PREAMBLE

Few issues are as crucial to the evolution of social life at the present time as the challenge of reducing world poverty. Despite recent economic progress in many parts of the world, rates of poverty remain unacceptably high in most countries—both advanced and less advanced. What is more, in some places they appear to be increasing as population growth outpaces the rate of growth of production. Hundreds of thousands of people, many of them children, live on the streets in countries throughout the world. Drug abuse, violence, crime, and assorted problems have escalated in response. The resulting human suffering, not to mention the accompanying waste of talents and resources, make these circumstances unacceptable.

Nonprofit organizations can make special contributions to reducing poverty. At the same time, they cannot solve these problems on their own. The purpose of this Statement is to identify the kinds of contributions to the eradication of poverty for which nonprofits are especially suited, the advantages they bring to these roles, the challenges they face, and the changes that are needed to allow them to make the contributions of which they are capable.

The Statement represents the work of over 100 participants from Chile and 20 other countries around the world in the Thirteenth Annual Johns Hopkins International Fellows in Philanthropy Conference, which took place in Santiago, Chile, from July 28 to August 2, 2001. The participants included past and incoming “fellows” in the Johns Hopkins International Fellows in Philanthropy Program and other nonprofit, government, and philanthropic leaders from around the world.
I. \textbf{Four Key Roles}

Poverty is a complex phenomenon. Although it fundamentally involves a lack of resources, its roots are multiple. Some of these roots are personal, entailing attributes or choices that limit people from developing their skills or applying them effectively. Others are institutional, relating to structural features of the global economy, or of local economies and societies, that limit access to critical resources and infrastructure, and hence the life-chances, of whole classes of individuals on grounds such as race, class, educational level, or past circumstances. Still others reflect inadequate public policies in such fields as day care, health, transportation, or employment and training. And others result from the social isolation or exclusion of particular social groups.

To cope with these diverse dimensions of the poverty problem, more than a single approach is needed. One of the great strengths of nonprofit organizations in addressing poverty is the fact that they can perform so many different roles. Four of these roles in particular seem especially relevant.

1. \textbf{The Service Role}

In the first place, nonprofit organizations can help reduce poverty by providing needed services to persons in need. These services can take at least three different forms:

- First, emergency services to respond to immediate needs for food, clothing, shelter, and health;
- Second, developmental services aimed at improving the capability of individuals to improve their life chances. Included here are employment and training, drug rehabilitation, counseling, and related services; and
- Third, preventive services aimed at avoiding the kinds of difficulties that often cause poverty. Included here are family counseling, foster care, drug and sex education, and family planning services.
2. The Advocacy/Empowerment Role

Important as the service role of the nonprofit sector may be to the reduction of poverty, it hardly exhausts the contribution that these organizations can make. At least equally important is the advocacy and/or empowerment role that these organizations often play. At its root, poverty is not simply a matter of economic deprivation. Also involved is lack of power, fragmentation, isolation and the lack of access to broader opportunities. What is more, nonprofits rarely have the resources to provide the education, housing, or services that the poor need to improve their life chances. Mobilizing broader support, including support that can be generated through public resources, is also likely to be necessary, but this requires changes in public policies. In both respects, the key to change is not merely the delivery of services to particular individuals. Also necessary is the empowerment of poor communities to open existing structures of power and thus ensure access to key resources over the longer run. This requires efforts targeted not only at governments at all levels, but also at business, international organizations, professionals, the mass media and public opinion, other third sector organizations, and other groups in society that have power over others.

Advocacy involves changing the mentality, attitudes, and behavior of these targets around particular issues. This can best be done when those affected are empowered to press their own case. This requires increasing the consciousness of the poor and building institutions that low-income residents themselves control and through which they can mobilize and concentrate their energies, define their own priorities and needs, and convey the results to those in positions of power.

3. The Social Capital Role

To facilitate empowerment and promote effective advocacy, it is important to create bonds of trust and reciprocity among people. Perhaps the greatest affliction of poor communities is the suspicion and mistrust that poverty breeds and the fragmentation and isolation that occur as a consequence. Such suspicion and mistrust make it difficult to muster the one resource that poor communities often possess
in abundance—their numbers. Fortunately, the poor often have strong traditions of cooperation on which to draw, but these are frequently subjected to enormous strains by the broader society. To deal with this, it is important to reinforce and strengthen the horizontal bonds of cooperation and solidarity within poor communities, and to forge links between the poor and the broader society. Sociologists refer to this increasingly as “social capital,” the connections that exist among people that provide the basic sense of confidence in one another that people need in order to function most effectively. Nonprofit organizations can play a critical role in fostering such trust by encouraging people to form organizations through which to work together.

