

# Partners in Development: Three Sectors of Society State, Business and NGO

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## Abstract:

*Ideally, social development is a prime duty of state. However in developing countries, the importance of business and NGO sectors, and limitations of state in realizing the social ideals cannot be ignored. Each sector has immense potentialities in their respective field, such as: state can provide enabling environment and space for the other two sectors; business can solve the financial problems for the government's agenda of development; and NGOs can implement the development agenda of government more economically and efficiently at the grass root level. The partnership for social development can be built on both - the strength and weakness of the three sectors of society. For the purpose there is a need to understand the nature, character, strengths and weaknesses of the three sectors.*

*This study especially focuses on the dynamics of the three sectors with reference to Pakistan in order to provide a basis to state and other two sectors to become partners in social development.*

## 1. INTRODUCTION

During the last few years, Pakistan has invested some collaborative development interventions. As a result, the macro project like Khushali Bank, Shaukat Khanum Memorial Hospital and Sindh Institute of Urology and Transplant and a number of small projects with Non Governmental Organizations (NGOs) and business organizations are functioning, but relationship among the three sectors yet to grow mature, smooth, and trouble-free [1]. At the advent of the new model of governance envisaged in the devolution plan 2000, the importance of the public private partnership has increased. In this reference, the structure, character and nature of Government, Business and Non-Governmental Organizations - three sectors of society, which can be potentially beneficial in the socio-economic development of Pakistan, need to be understood. This paper presents a discussion on the three sectors of society as prospective partners in social development.

## 2. THREE SECTORS OF SOCIETY - A CONCEPTUAL DEBATE

The debates over the society's classification are persisting in the academic, social and government circles. For the sake of convenience in regulating the social order the society is confined to three sectors, i.e. State (Government Organizations), Market (Business Organizations) and Associations (NGOs). For Noorjehan Bava [2], the Public (Government), Private (Business-Profit oriented firms) and Voluntary (Cooperatives, Voluntary Associations,

Non-Profit Organizations, NGOs, Popular movements) sectors are known as the first, second and third sectors respectively.

Marc Nerfin's imagination, cited in Hollaway [3], has sketched the picture of three sectors of society in the shape of "The Prince, The Merchant and The Citizen". The Prince is the government, including the armed forces, represents the first sector, which mobilizes the resources by command. Its role is to reallocate the national resources to address the needs of nation defined by them and to set rules that control their behavior. The 'Merchant' refers to business, being the second sector, which mobilizes the resources needs through producing goods and services for sale and making a profit. The 'Citizen' represents the third sector, which mobilizes the resources through voluntary actions. The three sectors are presented below suggested by Marc Nerfin in Table-1.

Table 1: Three Sectors of Society by Marc Nerfin

Classification	Sector	Symbol	Resource Mobilization	Examples
First	Govt.	The Prince	Command and Coercion	State and Army
Second	Business	The Merchant	Trade and Exchange	Commercial Organizations
Third	Citizen	The Citizen	Shared Values and Consultation	VOs/NGOs

*Source: Civil Society – The Nonprofit Private Sector: Trying to Categorize in Bangladesh, Institutional Development Journal-Vol 2, No-1, PRIA, Delhi, India, Page-40, 1995.*

L. David Brown and David C. Korten [4] used the word 'Voluntary Organization' instead of NGOs and they presented the sector differences in Table-2, as government, commercial and voluntary, which have distinctive and complementary meaningful characteristics.

Table 2: Sector Differentiation by L. D. Brown and David C. Korten

	Commercial Sector	Government Sector	Voluntary Sector
Primary Concern	Produce Goods and Services	Preserves Social Order	Actualizes Social Vision
Implicit Organizations	Markets	Hierarchies	Clan/Consensus
Coordination Mechanism	Negotiated Exchange	Authority and coercion	Shared Values
Enforcement Mechanism	Contracts and Reciprocity Norms	Supervision and Rules	Moral Obligation Professional Ethics
Prototype	Corporation	Army	Church

*Source: Brown, L. D and Korten, David. C, Understanding Voluntary Organizations, Country Economics Department, The World Bank, Page-5, September 1989.*

On the contrary, Norman Uphof school of thought is of the view that dividing society in three sectors and labeling voluntary sector as third sector is misleading, because the real third sector is located somewhere in between the public and the private sectors in institutional space and does not belong to NGOs rather to people's association and membership organizations [5]. The school further argues that the society breaks up mainly into two sectors; the public and private sectors. Here, public is state or government while the private sector further breaks up into Private Organizations (Commercial Organizations, Profit oriented) and Voluntary Organizations (Non-profit or NGOs) [5].

## 2.1 Definition of NGO

The World Bank has defined NGOs as, "NGOs are a variety of institutions that are entirely or largely independent of governments and characterized primarily by humanitarian or cooperative, rather than commercial objectives" [6].

