

Constructive Regulation of Development Organizations

Brazil

November 2005

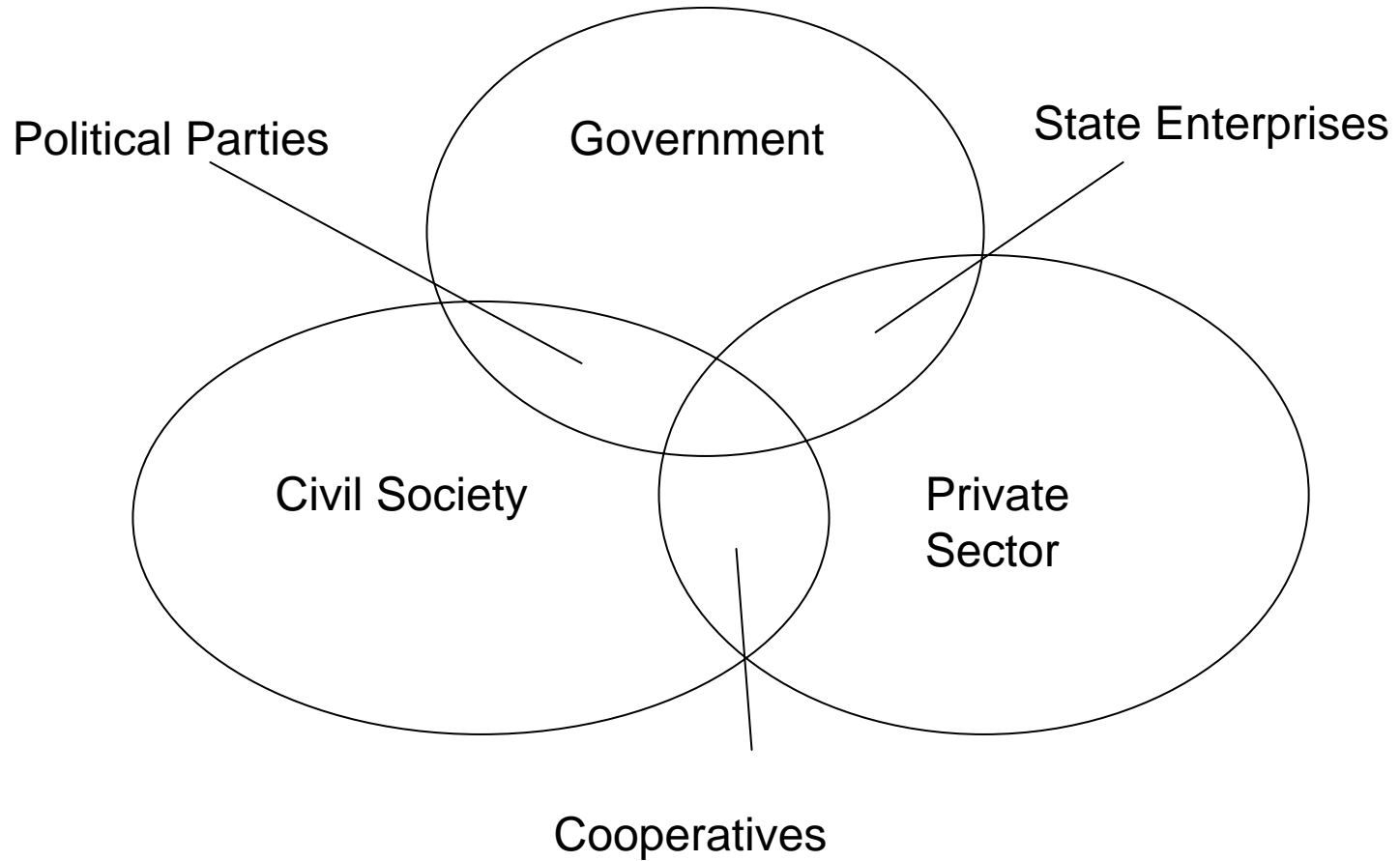
Role of the State

Government Commitment to Citizens