4. The Economic Development Role

Finally, the reduction of poverty also involves the generation of income. While this is primarily the function of business, where private enterprise and private resources are lacking, nonprofit organizations may be needed to stimulate meaningful business opportunities, especially for disadvantaged communities. Similarly, poverty is often exacerbated by external control over community businesses and access to markets. To give people greater control over their lives, therefore, it is helpful to be able to foster enterprises controlled by community residents, to tap the enterprise spirit of poor communities, and to improve the ability of the poor to access markets on more favorable terms, all of which nonprofit organizations are often in a position to do.

II. Nonprofit Strengths

Nonprofit organizations bring immense strengths to the performance of these various roles. Some of these strengths apply to all or several of the roles whereas others apply to individual roles only. In the discussion that follows we focus first on the general strengths that nonprofits bring to the reduction of poverty and then examine the particular strengths they bring to some of the particular roles. In all cases, however, the strengths that nonprofits possess can often be maximized by combining them with
the strengths of the other sectors. What is more, although these strengths characterize the nonprofit sector as a whole, they are not all equally present in all organizations at all times. Indeed, as we will note below, important work is still needed to equip nonprofit organizations to be able to perform their poverty alleviation work more fully.

1. Flexibility
Perhaps the greatest strength that nonprofit organizations bring to the reduction of poverty is their flexibility. Because of their small scale and the ease with which they can be formed, nonprofits can respond quickly to changing needs and devise innovative approaches responsive to new circumstances. They are also able to do more with limited resources and are able to formulate and pursue unconventional approaches.

2. Empathy and Commitment
Nonprofit staff and volunteers are typically attracted to their work out of a sense of commitment to the people they serve. They therefore often exhibit a degree of empathy that helps to instill the self-esteem and sense of dignity so important in poverty reduction. Because they are not focused on profits, moreover, nonprofit organizations can concentrate more on the opportunities for economic development for the people they serve.

3. Credibility and Trust
Because of these attributes, nonprofit organizations often enjoy a special degree of credibility and trust among poor people. Nonprofits operate at the community level and have links with the most vulnerable people, which gives them a degree of legitimacy that government agencies and for-profit organizations frequently lack. They also play a role in preserving the cultures of indigenous or marginalized groups, all of which adds further to the trust people have in them. These features give nonprofit personnel a clearer understanding of the reality of the people they are working with, a greater respect for these people, and hence more credibility in helping them to change their situation.
4. Holistic Approach

Nonprofit organizations have the ability to take a more comprehensive approach to the problem of poverty than government agencies or for-profit firms. They can thus bridge the separation that often exists between the social and economic, as well as between the service and empowerment, aspects of poverty reduction efforts.

5. Special Skills

Nonprofit organizations also bring special skills and expertise to the task of poverty alleviation. In part these are professional skills in medicine, social work, employment and training, and the like. In part also, however, they are “people skills,” skills in empathizing with people in distress, skills in community organizing, and skills in motivating people to make the changes sometimes needed to improve their life-chances.

6. Connections

Nonprofit organizations are in a position to forge useful partnerships with other sectors. Through their boards and volunteers, nonprofit organizations have a multitude of connections on which they can draw. Because of their public purposes, they share crucial objectives with government agencies that can serve as a basis for joint efforts. Because of their private structure and their credibility, they provide a comfortable bridge for business engagement in public problem-solving. Indeed, nonprofit organizations embody social capital: they provide vehicles through which bonds of friendship and reciprocity can be built. They have the ability to bring people with similar problems together, to promote dialogue, and to encourage self-diagnosis and self-help. As a result, they can access the resources of the broader society—both financial and non-financial—and bring them to bear on the solution of community problems.

7. Leadership Development

Nonprofit organizations help to foster leadership in marginalized communities. They train community volunteers and promote leadership development. Beyond this, they can be empowering for partici-
pants, developing self-esteem and involvement and not simply providing services.

8. Employment and Resources

Finally, nonprofits are themselves a source of employment for people in poverty. Nonprofit organizations are often located in poverty areas, where they can offer employment opportunities to the poor. In addition, nonprofits can assist the poor in other ways as well—e.g. attracting external resources, sharing facilities and expertise, and making special arrangements to purchase supplies from community enterprises.

