**Features**

3 Welcome

4 The Nonprofit Ethicist
Money raised for a dog's hip replacement sidelined for other purposes; a development director who's pitching other charities on her employer's time; plus, more questionable board antics.
by Woods Bowman

8 The Question of Class
Power and class dynamics in our society are replicated in the nonprofit sector in subtle and pervasive ways. Nonprofits must recognize and confront these systemic challenges.
by the editors

18 The Third Sector as a Protective Layer for Capitalism
If, as RoeiKas asserts, "the nonprofit world is also a system of power that is exercised in the interest of the corporate world," how can nonprofits initiate real change?
by Joan Roeils

22 Battered Agencies
Under-resourced, overworked, and disrespected, battered agencies suffer the effects of life at the margins: diminished power and place in their communities.
by Diane F. Reed, J. Ronald Lally, and Douglas Quitt

30 Class Consciousness Matters
To address many of the problems they confront, nonprofits must have an understanding of class issues in our political and economic system.
by David Moberg

34 Financial Independence: Six Strategies
In the nonprofit sector all funds come with strings attached, so which attachments suit your organization? Choose your model.
by Jon Pratt

40 Diving into the Power Pool
Conducting a community power analysis is essential for informed strategy and action: here's a primer with useful resources.
by the editors

42 On the Use of Power Analyses
Cohen explains why, and how, he has used power analysis in community development work.
by Rick Cohen

46 Good Intentions: The Dilemma of Outside-In Help for Inside-Out Change
Philanthropic interventions into poor communities can build on or bypass community assets. Bypassing them can short circuit community sustainability. What should philanthropy consider?
by David Ellerman
Good Intentions:  
The Dilemma of Outside-In Help for Inside-Out Change  

by David Ellerman

Editors’ Note: While the following article is inspired by issues involving international development aid (and to a lesser degree by the issues of philanthropic support of domestic community development efforts), its lessons apply widely to situations in which donors want to create the conditions for self-empowerment of their targeted beneficiaries. The author reveals a basic paradox inherent to many self-help efforts that is rooted in both the motives engendered on the beneficiary side by the direct pecuniary form of most aid, as well as the constraints created on the benefactor side by the desire to gauge and attribute impact and, ultimately, keep one’s job.

There is a fundamental conundrum built into the helping relationship that confounds so many well-meaning attempts to be effective in both the aid business and the philanthropic sector. The conundrum relates specifically to those efforts aimed at “helping people help themselves.” If, on the one hand, the doers are really helping themselves, then the helpers may not be having an obvious, demonstrable, or measurable effect on the outcomes. Thus the helpers will have a hard time convincing their bosses of the measurable results of their help. If, however, those helpers are in the driver’s seat generating demonstrable outcomes to satisfy their organizational demands for “having an impact,” then it is very likely that the doers are just along for the ride and not exercising much self-help at all.

Instead of confronting this conundrum, aid agencies and foundations tend to think that there is some way they can escape it—with more intelligent listening, better partnerships, enforcing clearer output-based conditions, and the like—and use their money to bring about so-called “inside-out” change. Foundations, like various aid agencies in the international arena, are basically money-moving machines, and money is the quintessential “outside-in” motivator. Thus, the more direct effect foundations and aid agencies try to have, the more they crowd-out, suffocate, and falsify any budding inside-out motivation in the people supposedly being helped to help themselves. Instead of fostering self-help, the money-moving machines foster learned disability and aid addiction.

There are certain specific aid interventions, which fall under what might be called the “vac-
While the world has disasters aplenty, the general recasting of development assistance in the mold of disaster relief only aggravates the real problems of capacity-building and sustainable social change. Indirect Foundation Strategies for Community Development

A key to getting communities organized and helping themselves is often an outside community organizer, animator, or facilitator. Organizing starts with mobilizing community capabilities and "assets" to see what people can do for themselves without significant external resources. If Foundation X funded an organizer or team of organizers, it would be crucial that the organizers not be a conduit for the communities to have access to Foundation X's money. Otherwise, the community will constantly see the organizer as a source of outside money. When and if the community does need to raise outside resources, then the organizer(s) could help to raise funds from other foundations or government sources—but never from the sponsoring foundation.

There are other ways that an indirect approach might work to support community development. Take the example of the Highlander Folk School, which fostered community and labor organizing during the 1930s and 1940s in Appalachian communities and in the broader civil rights efforts in the South. In spite of the name "school," Highlander operated more as a place for community groups to come together to strategize, learn from each other, and consult with experienced staff. Highlander brought no money to the people it helped, but it required money itself from various sources to keep operating.