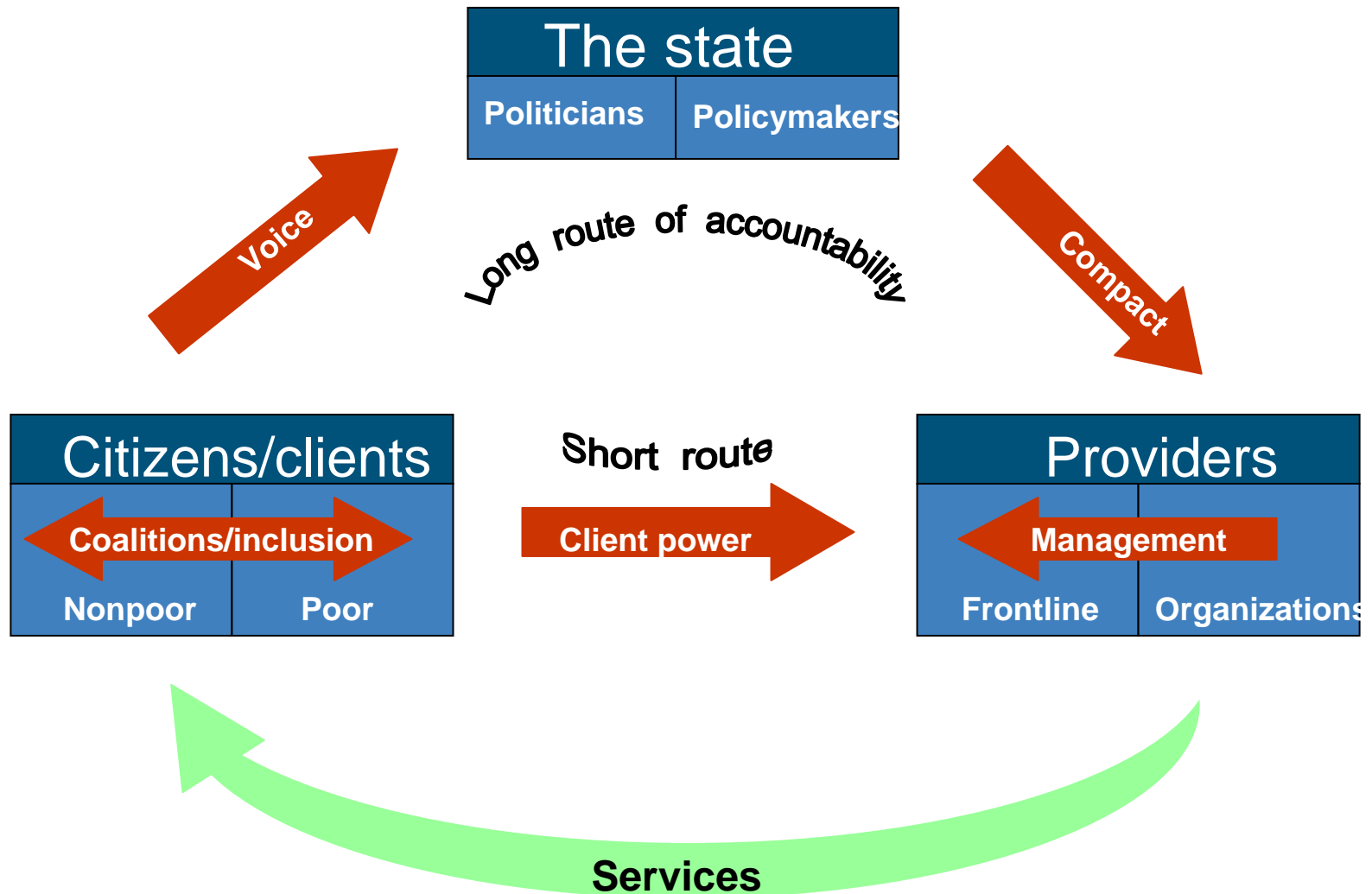
Civil Society: Deliberative Democracy

NGOs + GOs + Private = Poverty Alleviation

Nation-State Structure