III. DRAWBACKS AND LIMITATIONS

Despite their considerable strengths and advantages, however, nonprofit organizations also suffer from a number of characteristic weaknesses that limit their capacity to serve as instruments for reducing poverty. As with the strengths, these weaknesses do not afflict all organizations equally. Indeed, many of the limitations are merely shortcomings in exhibiting the characteristic strengths, instances where particular organizations fail to live up to the sector’s potential. Others are more general in scope, however, reflecting inherent limitations of the nonprofit form that make collaboration with other sectors highly desirable. More specifically:

1. Resource Limitations

Nonprofit organizations suffer from perennial resource limitations that often inhibit their ability to sustain their programs, to achieve a sufficient scale of operation, and to maintain the degree of independence and autonomy required to carry out their advocacy role with sufficient force. Funding for some programs lasts only for a year or is very short term. When the funds are gone, so are the programs and the expertise to keep the programs running. Since poverty alleviation is often a long-term affair, this fluctuation can become a serious impediment to program success, trapping organizations in a perennial search for funds that limits their ability to devise a long-term strategy, intensifies
competition among agencies, and sometimes leads
to amateurism and improvisation.

2. Fragmentation

One byproduct of the ease of formation and flexi-
bility of nonprofit organizations is a significant
degree of fragmentation among nonprofit agencies,
with multiple organizations pursuing similar mis-
sions, sometimes in competition with each other.
This risks duplication of effort and can limit the
cooperation that is often needed to address complex
poverty problems or mount meaningful advocacy
campaigns. Nonprofits sometimes promote narrow
interests and create dependent clienteles rather than
foster autonomy and promote cooperation.

3. Isolation

For all their grassroots strengths, nonprofit organi-
zations sometimes find themselves cut off from key
social groups, and even from those in whose name
they seek to speak. In some countries, nonprofits
are strong opponents of government and find it dif-
ficult to forge the partnerships needed for sustained
progress on poverty alleviation. Effective strategies
for cooperation with business are also frequently
lacking. Beyond this, public awareness of the sector
and its contributions is often limited, undermining
the legitimacy of the sector in public debates.
Finally, many nonprofit organizations are distant
from the grassroots and fail to involve or empower
the poor.

4. Inadequate Management Capacity

Nonprofit organizations sometimes lack the man-
agement skills to put their good intentions into
effective operation. Nonprofits can score high in
responsiveness yet lack the organization, planning,
and financial management capabilities to deliver on
their promises over the long run. Accounting stan-
dards that differ from those of business and govern-
ment can limit the ability of nonprofits to demon-
strate their effectiveness or track their use of
resources.
5. Preference for Traditional Service Function

Many nonprofit organizations focus on issues other than the reduction of poverty. Even those that concentrate on poverty alleviation often become preoccupied with a narrow service approach rather than a broader empowerment and advocacy approach. Even some advocacy oriented organizations neglect the empowerment and community-building facet of their advocacy activities, preferring to “speak for” the poor rather than engaging in the time-consuming process of helping the poor to organize and speak for themselves.

6. Legal Restrictions

Quite apart from the professional or financial limitations that may keep organizations from engaging more actively in poverty alleviation efforts are a number of real or perceived legal barriers. These are especially salient with respect to advocacy and lobbying activities, where legal limitations exist in some countries (e.g. the United States). Elsewhere, nonprofits may encounter restrictions on their ability to offer particular kinds of services (e.g. medical services, training), to engage in economic development activities, or to attract financial support.

IV. RECOMMENDATIONS

To improve the contribution that nonprofit organizations can make to the alleviation of poverty, a number of changes are therefore needed. Foremost among these are the following:

1. Clarification of Mission

In the first place, nonprofit organizations need to clarify their own missions in relation to the alleviation of poverty. In a number of organizations, commitment to the poor is evident in words only, not in the concrete programmatic thrust of the agency. In addition, agencies need to be sensitive to the role of language in perpetuating conditions of dependency. Terms like “disadvantaged,” “minorities,” “the poor,” can become code words that serve to shift the blame for poverty from the broader society to the poor themselves.
Especially crucial in this connection is the need for agencies to clarify their commitment to building capacity in the communities they serve. Nonprofit organizations need to work in ways that guarantee individual rights and help communities to assert their own rights. Resources need to be devoted to building the capacity of indigenous, community groups, and users/clients of services. Larger nonprofit organizations should recognize their responsibility to help smaller groups to raise their issues in a wider arena. Nonprofit organizations that intervene in disadvantaged communities should also have a proper exit or succession strategy to ensure that they take the steps needed to enable those being served ultimately to help themselves.

