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Comparative Political Studies 2002; 35; 814

DOI: 10.1177/0010414002035007003

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This article presents the first attempt to examine the political consequences of internationally funded programs that target local nongovernmental organizations (NGOs). Although the purported mission of NGOs is often economic, humanitarian, or environmental, the authors suggest that their impact is also profoundly political. Injections of international resources into underdeveloped, often clientelistic societies can fundamentally change the nature of the local political arena, affecting access to economic resources, social benefits, and ultimately the quality of democratic representation. The authors analyze the impact external resources have on politics by examining a series of World Bank–funded projects based in the Brazilian Amazon from 1995 to 1997. They show that World Bank funding designed to channel resources to local groups had powerful effects in the political arena, increasing electoral support for the Left in the 1998 presidential race. This article has important implications for the growing role of NGOs and their influence on politics in the developing world.

LEFT TURN ON GREEN? The Unintended Consequences of International Funding for Sustainable Development in Brazil

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Nongovernmental organizations (NGOs) continue to increase in number, size, and scope. They range from large international NGOs (those that operate in more than one country) to small associations of peasant farmers.

AUTHORS' NOTE: We would like to thank the Center for the Study of Institutions and Values at Rice University and the National Science Foundation (SES No. 0099097) for financial support. We would also like to thank Barry Ames and the three anonymous referees for comments on an

COMPARATIVE POLITICAL STUDIES, Vol. 35 No. 7, September 2002 814-838
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The number of international NGOs grew over the past century from 176 in 1909 to 28,900 in 1993 (Hulme & Edwards, 1997, p. 4). Some estimate international NGOs now funnel more aid to developing countries than the United Nations (Mathews, 1997). The growth of NGOs is paralleled by their increasing ability to mobilize both resources and support. A growing percentage of development assistance provided by organizations such as the United Nations, the World Bank, the United States Agency for International Development, and the European Union is channeled through local NGOs. For example, from 1990 to 1994, the percentage of European Union relief aid channeled through NGOs grew from 47 to 67 ("Sins of the Secular Missionary," 2000). More than 70% of World Bank–supported projects approved in 1999 involved NGOs and civil society in some way (World Bank, 2000). Somewhere between 10% and 15% of all aid to developing countries (more than \$6 billion) is now allocated through NGOs (Overseas Development Institute, 1996).

In addition to their growing numbers, NGOs are increasingly concerned with targeting groups and sectors that were previously excluded both economically and politically. Such sectors traditionally have not had the resources or organization to participate independently in political life but now find themselves able to gain access to increased funding.

What are the political consequences of expanding NGO funding within previously ignored social sectors? Donations from abroad to local NGOs certainly address a variety of important issues, but their influence may also spill over into politics. Investments in grassroots organizations may have significant unanticipated effects in local political life: mobilizing previously excluded sectors, empowering new political entrepreneurs, and providing alternatives to existing clientelistic networks. Although increases in NGO activity have been massive, there has been no investigation into their political side effects.

We provide the first examination of the political impact of internationally funded NGOs. We focus on one aspect of politics: voting behavior. Specifically, we test for a correlation between NGO funding and changes in electoral returns in the Brazilian presidential elections of 1994 and 1998. Normally, it would be difficult to track international NGO funding to specific geographic units. But in the Brazilian state of Rondonia, the World Bank provided the overwhelming majority of foreign NGO funding between 1994 and 1998.¹

1. The one exception is a similar but much smaller (roughly 10% of Planaflo) program instituted by the Group of Seven Industrialized Nations (G7). The spending data we analyze include the projects funded by the G7.

earlier draft. Finally, we would like to thank the following Brazilians without whose help this would not have been possible: William Sérgio Guimarães, Nahylde Marcelino Rodrigues, Elcio de Souza Campos, Rosália Maria Passos da Silva, William Curi, Amélia Afonso, and Tania Barauna.

The World Bank's Planafloro project, in addition to a much smaller program administered by the Group of Seven Industrialized Nations (G7), disbursed roughly \$10 million in grants to local NGOs in 37 of Rondonia's 40 municipalities.² These grants are well documented and represent a vast majority of the resources for local NGOs in Rondonia during the period under investigation. These funds also represent the first time significant resources have been made available to local NGOs in Rondonia (Aparicio & Garrison, 1999). In addition, presidential elections were held in 1994 and 1998 with the same two candidates as front-runners. Consequently, we can track exactly where the funds were spent and estimate their correlation with the presidential vote. We find a significant relationship between the inflow of resources from abroad and changes in the presidential vote: NGO funding was positively associated with votes for the Left. This suggests that internationally funded NGOs with humanitarian and developmental goals can have a profound influence on politics. The results are statistically and substantively significant and hold up to a number of diagnostic tests and alternate model specifications.

The article is organized as follows. The first section builds theory and hypotheses on the relationship between NGO activity and voting behavior, drawing from the existing literature on international funding, NGOs, and domestic politics. It also describes the Brazilian Planafloro project in more detail, justifying its use as a strong test of the hypotheses derived from the theoretical literature. The second section addresses issues of measurement and model specification. The third presents our results. The fourth concludes the article by providing an interpretation of the results along with their implications and limitations.

THEORY AND BACKGROUND

Since World War II, both bilateral and multilateral donor agencies have pursued what is called the New Policy Agenda, recognizing the important role NGOs play in poverty alleviation, social welfare, and the development of civil society (Robinson, 1993). NGOs are becoming increasingly international, having ties to and receiving funding from foreign NGOs, international agencies, and foreign governments. Local NGOs have become a popular target for international aid for a number of reasons. Under the New Policy Agenda, multilateral donors—for example, the World Bank and the United

2. Although the funds originated as World Bank loans to the Brazilian government, they were distributed to the NGOs as grants and with no repayment obligation. Note that the number of municipalities in Rondonia has grown since 1994. To account for the growth, we use the procedure outlined in Appendix D.

