui sera attrayante pour les bailleurs de fonds, quels qu'ils soient, assure leur survie. Cela s'explique par le fait qu'au fil du temps, ces bureaucraties développent leur capacité de levée de fonds, évitent les comportements qui menacent leur réputation, et répètent ce qui favorise leurs survies. Toutes les organisations essaient d'améliorer leur situation pour être le



plus « attrayantes » possible aux yeux des contributeurs potentiels, individuels ou institutionnels, et dans ce cas, aux croyants ou aux non-croyants (Beigbeder 1991, 89). Dans ce contexte, une démarche essentiellement quantitative et désincarnée de l'interprétation de ce que prétendent faire les organisations, s'expose à un biais important dans l'analyse des résultats.

Au fil des prises de décisions, et à travers les expériences passées, les organisations développent un comportement conditionné par leurs programmes et leurs projets. Ces comportements bureaucratiques préprogrammés impliquent une forme de « path dependency » créant une routine, répétant et mimant les expériences qui favorisent la survie et, inversement, résistant à celles qui leur ont été défavorables. Comme l'expliquent DiMaggio et Powell (1983), les normes et les procédures établies par les organisations peuvent être reproduites par une forme de mimétisme, si l'activité de la première a été perçue comme efficace et légitime pour la seconde. Dans ce contexte, le caractère confessionnel de l'organisation peut s'avérer un atout de marketing. Dans quel cas, elles exploiteront cette image. Inversement, selon si la dimension religieuse est défavorable au contexte de levée de fonds ou le public ciblé, on camouflera cette dimension identitaire. Autant de raisons d'interpréter le contexte et les discours des organisations.

Troisièmement, il faut aussi en venir aux objectifs de notre démarche (Audet, Paquette, et Bergeron 2013). Elle visait à confirmer ou infirmer une tendance qui avait déjà été relevée par d'autres. Cela soulève incontestablement la question de la motivation derrière le texte de Vander Zaag (2014), étant donné que nous ne sommes pas les seuls à valider cette tendance clairement établie de l'influence de la droite religieuse dans la coopération internationale (Berger 2006), du rôle et de l'influence du religieux dans les organisations de coopération (Clarke 2006) et de l'influence de la droite chrétienne dans l'administration du gouvernement conservateur canadien (Malloy 2013; Potter 2011). Pour le gouvernement, le choix de financer des organisations évangéliques coïncide avec les conclusions de Collins et Kakabadse (2006) qui suggèrent qu'une idéologie manichéenne favorise les actions de convertissement. Ce dernier phénomène a d'ailleurs été identifié à maintes reprises par les médias (Buzzetti 2010a, 2011; Gruda 2013a).

En effet, l'influence de la droite religieuse au Canada a eu d'importants impacts dans la politique internationale canadienne. On note par exemple les coupures budgétaires des ONG Kairos et Alternatives qui n'étaient pas alignées sur la politique d'aide du gouvernement canadien. Ces organisations avaient notamment des programmes de soutien aux communautés palestiniennes qui ne concordaient pas avec l'idéologie politique du Canada par rapport au conflit israélo-palestinien (Caron 2010). Également, la fermeture de Droits et Démocratie et sa transformation en Bureau des libertés religieuses ne sont pas non plus étrangères à ce contexte. En effet, Droits et Démocratie optait justement pour une politique des droits humains équilibrée dans ce même conflit (Buzzetti 2010b). Au sein du Ministère des Affaires étrangères, du Commerce et du Développement (MAECD), le nouveau Bureau des libertés religieuses est dirigé par un partisan de l'Église catholique en lien avec l'idéologie prônée par le gouvernement (Gruda 2013b). Aucune recherche ne systématise ce phénomène soulevé jusqu'à maintenant que par la presse.

On a observé que cette idéologie de la droite conservatrice repose autour d'un groupe de députés proches de groupes religieux. Ces faits ont notamment été révélés dans la presse par Hélène Buzzetti (2011) qui explique que plusieurs députés conservateurs sont explicitement liés au groupe Opus Dei, et par Agnes Gruda (2013a) qui expose la relation entre le Parti conservateur et des groupes évangéliques. Ainsi que par Brigitte Bureau qui a démontré le lien de proximité entre les groupes évangélistes et le Parti conservateur canadien dans plusieurs reportages et documentaires (Bureau 2011).