2. Improved Visibility and Legitimacy

Not only must nonprofits clarify their missions and their role in the alleviation of poverty, but also they must do a better job of informing the public about this role, through mass media, brochures, etc. Serious efforts should be devoted to legitimizing the nonprofit sector in the eyes of the press, opinion leaders, and the public at large by communicating more effectively the contributions these organizations make. At the same time, nonprofits should be more sensitive to the obligation they bear to be accountable and transparent in their operations and develop mechanisms to ensure that this obligation is fulfilled.

3. Improved Funding

Nonprofit organizations need sufficient resources and time to pursue their poverty alleviation efforts effectively. Local groups in particular need funds to organize on their own rather than being dependent on others. Among the steps that can usefully be taken here are the following:

- Diversify the sources of nonprofit finance, including innovative forms of self-finance and improved fiscal incentives to encourage companies and individuals to donate;
- Increase funding to smaller organizations;
- Encourage the creation of community foundations that can support community enterprise,
community empowerment, and training for economic development;

• Encourage NPOs to work together to apply jointly for funding packages and work with funders to make co-ordination happen;

• Fight for legislation to promote transparency in funding from state and business in order to encourage more equitable distribution;

• Provide funding directly at the community level and not through more formal intermediaries; and

• Provide funding not just to individual agencies but to coalitions designed to promote community-based networking.

4. Networking and Coordination

To improve their work in poverty alleviation, third-sector organizations need to work more closely together and to collaborate more effectively with government and business. Among other things, this will require:

• Channeling resources into infrastructure organizations, network building, and information exchange;

• Forging alliances among economic, social, and environmental organizations to develop policy on poverty reduction;

• Encouraging collaboration between NPOs and labor organizations;

• Encouraging use of the internet to promote collaboration among nonprofit organizations, both nationally and internationally; and

• Building the capacity to collaborate with both business and government in poverty alleviation efforts.

5. Improve Management

The basic capacity of nonprofit organizations for managing poverty alleviation efforts should be strengthened on a continuous basis. This will require:

• A significant investment in nonprofit training and education. Such training should emphasize not
only the technical skills involved in managing nonprofit institutions, but also the values that these organizations embody, including particularly the value of empowering the poor and not simply speaking for them;

• The establishment of technical aid centers to help create participatory mechanisms for community involvement in budget and policy decision-making; and

• The creation of support centers for planning, managing, and financing community-based economic development.

6. Improved Legal and Institutional Framework

The legal framework for nonprofit involvement in poverty alleviation needs to be improved in many countries. This is particularly true with respect to the framework for nonprofit advocacy efforts. Channels need to be opened up to make it possible for poor and disadvantaged people’s voices to be heard by policy makers—e.g. through laws and government policies to encourage or require community participation in policy-making or to make the policy-making process more transparent. Also needed are mechanisms to permit citizen input into private sector decisions that affect community health and well-being. Finally, special efforts are needed in many countries to facilitate and clarify the permissible nonprofit engagement in economic development efforts.

CONCLUSION

Nonprofit organizations have a crucial role to play in the reduction of poverty in countries around the world. By virtue of their generally smaller scale, the commitment and dedication of their personnel, their grassroots ties, their capacity for innovation, and the credibility they command among the poor, nonprofit organizations are in an excellent position to perform the combination of service, advocacy, social capital development, and direct economic development promotion activities that an effective poverty alleviation strategy typically requires.
At the same time, not all nonprofit organizations exhibit these qualities to the same extent. What is more, many of those that do exhibit them confront challenges that limit their ability to make the contribution that seems to be needed. These challenges are partly external, relating to the availability of resources and the openness of the political system to the involvement of the poor. But they are also partly internal, relating to the skills and capabilities of the nonprofit organizations, the extent to which they see poverty alleviation as central to their mission, and their willingness to cooperate with other nonprofit organizations and with potential partners in the worlds of business and government.

Given the seriousness of the poverty problem that still confronts the world, it is time to make more effective use of the nonprofit sector in efforts to alleviate it, and to build on the partnerships with business and government that these organizations are well equipped to encourage. Hopefully, this Statement will serve as a spur to such action and help to identify some of the steps that are needed to move in this direction.

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