Nations—emphasize channeling money to small grassroots organizations as a way to circumvent problems associated with clientelism, patronage, and corruption (Edwards & Hulme, 1996).

Despite previous work on NGOs and their ability to influence specific policy outcomes, relatively little is known about the impact NGOs have on politics.³ Most would agree that NGOs have some influence on political outcomes in the developing world. Unfortunately, no systematic evidence exists (Clarke, 1998, p. 40; Edwards & Hulme, 1996). Are NGOs reshaping the political arena? Or are their activities—and impact—limited strictly to the humanitarian or environmental goals they expound? Most previous work in this area has been produced by NGO activists or by social scientists with strong connections to funding agencies (Clarke, 1998).⁴ Such studies rarely examine NGOs' role in politics, emphasizing instead their progress toward publicly stated goals.

We use existing theory and observations from the field to derive a set of hypotheses that link international funding and NGOs to electoral change. To simplify, we divide the literature into theories that posit NGOs can influence politics and theories that posit NGOs have no impact on politics.

NGOs AND POLITICAL MOBILIZATION

An infusion of external resources for NGOs could have a positive or negative impact on their political activity. On one hand, increasing resources may encourage and empower groups to press for political change. On the other, additional funds may actually have a demobilizing effect. We discuss each possible outcome (positive or negative) in turn, linking the extant theory with observations from fieldwork in Rondonia.

Over the past decade, a new breed of NGO has emerged. These new NGOs—what Korten (1990) calls second- and third-generation NGOs—emphasize breaking the dependence of the poor on previous state organizations and NGOs. The new NGOs emphasize bringing individuals together through meetings, classes, or social functions, providing an organizational

3. Most of the work on NGOs and politics focuses on the effect they have on specific issues (e.g., human rights, child labor, and the environment). Some draw connections between the growth of NGOs and democratization (Abers, 1996; Fox, 1994; Huntington, 1991; Lehman, 1990; Loveman, 1991). Still others suggest that NGOs help foster activities that strengthen civil society, thereby increasing the accumulation of social capital (Fisher, 1998), which figures prominently in theories of modernization (Huntington, 1968), government performance (Putnam, 1993), and the quality of democracy itself (Putnam, 2000).

4. Some of the best work on NGOs, in fact, has been sponsored by Oxfam (Clarke, 1998), Save the Children Foundation (Edwards & Hulme, 1992), The Inter-American Foundation (Carroll, 1992), and the Overseas Development Institute (Bebbington & Thiele, 1993).

structure that did not exist previously. Although the new associational activity may be designed to address specific problems (i.e., prenatal care, literacy, marketing agricultural products), the new organizations bring individuals with similar backgrounds together. Once the organizational structures are in place, a variety of different issues can be addressed, including politics.

The politicization of NGOs is apparent in a number of different areas. NGOs are now more likely to devise strategies and use activities in health care programs and agricultural cooperatives to help organize peasants so that they can challenge local elites (Clarke, 1998, p. 42). Often, no attempt is made to conceal the NGO's political objectives: The NGO becomes openly involved in political campaigning and protest actions. NGOs not only challenge the state directly, their presence can form communal alliances that build institutions that challenge local, religious, or commercial elites (Clarke, 1998, p. 44). As new services and outlets for political expression become available, the clientelistic ties binding the population to politically powerful bosses become threatened. NGOs, therefore, may have a decidedly political effect. They can provide political space and political opportunities for citizens to press their demands on government (Lehman, 1990; Loveman, 1991; Segarra, 1997).

Several specific mechanisms could be at work. First, external resources have an important organizational effect by keeping small community organizations alive, expanding their organizational efforts, or creating the organizations in the first place. In the aggregate, therefore, external funding leads to increased numbers of meetings and increased contact between the NGO and the electorate. Increased associational activity exposes people to alternative political viewpoints, causing them to consider alternative political programs. Second, external resources influence politics through a demonstration effect. As organizational activity increases, community members will observe the good deeds associated with politically affiliated community organizations. As Nylen (1997) notes, one of the political strategies of the Brazilian Partido dos Trabalhadores (Workers' Party) to increase its presence in rural areas is to build "a reputation based on 'good works,' competence, and honesty" (p. 445). By observing how these external funds can be used in a transparent manner to improve the community, the electorate begins to realize voting for entrenched political parties is simply no longer in its best interest. Finally, political change results from entrepreneurs who use NGO resources to fund political activities. Internationally funded community development projects provide recipients with an important source of discretionary funds that can be used for activities not directly related to the purposes of the grants: T-shirts and hats displaying political messages, meals for supporters attending rallies, or transportation for people to attend political meetings.

When applied to Rondonia, this theoretical perspective suggests that NGO activity should mobilize support for the Left. The Planafloro project specifically targeted landless peasants, small farmers, indigenous groups, rubbertappers, and *ribeirinhos* (floodplain fishermen). These groups have all been perennial losers in Rondonian politics. Clientelism and patronage characterize the most rural regions in Latin America, and Rondonia is no exception (Ames & Keck, 1997). Although clientelistic networks in Rondonia are not necessarily delineated by any clear ideological differences (Ames & Keck, 1997), groups with access to resources (usually land) have been able to dominate politics. The Workers' Party in Brazil, however, has been a prominent force since the 1980s in its attempts to integrate the small farmers, indigenous groups, rubbertappers, and *ribeirinhos* under a leftist umbrella (Hecht & Cockburn, 1990).⁵ In the Rondonian context, increased resources to the rural poor could mobilize the Left.