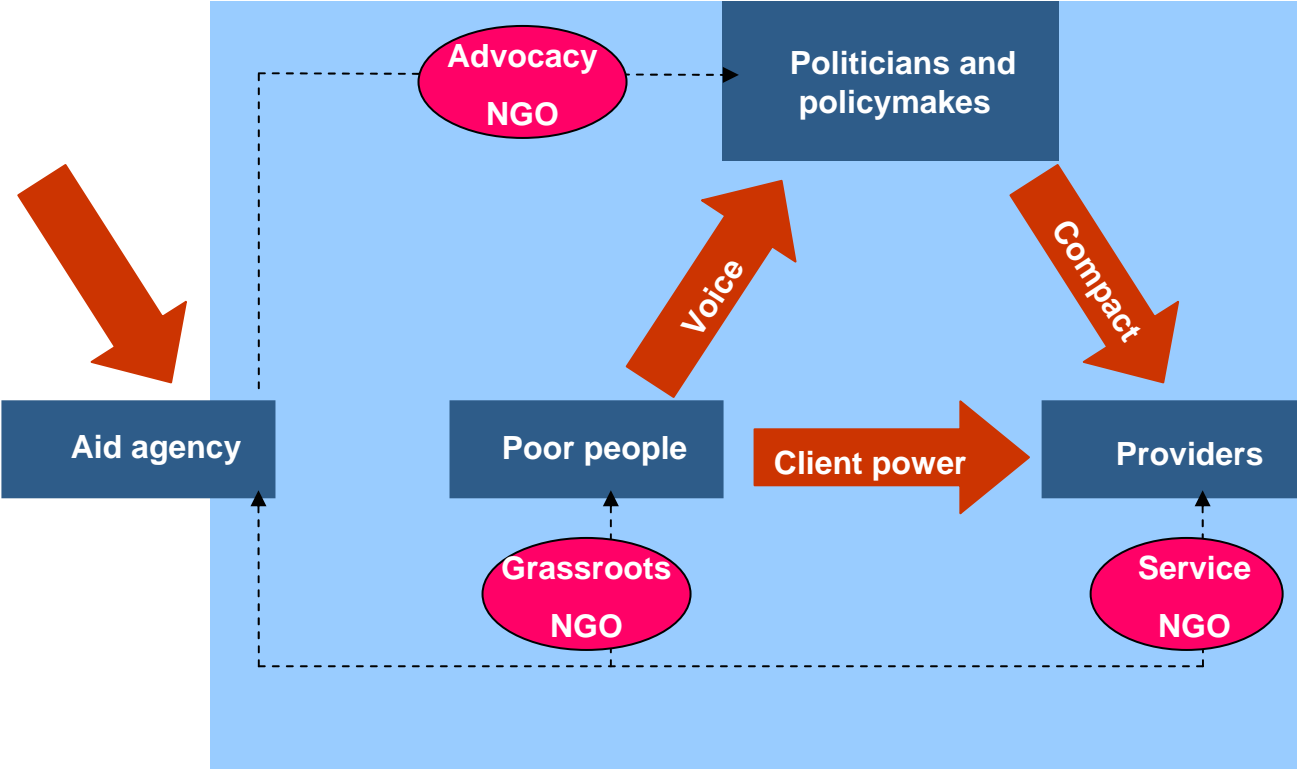
“Key relationships of power”*



“The feedback loop between beneficiaries and donor country taxpayers is broken”