Here, then, is another way a foundation could indirectly support organizing efforts in communities. If Foundation X supported an urban or rural folk school, then it would be imperative that it not be seen as a door into the foundation's vaults. This sort of light-touch intervention could create a resource for many communities without smothering self-help impulses in any of them. The real question is whether organizations ordinarily functioning as money-moving machines can—without major overhauls—sponsor indirect strategies where money is not the leading edge of the intervention.

Certain foundations and aid agencies spend much time trying to separate the genuine from the money-seeking projects. In a co-evolutionary process, the money-seeking projects evolve better and better mimicry to pretend to be genuine, but they still do not lose the social impulses to look elsewhere and dig outside of the status quo. Aid should be what works, not just what works when. The plan is to make it work, not just make it work if aid is necessary. Aid is a stopgap.
genuine self-help projects. When the money-moving pressures on the side of the aid agencies meet the money-seeking mimicry on the part of the aid-seekers, then there tends to evolve a tacit social contract or "norm" of mutual self-delusion to lessen the cognitive dissonance on each side and to accommodate the needs satisfied on both sides by moving the money. Thus the aid business takes a few more turns around the hamster wheel of the funding cycle, but makes no real progress.

There are certain methods, such as matching grants or topping-off grants, where the donor's matching contribution is supposed to be sufficient to mitigate the money-seeking motivation. However, this mechanism is often corrupted by the donors raising their contribution from other philanthropic sources or by the helper reducing the donor's matching contribution to something trivial. A higher matching requirement would not only help screen for genuine projects, but would also make it harder to use funds as patronage and largesse to buy or reward local support. Moreover, it would tend to reduce the quality of the local infrastructure projects from the "Mercedes-Benz" version to the appropriate technology "Volkswagen" version, where the local community would then have the capability to maintain and repair the infrastructure without seeking new external grants.

Barricades to Honesty and Real Learning

In order to move forward, we need to confront the fact that there is an institutionalized dishonesty built into aid agencies such as the World Bank and foundations. The boss does not want to hear bad news from the projects in his or her shop; the project managers do not want to hear bad news from their counterparts in the projects; and the people working in the projects do not want to give any bad news about the project. Thus there is a "reporting chain" with rose-colored glasses built into each link of the chain.

The check against this institutionalized norm of dishonesty is supposed to be evaluation, with all its problems. Whoever is paying for the evaluation from the organization is not going to want really bad news, and this fact is rarely lost on the evaluators, who are keen to be hired in the future. Moreover, evaluations are often watered down today to "impact evaluations," which only look at the ultimate "low hurdle" of whether or not spending the money on the project had a positive impact relative to doing nothing—instead of relative to the best alternative use of the money. It's like evaluating a medical procedure by comparing it only to the alternative of doing nothing instead of to the best alternative procedure. Without competition and hard-budget constraints to force consideration of real alternatives, one has the perfect environment for pseudo-learning, which takes the form of constantly repackaged fads that obscure the underlying dishonesty and almost schizophrenic self-delusion.

Organizations tend to be run as one-party systems where there is no institutionalized and protected exercise of a legitimate opposition function. The people that have the most power to change an organization have the least incentive. The age-old temptations of "one-party rule" are today fortified by the ever-improving public relations function, which continually strives to manufacture the public perception of good work, regardless of the reality.

It is said that there can be open discussion within the organization, but then once the organizational "Official View" is decided and announced to the outside world, people have to play with the team. In the case of foundations and some elite agencies, the inhibitions against real criticism may have more to do with spoiling the highly collegial tacit contract and norm that "I won't publicly criticize your work if you won't criticize mine." In that brie-and-Chablis atmosphere, real criticism is hardly welcome.

To spur learning, the clash of adverse opinions needs to take place roughly between peers. Yet even when honest criticism is publicly voiced within an organization, one needs to revisit the question of why anyone with power should heed the criticism if there is no hard budget constraint, competition, or public accountability. At the very least, foundations and aid agencies should be encouraged to engage in a little self-help of their own by talking about their goals and the dynamics that help or hinder them in being more effective partners with the communities and other beneficiaries they aim to assist.

Reprints of this article may be ordered from store.nonprofitquarterly.org, using code 130307.