For example, the Rural Workers' Union (Sindicato dos Trabalhadores Rurais [STR]) of Nova Londrina (a pseudonym), has sought to organize small farmer families in the countryside around the issues of better roads, schools, health posts, credit, and technical assistance for farmers in the countryside. With its roots in the early organizational efforts of the Catholic church (early 1980s), the STR—now professionally staffed—has employed strikes, sit-ins, and marches to convince state and federal governments to make good on their promises to address the needs of immigrant farmers on the Amazon frontier. Many of the STR leaders participate in the regional Movimento sem Terra (MST) land reform movement to occupy large, idle landholdings and demand their expropriation by the federal government. The STR state umbrella organization, the Federation of Agricultural Workers of Rondonia (FETAGRO), was a member of the NGO forum that eventually contributed toward the formation of the Planafloro community initiative programs on which the current study is based. In the 1990s, the STR was well staffed and ready to take advantage of increased funding when the Planafloro projects began.

During the period under examination, the STR in Nova Londrina successfully obtained funding for community initiative projects under Planafloro: The group proposed to establish agroforestry demonstration plots in locations throughout the municipality. These plots were to expose farmers to more ecologically and economically sound production systems and involve the community in resolving its own socioeconomic and ecological problems. Grant funds paid for a variety of activities: seedlings and other materials;

5. See Hecht and Cockburn (1990, pp. 190-194) and Hall (1997, pp. 111-114) for a discussion of the Workers' Party and grassroots organizations in Amazonia.

environmental education meetings held in the city and countryside; educational pamphlets introducing farmers to agroforestry techniques and ideas; hiring a college-educated agricultural engineer; and a motorcycle. The total value of these projects was \$200,000, money that was transferred directly to the bank account of the STR between 1995 and 1998. Beyond the stated goals of the projects, the resources allowed STR leaders to have increased contact with their constituents via the meetings held in the implementation of the project. Some of these meetings involved dozens of participants from across the municipality over a period of days and evenings. Whether intentional or not, the increased contact helped build political support for their cause.

Increased resources for NGOs could produce political change not only through political mobilization but through the possible anesthetizing effect of increased resources, demobilizing previously active political groups. NGO activity coupled with an increasing reliance on foreign resources may actually discourage political activism. The most extreme argument in this literature posits that any form of institutionalization—the kinds NGOs are likely to foster—weakens social movements because their effectiveness depends on random spontaneity (Frank & Fuentes, 1990; Piven & Cloward, 1977). Less extreme arguments see the source of corruption not in the institutionalization of NGOs but in their ties to government and external sources of funding. Because NGOs often enter into contracts with government to provide a wide array of social services, NGOs become less willing to criticize those in office (Rivera, 1992; Sethi, 1992). Moreover, as external funding becomes important, NGO survival depends increasingly on keeping the channels of external funding open. Less energy is devoted to organizing political protest and more energy is devoted to the aims and goals of the international donor, making it more difficult to rally the same numbers of people to participate in strikes or political demonstrations.

To some extent the STR in Nova Londrina has experienced the anesthetizing effect mentioned above. In 1993, a group of farmers organized under the STR began experimenting with honey production under the direction of an intermediary environmental NGO funded by European government and nongovernmental aid. Once honey production reached significant levels, the participating farmers formed an agricultural cooperative to process and sell their products. The cooperative and the STR from which it formed are no longer working closely together as they did before. An ex-leader of the STR lamented that the cooperative is more interested in a purely economic solution to the problems of small farmers and no longer sees a role for political organization around issues that face this population. Moreover, international donors avoid supporting groups with an overt political affiliation. When con-

sidered for funding by an international NGO, the cooperative removed evidence of any ties to the STR and other labor union organizations. Although this helped maintain the continued flow of outside resources to subsidize the organization's activities, such a posture did nothing to lessen the gap between the cooperative and the STR. Demobilization of key members in the STR leadership was the result.

NGOs AND THE STATUS QUO

Funding local NGOs may have no overall political effect: NGOs merely provide a range of goods and services to the poor more efficiently and more effectively than government bureaucracies (Uphoff, 1993). NGOs, according to this view, address the need for developing countries to shed themselves of wasteful and costly state bureaucracies and state-owned enterprises that crowd out more productive investment. The inefficiencies associated with bloated bureaucracies and state-owned enterprises also prevent citizens in the developing world from receiving the same level of basic services (health, education, sanitation) enjoyed by their counterparts in the industrialized West.

The empirical evidence that NGOs more effectively reach the poorest segments of the population and provide services in a more efficient manner is mixed. Recent studies of NGO performance in Africa and Latin America indicate that NGOs may not be the most efficient providers of goods and services and do not always reach the poorest segment of the population (Edwards & Hulme, 1996). Here, the emphasis is on the provision of social services in a cheap and efficient manner rather than the possible social and political consequences. Whereas some argue there will be a positive political effect (in the sense of empowering previously marginalized groups in society), those who adopt the more skeptical view contend there is no connection between the more efficient provision of public goods and politics.

To summarize, three distinct hypotheses about NGO activity and political mobilization in Rondonia follow from the above theoretical discussion. First, if NGOs provide previously marginalized groups with political space and resources, we would expect to see a positive correlation between the distribution of external resources and electoral support for the Left. Second, if external resources undermine political activism, there should be a negative correlation between external funds and electoral support for the Left. Finally, if NGOs are neutral actors in the political arena, the allocation of external resources should not be correlated with changes in political behavior in one direction or the other.