L. D. Brown and David C. Korten addressed the basic question, 'What is an NGO?' in a comprehensive tone as follows [7]: "The term NGO encompasses all organizations that are neither governmental nor for profit, what is left, is a residual category of organizations, many of which have little in common. NGOs can be large or small, secular or religious and either donors or recipients of grants. Some of NGOs are designed only to serve their own members, while others serve those who need help. Some NGOs are concerned only with local issues, but others work at the national, regional or international levels. Organizations that could fit under the giant umbrella definition include saving clubs, squatters' associations, communal labor sharing groups, rural peoples' leagues, village water associations, tribal unions, environmental advocacy groups, policy analyses centers, labor unions, community service clubs, local development associations, tenants' associations, private colleges, hospitals, private relief organizations and political action groups".

Mike Hudson in his book 'Managing without Profit' [8] defined Third Sector as "This sector consists of organizations whose primary objectives are social rather than economic. The core of this sector includes charities, religious organizations, arts organizations, community organizations, campaigning organizations, trade unions, trade and professional associations and other not-for-profit and civic society organizations". Further he explains that the 'term third sector' distinguishes these organizations from the 'Private Sector' and 'Public Sector'.

The above definitions do not support the views of Norman Uphoff that the membership organizations and People's Association are different from NGOs. As Thomas F. Carroll writes in his book 'The Supporting Link in Grass Roots Development' while discussing 'terms and

definitions, the Grass Roots Organizations (GROs) and Membership Organizations (MSO) are the two subsets of the broad spectrum of NGOs [9]. He further explained; "MSOs provide service and linkages to local groups. However, an MSO represents and is accountable to its base membership, at least in principle. For example, a primary or base-level membership organization is a local cooperative or labor union".

So the above definitions and comments over the topic refer that the society consists of three sectors and these are Public, Private and Citizen Sector. The Citizen Sector is often used interchangeably with 'Non-profit' or 'Third Sector'. The basic premise of the organizations in the Third Sector is that they are organized, i.e institutionalized to some extent, private i.e separate from the government, independent, not for profit, and voluntary [10].

### 2.1.1. Nature of NGOs

The nature of NGOs is the reflections of the five basic characteristics such as: Non-Governmental; Voluntary; Non Commercial; Accountable; and Non Political [11].

The NGOs must depend heavily on volunteerism. What money an NGO raise is meant to go for filling the NGO's objectives. The term 'non-commercial' refers to the act of involvement of individual, groups or organizations in any activity, which is not directed towards profit earning for self. Business organizations exist to make money and governments are also allowed to make profit. But an NGO cannot exist for the purpose of making money and profit. The term 'accountability' refers to a check over the organization by its stakeholders. The purpose of accountability is to make NGOs honest. Non-political connotes that the NGOs are not supposed to be party in disguise of social work or openly involve in the power game of individual, clan dominance and state politics. An NGO is supposed to be apolitical. Pakistan has laws forbidding NGOs to have any connection with political parties.

### 2.1.2. Types & Kinds of NGOs

The types of NGOs have been explained in the literature of NGOs as the levels of organization, such as size and institutional space etc, while the kinds cover the fields of interest, the function and scope of the NGOs [12]. Below is the detailed explanation of these terms separately

### 2.1.3. Types of NGOs

Mainly there are three types of an organization, these types are also levels of an NGO (see fig-1) namely

- i. Community Based NGOs (CBNGOs)
- ii. Midlevel or Intermediary NGOs
- iii. Support Organizations [13].

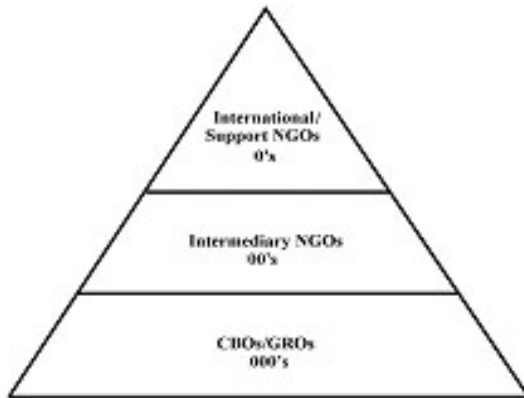


Figure 1: Types and Levels of NGOs in SAARC Countries

### i. Community Based NGOs (CBNGOs)

CBNGOs include, Indigenous Community Groups, Village Level Clubs, Induced Community Groups, Mass Organizations, Local and National Religious Organizations, Local and National Trade Organizations. CBNGOs work at the grass roots level, concentrate on welfare activities and remain active for the welfare of the local communities. They are said to be first generation of NGOs. David Korten is quoted by Ian Smillie for IUCN 1992 report as; “The front line of NGOs active in local development often spontaneously-fronted community groups with the energy and motivation both for real change in the conditions under which the poor live in both urban and rural areas and for giving the poor a voice and access to public resources in setting, where they have traditionally been isolated from power” [14].

### ii. Intermediary NGOs

Intermediary NGOs are also known as midlevel NGOs or simply NGOs. These organizations remain ‘service delivery and development organizations focusing on health care, family planning, education, environment, water and sanitation. These are the support organizations to grass roots organizations, not necessarily they support with funds but, provide technical support in their program extensions. Intermediary NGOs are linked with the donors and CBOs/GROs simultaneously. Most of them are dependent on external donors funding and on self-generated funds. The group of volunteers generally runs them by forming Executive Committee/Managing Committee/Board of Directors or General Body as apex body through the paid staffs.