Comme autre exemple de ces transformations, on note que le non-alignement de certaines ONG à la nouvelle idéologie conservatrice a eu d'autres répercussions. Certaines organisations canadiennes ne peuvent plus compter sur le gouvernement actuel pour financer leurs projets de santé maternelle. Les projets visant à aider les femmes victimes de crimes sexuels ou atteints du VIH (virus de l'immunodéficience humaine) afin de leur permettre d'avoir accès à

l'avortement légal et sécuritaire ont été coupés. Cette décision peut être liée à la position idéologique des conservateurs sur l'avortement (Buzzetti 2010b). Dès lors, des organisations telles que Médecins du Monde Canada, qui a construit une grande partie de son expertise sur les programmes de santé maternelle et de lutte contre le VIH, ne peut désormais plus compter sur des financements du gouvernement canadien dans ce domaine.

L'émergence d'organisations religieuses au niveau des organisations humanitaires est similaire. En effet, on retrouve désormais une profusion d'organisations religieuses qui sont maintenant membres du PAGER (Policy and Advocacy Group for Emergency Relief). Le PAGER est un comité ad hoc réunissant les organisations humanitaires canadiennes et du MAECD pour des fins de coordination et de plaidoyer politique. Depuis 2005, le PAGER a vu son nombre de membres religieux passer de 3 à 14. Les raisons qui expliquent l'arrivée de ces groupes religieux sont encore inconnues. Suivant la publication de ce phénomène (Rue Frontenac 2011), le MAECD a retiré de son site internet la liste des organisations qu'il recommandait. Parmi celles-ci figuraient une quinzaine d'organisations de fondement catholique et évangélique, dont une dizaine avaient été ajoutées à cette liste. Autant d'exemples de l'influence des groupes catholiques au sein de la sphère publique qui méritent d'être analysés et mieux compris.

En conséquence, la question n'est plus de savoir si la dimension religieuse influence la coopération internationale ou les décisions gouvernementales du gouvernement canadien, mais plutôt d'en comprendre les formes, d'évaluer l'ampleur et de questionner le choix d'utiliser des fonds publics pour financer des organisations religieuses et à des fins d'évangélisation. Notre recherche (Audet, Paquette, et Bergeron 2013) n'est qu'un jalon aux recherches en cours portant sur cet enjeu et dont certaines seront publiées dans le *Canadian Foreign Policy Journal* à paraître prochainement.

En tout état de cause, les partisans de l'hypothèse qu'il n'y a pas d'influence de l'idéologie religieuse dans les mécanismes de décisions gouvernementaux devraient plutôt investir leurs ressources à tenter d'en faire la démonstration. Trop peu de recherches existent sur les dynamiques de ces processus décisionnels et le développement de connaissances dans ce domaine serait un atout indispensable en science sociale en générale et pour mieux comprendre la politique étrangère canadienne.

En somme, n'étant pas investie d'une mission séculariste, seule la démonstration d'une tendance bien réelle dans la transformation de la politique étrangère canadienne a été démontrée dans cet article d'Audet, Paquette et Bergeron (2013). On comprend, par contre, que ceux investis d'une mission évangélique comme certaines organisations religieuses et certains chercheurs ont une vision différente de l'influence de leur valeur et de l'idée même du prosélytisme. Il faut par contre se réjouir de la méthodologie scientifique proposée par les méthodistes.

Enfin, il faut conclure qu'il est regrettable que le débat se pervertisse de cette manière. En effet, on aurait apprécié de la part des partisans de l'école confessionnelle que le débat soit plutôt enrichi de recherches novatrices et complémentaires. Quoi qu'il en soit, l'influence des groupes religieux dans l'administration publique canadienne est considérable et mérite qu'on lui prête une meilleure attention.

### Notice biographique

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### Note

1. Voir notamment les commentaires de la députée Hélène Laverdière du Nouveau Parti Démocratique à ce sujet en ligne : [http://quebec.huffingtonpost.ca/helene-laverdiere/budget-federal-acdi\\_b\\_2955818.html](http://quebec.huffingtonpost.ca/helene-laverdiere/budget-federal-acdi_b_2955818.html) (consulté le 14 juin 2014).