RONDONIA AND PLANAFLORO

Several characteristics unique to the Brazilian state of Rondonia and the Planafloro project provide an excellent opportunity to examine the relationship between international funding and electoral outcomes. First, the Planafloro program is typical of the new style of community-based NGO activity. Community organizations developed their own proposals, independently implemented their own projects, and were responsible for administering their funds. Second, in Rondonia we can accurately track nearly all significant NGO funding activities. In most contexts, measuring the quantity and impact of international NGO funding is difficult because of the sheer number, size, and scope of such activities. But during the Planafloro program, there were few alternative sources of community-based funding. The Planafloro program practically defined the universe of such activity, dwarfing the few other programs that existed.⁶ Third, the program took place between two presidential election years with the same two front-running candidates, allowing us to control for differences in candidate quality and campaign messages. Finally, the pattern of fund distribution is conducive to our test. Thirty-seven of 40 municipalities received funding for projects, and the amounts provided varied significantly. Furthermore, the municipalities vary substantially on other demographic features, allowing us to test and control for alternative hypotheses.

The state of Rondonia is situated in southwestern Amazonia along the border with Bolivia. Politically, Rondonia has tended toward the conservative side of the political spectrum in which patronage-based groups of politicians are the central actors (Ames & Keck, 1997, p. 23). In 1992, Governor Osvaldo Piana oversaw a "ruling group" composed of the mayor of Porto Velho and Jí Paraná (Ames & Keck, 1997). At the time, roughly 50% of the state's mayors were from parties on the Right, the rest split between the center and the Left. With mayoral elections in 1996, the political scene changed:

6. Although no statistics exist on the international flow of resources to local NGOs, evidence exists that confirm that the Planafloro project represents the first and only significant influx of resources to local NGOs in Rondonia either before or during the period under examination. Even resources from the Brazilian government were previously nonexistent because NGOs "had been fragile institutionally and thus often shunned overtures by the State Government to participate in project activities for fear of being manipulated or co-opted" (Aparicio & Garrison, 1999, p. 8). To confirm, we have accounted for all significant spending in Rondonia and we contacted the main donor agencies in the area (the World Wildlife Fund, the Group of Seven Industrialized Nations [G7], Friends of the Earth, and Oxfam). In addition to the Planafloro program, the G7 disbursed several grants to local NGOs in seven different municipalities. The grants allocated by the G7 only constituted 10% of the Planafloro project and are included in our spending figures (Ministry of the Environment, 2001).

The percentage of mayors from the right dropped to 30, whereas the percentage from the center of the political spectrum grew to 50. Despite the shift leftward, statewide support for the leftist presidential candidate in 1994 and 1998 was relatively small: 25% and 19%, respectively.

Until the 1960s, Rondonia (then classified as a federal territory) was sparsely populated by indigenous groups and rubbertappers. During the 1960s, the region became a focus of Brazilian government efforts to incorporate the Amazon into the rest of the country's economy. Road building and agricultural colonization projects in the 1970s attracted thousands of families to the Rondonian frontier, bringing about immense social and environmental changes in the region. In the early 1980s, the World Bank sought to address the disorderly occupation of the state, which was characterized by rapid tropical deforestation rates and encroachment by settlers, cattle ranchers, and miners on the lands of indigenous peoples. The Northwest Pole Development Project (Polonoroeste), initiated in 1981, included measures to protect indigenous lands and encourage colonist farmers to remain on their current lots. Paving the main highway through Rondonia, the BR-364, was the centerpiece of the plan, yet this merely fueled further immigration to the state, overwhelming the state and federal agencies in charge of ameliorating the human and environmental problems of the region.

Examples of Polonoroeste's social and environmental ills were used by Rondonian and international NGOs to protest the lending practices of multilateral development banks in general. The World Bank responded to this pressure and announced a new loan for Rondonia of \$167 million, incorporating many of the NGOs' human and environmental concerns. The Rondonia Natural Resources Management Project, Planafloro, was designed to demarcate and protect indigenous and ecological reserve areas in addition to encouraging migration-prone colonists to remain on their current lots. A complete socioeconomic-ecological zoning was to form the basis of a rational, sustainable development model for the state. To this end, the project also included measures to ensure the formal participation of local communities and Rondonian NGOs in project planning and monitoring.

A key component of Planafloro was direct funding assistance for Rondonia-based NGOs. This was the first time that World Bank project money was placed directly in the hands of NGOs in Rondonia to carry out specific components of the project. NGOs applied to programs called *Projetos Inovadores* (PIs) (Innovation Projects) and *Projetos de Iniciativa Comunitária* (PIC) (Community Initiative Projects) in 1995. These were rural-oriented health, education, conservation, and agricultural production-related programs implemented by the local NGOs. The grants were distributed to communities of colonist farmers, rubbertappers, indigenous

groups, and *caboclo* (floodplain fishermen communities). Overall, the programs sought to raise rural living standards, conserve rain forest resources, and build civil society.

Citing numerous irregularities in the implementation of other Planafloro programs, however, the newly organized Rondonia NGO Forum called for a formal review of Planafloro by the World Bank's Inspection Panel. The World Bank never approved the request, but it did aid in negotiations between the NGO forum and the state government, which led to an agreement reformulating the project and redirecting project funds. The reformulated project allocated \$22 million for a new round of NGO-run projects called *Projetos de Apoio às Iniciativas Comunitárias* (PAICs) (Community Initiative Support Projects) to be financed entirely using World Bank funds. Under this new program, community groups could apply for grants of up to \$150,000 (see Appendix B).⁷

To summarize, Rondonia and the Planafloro project offer a unique opportunity to determine whether the flow of foreign resources through local NGOs has a political effect in very concrete terms. First, the Planafloro project is an exemplary case of the new emphasis multilateral donor agencies are placing on how they fund development projects: targeting small, community-based NGOs in an attempt to reach poorer segments of the population in addition to fostering civil society and social capital. Second, given Rondonia's size, small population, and frontier location, we can accurately trace the amount of foreign resources allocated to local NGOs. Finally, more than 200 different associations in 37 municipalities received funds from the Planafloro project, providing a reasonably large sample size and variance in our dependent and independent variables.