### iii. Support Organizations

Support Organizations are the capacity building organizations, which provide financial or technical or both types of assistance to Intermediary NGOs and CBNGOs. They are not implementing agencies or service delivery organizations but help their partner organizations in making them more effective and efficient [15]. The support organizations include international and local

funding and non-funding agencies, they are smallest in numbers – about 40s. For the sake of easy comprehension, the support organizations can be classified into three types as follows:

- **UN Agencies**

UN agencies include all the donor agencies having UN mandate [16].

- **International & Foreign Donor Organizations:**

These organizations include all non-UN international organizations and representative organizations of foreign governments. These can be the projects, funding concerns, or implementation agencies.

- **Local Donors & Philanthropic Organizations:**

These should include all structures through which funds are supplied for philanthropic and development purposes. In this category the Local Foundations and Trusts set aside funds within their businesses or collect from other sources for the use of philanthropic purposes.

#### 2.1.4. Kinds of NGOs

General Welfare NGOs, Development NGOs, Rehabilitation and Emergency Relief NGOS, Policy Dialogue NGOs, and Advocacy & Lobbying NGOs are some main kinds of NGOs. However, the kinds of NGOs can be divided into two broad categories such as:

- NGOs by Function
- NGOs by Scope

#### i. NGOs by Function

By functions, NGOs exist to support, exchange, promote the religion, education, research, sports, the arts, peace and justice, human rights, social work, relief and development, professional development, health, environment etc [17].

#### ii. NGOs by Scope

These NGOs by scope exist on community, regional, provincial, national and international level [18].

#### 2.1.5. Strengths and Weaknesses

NGOs have special ability to reach the poor and other segments of society overlooked by public and commercial sectors. NGOs facilitate local resource mobilization and have programs of local participation in development. Service delivery at low cost and innovative solutions to novel problems is their strengths. NGOs’ are also not without weaknesses. The NGOs have limited ability to scale up successful projects to achieving regional or national impact. Due to their small size and resources they face difficulties in maintaining their essential value consensus. As soon as the staff expands, living with their own commitments to their initial beneficiary populations becomes difficult [19].

### 3. GOVERNMENT ORGANIZATIONS (GOs)

Government Organizations (GOs) refer to the State owned organizations or institutions. Broadly speaking, State has three branches: Legislative, Judiciary and Executive. The GOs fall under the Executive branch and generally termed as public sector. These organizations are of five types, such as, secretariats, attached bodies, statutory commissions, field offices and high-powered committees/councils [20]. The Government Organizations, which involve in commercial activities, are known as public enterprises and covered under attached offices. The GOs have well defined administrative structure and management system. Bureaucratic management system is one of the identities of these organizations. The strong hierarchies of the management levels are found in all government institutions. GOs preserve social order through chain of command in organization, and coordination mechanism is authority and coercion while enforcement mechanism is guided by supervision and rules.

#### 3.1. Strengths and Weaknesses

The State or Public sector is extremely important legally, financially, and functionally, both in the value of the public goods and the services that it provides. It has legitimacy to supervise and monitor the public and private organizations' course of action, free to choose action plan, possesses huge structure and have national and international resources. However the state has some weaknesses, such as: often it has ambiguity in its thought and actions – thinks politically and acts socially, it has administrative culture – believes in process, virtually enjoys limited penetration in masses, and suffers political instability.

### 4. COMMERCIAL/BUSINESS ORGANIZATIONS (COs)

The commercial/business organizations are profit oriented private property of individual or group of people. COs have well defined but flexible management system. Up to large extent, they are non-bureaucratic. They are of three types: sole proprietorship, partnership and private corporations. The scope of organizations varies from local, regional, national to international levels. The core principles on which they operate are profit and loss, whereas social prosperity is the secondary or tertiary consideration for them. Their coordination mechanism revolves around negotiation and exchange. The enforcement mechanism is guided by contract and reciprocity norms.

#### 4.1. Strengths and weakness

Like other two sectors, commercial organizations also have strong points and challenges. The core strengths of this sector are their professionalism; they are demand driven, have corporate resources and are flexible in

operations and management. While this sector has challenges as to assume more social responsibility and to minimize the market-based approach solutions to social problems [21].

### 5. CONCLUSION

The concept of a meaningful public-private partnership for taking up developmental goals is now a reality, and it is increasingly being accepted by the three sectors of society. Yet there is a need to take practical steps in this direction.

Ideally speaking, state is responsible to provide social security to its citizens but in practice, in developing countries, there is a need to join hands by the state, business and NGOs in order to realize the ideals of a state. The partnership for social development can be built on both - the strength and weakness of the three sectors. Their weaknesses provide a reason for them to come together in enhancing their roles and effectiveness, while their strengths provide a meaningful partnership venture among the three sectors for social development. Each sector explained above has immense potentialities in their respective field as: state can provide enabling environment for business and NGO sectors; business can solve the financial problems for the government's agenda of development; and NGOs can implement the development agenda of government more economically and efficiently at the grass root level.

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