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## POLICY FORUM / FORUM POLITIQUE

### Proselytism and Canadian NGOs: Editor's note

In June 2013 the *Canadian Journal of Development Studies* / *Revue canadienne d'études du développement* published a special issue dedicated to Religion and Development. It included, in a Policy Forum, an article on "Religious nongovernmental organisations and Canadian international aid", by Francois Audet, Francis Paquette and Stéfanie Bergeron (Vol. 34, No. 2, pp. 291–320). The article was subject, as are all articles published in this Journal, to peer review. Editors and reviewers of the *Journal* considered that the article raised matters of considerable significance in regard to Canada's policies on international development assistance. We believe that the response to the article has shown that it does indeed raise important questions, and we are happy to publish in this issue further articles which vigorously contest the findings of the research by Audet, Paquette and Bergeron, as well as their response to criticism. It is through such debate that we hope to improve understanding of matters of public interest.

The article was based on what has become a commonly used methodology in qualitative research, and relies in significant part on analyses of the content of websites of a large number of NGOs, paying particular attention to the information found on them concerning the activities of the organisations, their mission statements and statements about their vision and philosophy (see p. 297 of the article). Then, on the basis of these analyses, the organisations taken up for study are defined as "proselytist" or not, according to a definition that is clearly stated: ... a religious NGO is proselytist if it claims to realise "any activity carried out with the intention of changing, altering, replacing, convincing or modifying one's belief to another belief or religious norm" (p. 296).

The authors state that they have had to exercise judgment in the evaluation of the character of the various organisations they have studied, and it is clear that these judgments are not above criticism and may reasonably be disputed. At no point did the researchers approach the organisations concerned directly, or undertake interviews with any of their staff members.

Since the publication of the article several religious NGOs, or as we would prefer to describe them, "faith-based organisations", have communicated to us that they have been wrongly represented as having "the intention of changing, altering, replacing, convincing or modifying" the beliefs of others, and point out texts which are easily available on the web and which they believe make this quite clear.

In the case of the NGO *Presbyterian World Service & Development* (PWS&D), which is the relief, development and refugee agency of the *Presbyterian Church in Canada* (PCC), the article presents information about PWS&D that gives a misleading impression.

The article lists PWS&D as a "Proselytist organisation" (p. 319), supporting this with an excerpt from the PCC's (*not* PWS&D's) mission statement. The excerpted portion of the PCC's mission cited in the article (<http://presbyterian.ca/about/mission-statement/>) is as follows:

Our mission, in a world where many do not know the gospel, is to tell the Biblical story in ever new and creative ways. Our mission, in a world wounded by sin, is to point to the redemptive work of Christ and the life changing presence of the Spirit.

PWS&D's mission statement, however, available on the website: <http://presbyterian.ca/pwsd>, is as follows:

Presbyterian by profession of faith, ecumenical by confession of faith, and inclusive in our practice of faith, we gladly serve women and men, young and old, according to their need and *regardless of their faith*. (emphasis added)

The distinction between the two statements is clearly an important one, and it reflects the fact that though PWS&D is an agency of the *Presbyterian Church in Canada*, which is a religious organisation, and though PWS&D operates under the PCC charitable number, it explicitly avoids proselytising through its programs. PWS&D strongly asserts that its actions in the field, in relief and development, and with refugees, do not seek to recruit followers of Christianity.

In the case of the *United Church of Canada* the researchers relied on an interpretation of statements on the *United Church* website that in the view of its leaders ignores other statements which make it clear that the *Church* respects and embraces all faith traditions. For example, in the document *Mending the World: An Ecumenical Vision for Healing and Reconciliation*, it is stated that the *United Church* is committed to "... making common cause with all people of good will, whether they be people of faith or not, for the creation of a world that is just, participatory and sustainable" (<http://www.united-church.ca/files/sales/publications/400000063.pdf>).

The *United Church of Canada* strongly refutes the suggestion that it aims to proselytise through its overseas partnerships.

The *Canadian Friends Service Committee*, similarly, has pointed out that the article by Professor Audet and his colleagues does not take account of the mission statement of CFSC that is available on its website and which states:

Canadian Friends Service Committee is the national peace and service agency of Quakers in Canada. CFSC has an inter-dynamic approach to programming that results in immediate and long-term changes towards a peaceful, sustainable world community. Programming includes practical assistance, policy dialogue, research and education. All of these activities are strengthened by thoughtful discernment and by building relationships and partnerships. *The values and practices we embrace are not exclusive to Quakers and we work in cooperation with a wide range of partners who share these commitments. We welcome the support of all people who are seeking a world in which peace and justice prevail.* (emphasis added)

Leaders of the CFSC wish to point out that the researchers have not recognised that Quaker testimonies and witness include the utmost respect for the spiritual practices and paths of others.