MODEL AND VARIABLES

MODEL

Our model is designed to test the relationship between foreign funding and electoral returns in presidential elections. Specifically, we estimate the impact of NGO dollars on changes in voting behavior from 1994 to 1998. We

7. A more detailed treatment of the funding process is provided in Appendix B. Roughly \$3 million was distributed between the election in October and the end of the year. The results reported in Table 1 include spending after the election (October through December). We estimated the same models using spending data for only the amount disbursed before the election. Using the election date as a cutoff point had no significant impact on our results.

limit our analysis to the presidential election for both methodological and theoretical reasons.

Focusing on the presidential race provides us with a nearly ideal environment in which to test our hypotheses. The two front-running candidates were the same in both elections and ran on nearly identical platforms in both years. The two main candidates were Luís Inácio Lula da Silva (Lula) and Fernando Henrique Cardoso (FHC). Lula, a longtime union organizer and leader of the Partido dos Trabalhadores (PT), had narrowly lost the previous presidential campaign in 1989 to Fernando Collor de Mello, who eventually resigned from office when faced with impeachment for corruption. Although an academic and a world-renowned Marxist scholar, FHC represented a centrist position on the political spectrum.

In both elections, FHC ran on (and Lula ran against) the success of the Plano Real, a fairly orthodox neoliberal economic stabilization plan he formulated as finance minister before resigning to run for president in 1994. The crucial feature of the program involved setting very strict limits on the valuation of a new currency: the Real. Although in the 1994 election FHC benefited from a boom in consumption that resulted from tying the Real closely to the dollar, by 1998 the Brazilian populace was fully aware of the more painful aspects of the program, high interest rates and growing unemployment. In both contests, there was a distinct choice between the center of the political spectrum (FHC) and the Left (Lula).⁸

The use of data from state and local elections would force us to confront significant individual candidate effects due to the ideological diversity within Brazilian political parties. These effects could severely confound our results. In local races, the candidates can vary substantially from one year to the next. Furthermore, although elections for state and federal deputy are technically statewide races, many candidates concentrate their campaigns in specific geographic areas. This is especially common in a frontier state like Rondonia where travel can be difficult. These geographic areas can change from year to year as politicians expand their bailiwicks into new areas and abandon others (Ames, 2000). The end result would be that changes in voting behavior in state and local races could reflect NGO funding but may also include strong individual candidate effects.

Furthermore, blank and null voting is highest in legislative elections—reaching 42% nationwide for federal deputies in 1994. Blank and null votes accounted for only 15% in the 1994 presidential race. Consequently, to study

8. In 1998, Luís Inácio Lula da Silva (Lula) and Fernando Henrique Cardoso (FHC) captured 88% of the vote in Rondonia. In 1994, the two candidates captured 85% of the votes cast in Rondonia.

change in voting behavior for these races, we would have to make strong assumptions about the intentions of abstainers, who could be casting protest, apathy, or simply accidental blank votes.

Armed with electoral data and the amount of money disbursed to each municipality in Rondonia, we specified the following model to determine whether foreign funds had a positive, negative, or insignificant effect on support for the Left from one election to the next:

$$\begin{aligned} \text{left Vote1998} - \text{left Vote1994} = & a + b_1(\text{dollars per capita to NGOs}) + \\ & b_2(\% \text{ rural}) + b_3(\% \text{ government employed}) + \\ & b_4(\% \text{ migrant}) + b_5(\text{education}) + b_6(\text{mayoral ideology}) + e. \end{aligned}$$

The key parameter in the model is b_1 , which estimates the impact NGO funding has on support for the Left. We also control for a number of contextual factors. Changes in voting behavior, the model posits, can be influenced by important contextual factors such as how rural the municipality is, the number of jobs provided by the government, the municipality's average level of education, the size of the immigrant population, and the political orientation of the municipality's mayor. Because the dependent variable measures change in voting behavior and the contextual variables are static, the estimated control parameters can be interpreted as capturing how different kinds of municipalities responded to political events between 1994 and 1998.⁹ For example, one might expect that privatizing the state sector (a policy emphasized by FHC) had a pronounced political effect in municipalities with large numbers of federal employees but little impact on rural municipalities.

VARIABLES

Dependent variable. Our dependent variable is the change in the Left's vote share between 1994 and 1998 in the presidential race. Each case represents the change in the Left's vote share for each of Rondonia's 40 municipalities. Appendix C identifies parties we categorized as leftist. Appendix A presents summary statistics of the variables used in our model.

9. An alternative model specification would include the same independent variables expressed in elasticities (change over time). Unfortunately, there are no data: Although data exist for 1996, comparable data do not exist for an earlier time period. We were able to calculate the change in each municipality's rural population from 1996 to 2000. Including it in the regression model did not affect our results.

NGO funding per capita. Our primary independent variable of interest registers the amount of money (per capita) distributed to each municipality between 1995 and 1998. Funding data came from a series of reports published by the Planafloro program office (Planafloro, 1996, 1997, 1998a, 1998b) and the Ministry of the Environment (2001) (the G7 projects). Population data were obtained from the Instituto Brasileiro de Geografia e Estatística's (IBGE's) (1996) *Contagem da População*.

Percentage of population in rural areas. We controlled for the percentage of the municipality's population living in rural areas. Distinguishing between primarily urban and rural areas is important for several reasons. First, the costs of mobilization will be higher for populations that are primarily rural. Rondonia is a region with few, poorly maintained roads. These areas have traditionally been dominated by conservative land-owning organizations. All of these factors suggest that rural areas should react less to changes in the broader political environment. Specifically, for the period we studied, rural voters might have been immunized from the unpopular impacts of Cardoso's economic program. If this were the case, we would expect this variable to be negatively associated with changes in the leftist vote share.