Donor

Recipient



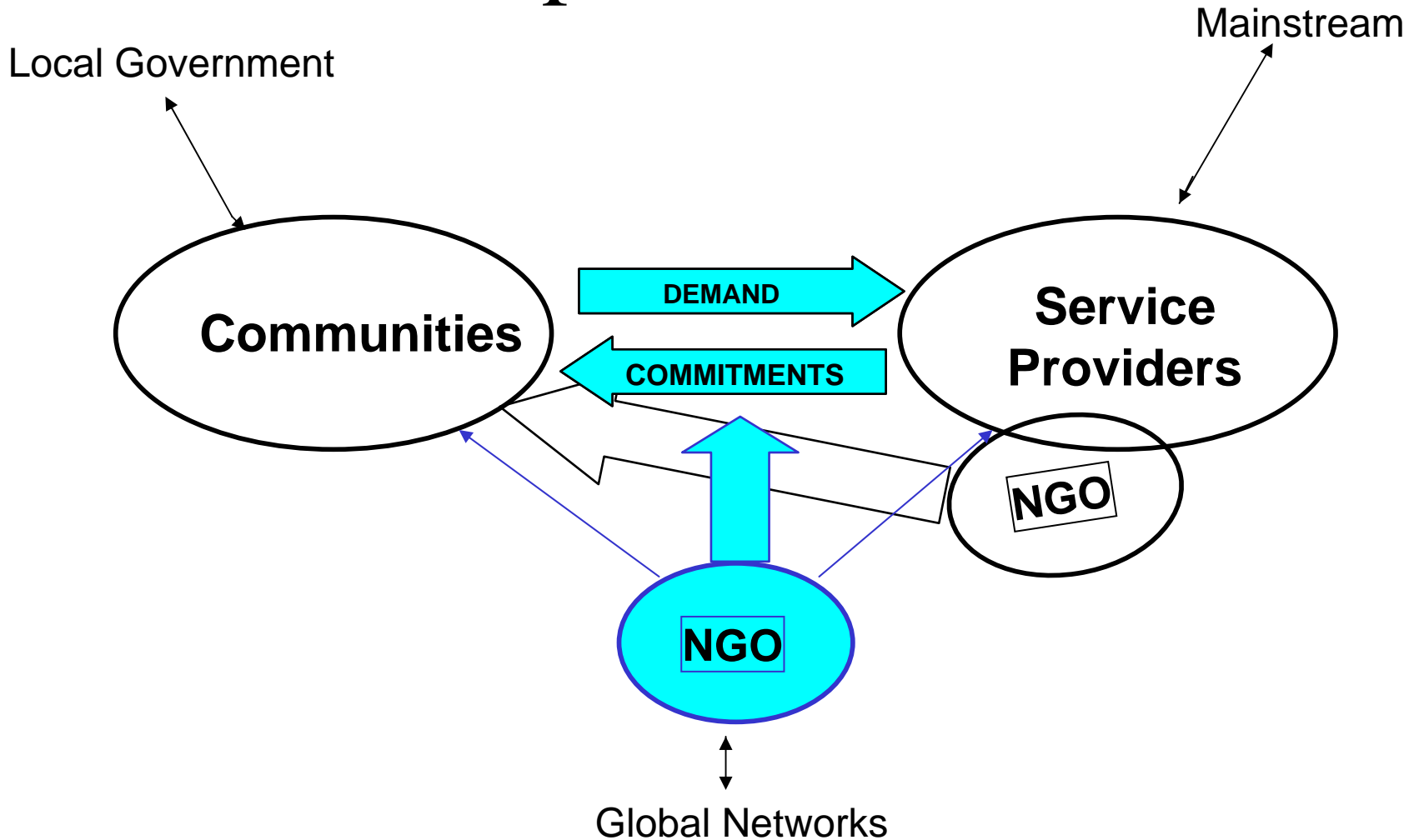
NGOs

Grassroots → Social Movement

Service → Institutional Responsiveness

Advocacy → Public Policy

Pro-poor Services



Linking Informal to Formal

Informal	Semi-Formal	Formal
<ul style="list-style-type: none">- ROSCAS- Money Lenders	Microfinance Institutions	Banks
Tutors	<ul style="list-style-type: none">- Non-Formal Schools- Madrasas	Public Schools
<ul style="list-style-type: none">- Local Healers- Pharmacists	Village Health Volunteers	Primary Health Care System

Degrees of Regulation

- 1. Basic Regulation** – Legal identification and monitoring (keep it simple)
- 2. Self-regulation** – Coordination based on agreed standards
- 3. Sectoral Formal Regulation** – Link semi-formal to formal (size counts)

NGO Certification

	Bangladesh	Dominican Republic
#NGOs	World Leader	Small Sector
Govt Office	+	-
Legal Identity	+	+/-
Funding Source	+	-
Audit & Evaluation	+	-
Sector Coordination	+	+/-
Regulation	+	--

Bangladesh NGO-GO

Health: NGO managed GO Clinics

Education: NGO parallel system to GO

Social Movements with Sanitation and ECD

Microfinance Banks and Regulation
international success

Dominican Republic NGO-GO

Unregulated NGOs receive Government funding

Legalistic but weak executive and judicial systems

Service delivery NGOs replace GO budgets

Mission drift microfinance

Microfinance Regulation

Positive	Negative
<ul style="list-style-type: none">•Improves Professionalism•Links to Formal Sector•Promotes Transparency	<ul style="list-style-type: none">•Interest Rate Ceiling•Stifle Innovation•Weak Supervision and Inspection•Government Credit Programs

Constructive Regulation

- Set standards with practicing experts and institutions (formal and self-regulation)
- Promote innovation and expansion to poorest
- Link Semi-Formal to Formal
- Strengthen Law and Order Environment