*World Renew* has asked the Journal to make clear to readers that *World Renew* does **not** use humanitarian assistance or development programs to coerce people into its denominational membership nor use such interventions as a condition of receiving assistance or training. By policy, and according to professional standards that *World Renew* abides by in its membership with such international bodies as HAP (Humanitarian Accountability Partnership) International, *World Renew* is obligated to follow principles such as:

- (1) Acting in ways that respect, empower and protect the dignity, uniqueness, and the intrinsic worth and human rights of every woman, man, girl and boy
- (2) Working with communities and individuals on the basis of need and human rights without any form of discrimination, ensuring that the capacities and capabilities of communities

are considered at all times, and especially targeting those who suffer discrimination and those who are most vulnerable.

Similarly, ADRA – *Adventist Development and Relief Agency* – points out that it is clearly stated on its website that “*ADRA Canada* believes ... In non-discrimination and respect for differences, accepting people as equals regardless of race, ethnicity, and gender, political or religious affiliation; (and) ... In participatory development which ... provides equal opportunity to individuals of differing ethnic, religious or cultural backgrounds.”

These organisations all adhere to the Canadian Council for International Cooperation’s (CCIC) Code of Ethics and Operational Standards in its entirety, including Standard 2.2 regarding “Maintaining and strengthening partnerships”, which stipulates: “Respect for differences – including cultural, religious, socio-economic and political differences – shall be a hallmark of every partnership.”

John Harriss  
*Editor-in-Chief*

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The *Canadian Journal of Development Studies* / *Revue canadienne d'études du développement* is a refereed journal.

Articles submitted to the *Canadian Journal of Development Studies* (CJDS) should be original contributions and should not be under consideration for any other publication at the same time. Articles also may not be submitted if they have been, or will be, published elsewhere.

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Manuscripts should be prepared in standard word processing file formats. The name, affiliation and full contact details (postal address and email) must be supplied, in a separate file to the main manuscript, as articles are subject to anonymous peer review.

Articles should be between 6,000 and 9,000 words in length, including abstract, notes, and references. Book reviews should not exceed 1,000 words in length; review essays covering two or more works can be up to 2,000 words.

Manuscripts should be submitted online at the *CJDS* ScholarOne Manuscripts site. Authors will need to create a user account first if they are not already registered. After logging in, click on the Author Centre. Detailed instructions and guidelines for both articles and book reviews are available online throughout the submission process. They are also posted on the publisher's web page for the journal, <http://www.tandfonline.com/RCJD>.

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La *Revue canadienne d'études du développement* / *Canadian Journal of Development Studies* est un périodique évalué par les pairs.

La *Revue* n'accepte que les textes inédits. Les auteurs qui proposent un manuscrit s'engagent à ne pas le soumettre simultanément à une autre revue.

## Soumission des manuscrits

Les manuscrits doivent être présentés dans un format courant de traitement de texte. Afin d'assurer l'anonymat du processus d'évaluation, les informations concernant l'auteur, incluant le nom et le prénom de l'auteur, le nom de son université ou de son institution de rattachement, son adresse postale et son adresse courriel doivent être envoyées dans un document séparé.

Les articles doivent comprendre entre 6.000 et 9.000 mots, y compris le résumé, les notes et les références. Les comptes rendus doivent contenir, au plus, 1.000 mots. Cependant, pour les essais critiques, la limite est alors de 2.000 mots.

Toutes les contributions doivent être soumises en ligne sur le site ScholarOne Manuscripts de la *Revue canadienne d'études du développement*. Les nouveaux usagers doivent initialement créer un compte sur le site avant de procéder. Une fois que le compte est créé, l'utilisateur peut se connecter pour soumettre les manuscrits via le « Author Centre ». Les directives et les instructions détaillées seront disponibles en ligne tout au long du processus de soumission. Elles seront aussi disponibles sur le site de la maison d'édition, <http://www.tandfonline.com/RCJD>.



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