Percentage of population that is migrant. Previous research suggests the Left and in particular Lula have fared less well in communities with large numbers of migrants (Ames, 1994). We suspect that voters without past ties to local politics lack cues to orient them in their new political environment and fall back on the modus operandi of Brazilian politics—patronage politics. The Left traditionally has lacked the resources to adopt this strategy, relying instead on community organization. Hence, the Left should lose potential votes among recent migrants. Following Ames (1994), we measure migration using the percentage of persons in the municipality from other states (IBGE, 1996).

Government employment as a percentage of total employment. Cardoso's reform package after 1994 included reducing the size and benefits of the public sector and privatizing state-owned industries. These policies made him less popular among public employees and lent support to Lula, who opposed privatization and public sector layoffs. We use the percentage of the municipality's workforce employed in the public sector (IBGE, 1996).

Average years of education. Our model also includes the average years of education for heads of household in each municipality (IBGE, 1996). Education has an independent effect on voters' preferences. Including education

serves two different purposes. First, educated voters are less vulnerable to clientelistic manipulation. Educated voters consult various forms of media to obtain information on the issues central to the election, mitigating the advantages some candidates hold with their charismatic television and radio performances. Consequently, educated voters should have responded to the economic problems in Cardoso's first term by voting more leftist in the 1998 election. Second, income data were not available from the 1996 survey. Because Rondonia has undergone such rapid development over the past decade, using outdated income data—from previous surveys—presents problems. Income, however, is highly correlated with education (Becker, 1975; Psacharopoulos, 1985). Poor families cannot afford to send their children to school. The opportunity costs involved with sending a child to school—the child can bring in much-needed income for the family or provide a variety of domestic services—are simply too high for many poor families. Consequently, education may serve as a proxy for income as well.

Partisan identity of the mayor in 1992 and 1996. Because our basic unit of analysis is the municipality, we include in the model important political information at the local level. Ames (1994) argues that there was a significant reverse-coattails effect in the 1989 presidential race: Electoral returns for presidential candidates were strongly influenced by local party organization. We therefore include a variable that registers 1 if the mayor was from the Left in 1996 but not in 1992, -1 if the mayor was from the Left in 1992 but not in 1996, and 0 if the mayor was from the Left in 1992 and 1996. As constructed, the variable assigns a higher value (1) to municipalities that recorded a shift to the Left between 1992 and 1996 and assigns the lowest value to municipalities that recorded a shift to the Right between 1992 and 1996. Unlike the slower changing demographic variables, the political environment in a municipality can be dramatically changed by the election of a different mayor.

Number of persons in each municipality. Finally, in addition to using ordinary least squares (OLS), we weighted the observations in our model by the number of persons in each municipality. There is substantial variation in municipality size, from 300,000 in Porto Velho to 5,000 in Rio Crespo. Because our dependent variable is effectively the difference between two averages, there should be less variance in the error term of the model from large cities than from small cities. The heteroscedasticity this implies can affect the standard error of our coefficient estimates, leading scholars to incorrectly reject the null hypothesis. Weighting is a standard practice when

Table 1
Ordinary Least Squares Regression of the Change in the Vote for the Left on the Money Allocated by Planaflores With a Number of Controls

	Model 1	Model 2
Money spent in municipality (\$ per capita)	.003 (.001)**	.004 (.001)**
Average years of education	.001 (.000)*	.002 (.000)**
Government employment as a percentage of total employment	.008 (.048)	.073 (.051)
Percentage of population in rural areas	-.107 (.117)	.049 (.106)
Percentage of population that is migrant	.001 (.001)	.001 (.001)
Partisan identity of the mayor in 1992 and 1996	.020 (.020)	.010 (.018)
Constant	-.419 (.242)	-.812 (.170)**
Observations	40	40
R^2	.68	.87

Note: Model 2 is weighted by population. Standard errors appear in parentheses.

*Significant at the 5% level. **Significant at the 1% level.

using data of this type. As reported in Table 1, weighting did not affect the substance of our conclusions.

RESULTS

The estimates indicate there is a strong positive correlation between the flow of external resources to local NGOs and the Left's share of the vote. The results, presented in Table 1, are substantively and statistically significant. The regression model estimates the correlation between the funds distributed to NGOs by the Planaflores project and the change in the left's vote share from 1994 to 1998. These results were robust to multiple diagnostics including DFFITs, Cook's D , and Leverages as well as visually inspecting the residuals plotted against the predicted values. In addition to the variables reported in Table 1, we varied the model using measures of population density, different levels of educational attainment, the percentage of a municipality's housing that represent nonpermanent structures (*domicilios improvisados*), and the number of residents per school. Whether these variables were excluded or included had no significant impact on the results.

Roughly 85% of the variance is explained by the weighted model. Most of the socioeconomic variables show little correlation with changes in the Left's share of the vote once the linear restrictions of the other variables have been removed. Only education has a statistically significant relationship with votes for the Left. To give an illustration of the substantive significance of the

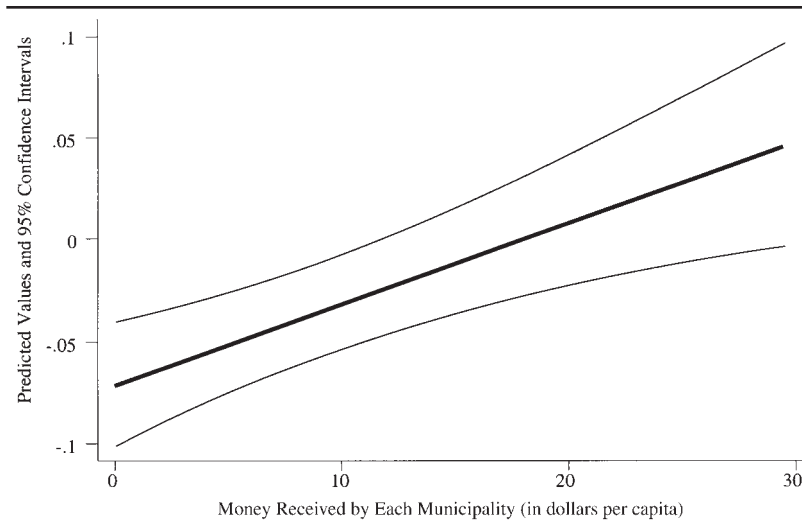


Figure 1. Predicted values of the change in Left vote from 1994 to 1998 against grant money in dollars per capita.

results, consider the municipalities of Corumbiara, Cacaulândia, and Monte Negro. Each of the three towns received no money through the Planaflo program during the period in question. The model predicts that in such instances, the Left's share of the vote should decrease by 7 percentage points (± 2 ; standard error of the prediction) from 1994 to 1998. In well-funded municipalities (Theobroma, Candéias do Jamari, and Rio Crespo), the model predicts an increase of 7 percentage points for the Left (± 4 , standard error of the prediction). Although the center-Right candidates easily won most of Rondonia's vote in 1994 and 1998, the differences between their gains and losses in poorly funded and well-funded municipalities was approximately 14 percentage points. Figure 1 provides predicted values for the change in the Left's share of the vote from 1994 to 1998 in addition to the 95% confidence intervals. The predicted values were generated by the weighted model.

DIAGNOSTICS ON THE MODEL

We validated our findings by testing additional models that controlled for other dramatic political events, especially for important developments in the landless peasant movement (the MST). During the period we analyzed, an important political shock occurred. Military police killed nine landless peasants at the Santa Elina Estate, Corumbiara, Rondonia State on August 9, 1995

(Amnesty International, 1998). The incident received national as well as worldwide attention.

Given the violent nature of the incident and its relevance to land reform—a hotly contested issue in the presidential campaign—we tested a model that included a dummy variable for the municipality in which the incident occurred, Corumbiara. Including this variable, however, and every other event-specific variable we could imagine, had no impact on our results. NGO funding had a strong and stable relationship with increased votes for the Left regardless of model specification.

We also tried different versions of the dependent variable. Instead of using the Left's share of the vote as the dependent variable, we used the change in FHC's and Lula's share of the vote between 1994 and 1998. The results confirmed the previously reported pattern. Money allocated through the Planafloro project had a strongly negative impact on FHC's share of the vote from one election to the next. The correlation between Planafloro money and Lula's share of the vote was strongly positive. We also reexpressed the vote shares using the logit transformation because some municipalities—municipalities with a very poor showing by the Left in 1994—had more room to show improvement. Municipalities that already gave significant electoral support to leftist parties would have little room for improvement. This could artificially bolster our results. Expressing the vote shares as logits solves the problems caused by a linear specification and actually strengthened our results.

Finally, we considered the possibility that the distribution of grant resources could affect our results. Although our model controls for potential confounding variables, the pattern of grant distribution could bias our estimates. If the grants were allocated to municipalities based on the number of existing NGOs and their growing influence in an area, our finding that World Bank funding changed voting behavior may merely reflect the independent growth of NGOs and politicization in these communities.¹⁰

We do not believe that there is a selection bias problem for four reasons. First, under Planafloro, 70% of the funds had to be distributed purely on geographical criteria. The money was earmarked for municipalities in close proximity to extractive, indigenous, and forest reserves (Guajara Mirim, Porto Velho, São Miguel do Guaporé, Machadinho, Colorado do Oeste, Cacoal, and Ouro Preto do Oeste). Consequently, most of the funds were distributed to communities without regard to the level of local NGO activity. Second, the remaining 30% of the funds was allocated to a wide mix of

10. See Achen (1986) for a clear exposition of selection bias, the problems it creates, and possible solutions.

municipalities in terms of previous support for the left, suggesting that preexisting NGOs were not the main rationale for grant distribution patterns. Third, there is no correlation between the entire allocation of Planaflo money and support for the leftist candidates in 1994. Money was not funneled to municipalities that were leftist strongholds or to areas where there was growth potential for the leftist presidential candidate. Finally, the money required approval by a deliberative council made up of individuals from a diverse cross-section of competing interests (see Appendix B), a group unlikely to systematically allocate funds to benefit the Left.

CONCLUSION

Funding for NGOs designed to help the rural poor was associated with significant changes in the electorate's support for the leftist presidential candidate between 1994 and 1998. The findings support the hypothesis that NGOs generate a number of externalities that are not directly tied to their primary mission. In addition to providing the goods and services associated with their primary objectives, there is a clear political consequence to community-based NGO activity.

We showed as well that several specific mechanisms could account for the observed relationship. Resources distributed through the Planaflo program may have simply found their way to NGOs whose leadership was affiliated with the left and who, in turn, found creative ways to generate political support with the newfound resources. Political entrepreneurs working among the rural poor may have found themselves, for the first time, in a position to provide important goods and services they could exchange for electoral support.

NGO activity may have also fostered political mobilization through increased associational activity. To the extent the newly funded NGOs provided increased contact among the rural poor, peasants were given the opportunity to express their concerns and problems. NGOs created by or kept alive through Planaflo money were able to get their message out through meetings and other organizational events whose primary purpose was apolitical. Under this scenario, NGOs successfully combined program administration (providing health care, education, etc.) with politics by using meetings and day-to-day contact to disseminate political views.

A third explanation is possible. NGO activity sparked an increase in social capital and civil society, mobilizing previously marginalized groups in society. Unlike the two previous explanations that draw direct links to NGO activity and changes in voting, this explanation introduces an important interven-

ing factor: social capital. The difference is subtle but important. Whereas the previous explanations rely on the political orientation of those receiving the money, this one does not: It relies solely on the impact NGO resources have on the development of associational activity and increased community involvement among individuals. As communities develop social capital and higher levels of organizational capacity, they will be more equipped to press government for change. Although we know there is a strong correlation between international resources, NGO activity, and voting behavior, we are unable to determine which of the explanations above accounts for the results. As stated at the outset, it could be one, two, or a combination of all the explanations. Our analysis, therefore, generates a number of important questions that can only be answered through further research.

We propose and encourage a research agenda on the mechanisms of NGO-induced political changes. Future work might be able to distinguish between the processes described above by collecting additional information on the nature and scope of NGO activities: Does the NGO have a political affiliation? Does the NGO hold regular meetings for its clientele? Does the NGO have the organizational capacity to influence a significant portion of the electorate's vote? Answers to all of these questions can help us determine whether NGOs are able to translate increased funding into political change through buying votes or political persuasion. Or, if the characteristics of each NGO register no effect, the hypothesis supporting the importance of increased associational activity and its impact on political change is confirmed. By collecting detailed financial disbursement data for NGOs and recording the individual characteristics of each NGO, we can evaluate the previous theoretical claims.

Although focusing on a well-defined and geographically remote area provided important advantages for our analysis, it comes with some costs. One issue concerns external validity. Although several characteristics of the Rondonian case may be unique, there are enough similarities between it and other parts of the world to demonstrate its relevance. The Left's gains in Rondonia may be contingent on the character of the Planafloro program and the general makeup of the groups to which the money was allocated: the rural poor. In different contexts, a more heterogeneous mix of interests might be mobilized, leading not to gains by the Left but to gains by other groups or to other political phenomena like voter turnout. The strong influence of the Planafloro money on the presidential vote may also result from the strong federal government presence in Rondonia, making the presidential race particularly important to the average citizen of Rondonia.¹¹ Despite Rondonia's

11. We would like to thank Barry Ames for pointing this out.

unique qualities, it possesses a common set of characteristics that are found throughout the developing world: Politics are largely clientelistic, and most citizens are poor and unorganized. It has also been a place where landholders have traditionally exercised significant political power but now find themselves in a country undergoing democratization. The Planafloro project also symbolizes the current model of aid adopted by the World Bank, the United Nations, the European Union, and other multilateral and bilateral aid donors. To the extent that similar projects in Africa, Asia, and other Latin American countries attempt to distribute resources to NGOs and other community-based organizations, the lessons from Rondonia will be relevant.

APPENDIX A Table of Summary Statistics (*N* = 40 Observations)

Variable	<i>M</i>	<i>SD</i>	Min.	Max.
Vote for the Left ₁₉₉₈ – vote for the Left ₁₉₉₄	–0.02	0.11	–0.16	0.34
Project money per capita	11.32	13.01	0.0	62.36
Public employment/total employment	0.388	0.269	0.0	0.851
Rural residents/total residents	0.562	0.237	0.103	0.901
Migrants/total population	16.371	11.370	6.49	65.92
Education/capita (years in school)	4.313	0.635	3.41	6.24

APPENDIX B Distribution of Project Funds

The PAIC projects (*Projetos de Apoio às Iniciativas Comunitárias*) (Community Initiative Support Projects) were approved by a *Grupos de Análises Técnicas*, or GAT, (UNDP workers/*técnicos*). After approval, the request was forwarded to PAIC management (Planafloro office) and then finally approved by what is called the *Comissão Deliberativa do PAIC*. The *Comissão Deliberativa do PAIC* was staffed by representatives of civil society, NGO officials, and representatives from groups of large landholders and industrialists. Under the PAIC program, 70% of the funding was earmarked for seven municipalities close in proximity to ecological and indigenous preserves: Guajará Mirim, Porto Velho, São Miguel do Guaporé, Machadinho, Colorado do Oeste, Cacoal, and Ouro Preto do Oeste.

The PICs (*Projetos de Iniciativa Comunitária*) were also approved by the GAT (UNDP) and followed the same subsequent method of approval as the PAICs. It is unclear whether there were any priority areas other than so-called “pilot” areas of

Machadinho, Campo Novo, Monte Negro, Jarú, Ouro Preto, Rolim de Moura, Colorado do Oeste, Cerejeiras, Costa Marques, and Seringueiras.

The PIs (*Projetos Inovadores*) were partly administered by the State Secretary of Education (SEDUC) and the State Secretary of Health (SESAU). These projects were selected by a group of *técnicos* from the state government. Although the money went through Planafloro as the others above, it is unclear whether the GAT was involved in selecting projects. There is no evidence that there were any priority areas involved. SESAU PIs totaled \$259,261.80 to 11 municipalities in 1995, and SEDUC PIs totaled \$348,300.49 to 12 municipalities. Combined, the PIs constitute roughly 10% of the total spending allocated in Rondonia throughout the entire program (the PAICs, PICs, and PIs) between 1995 and 1997.

APPENDIX C

Parties Classified as Leftist

- Partido Popular Socialista (PPS)
 - Partido Democrático Trabalhista (PDT)
 - Partido dos Trabalhadores (PT)
 - Partido Verde (PV)
 - Partido Socialista Brasileiro (PSB)
 - Upartido Socialista dos Trabalhadores Unificado (PST)
 - Partido da Mobilização Nacional (PMN)
 - Partido Comunista Brasileiro (PCB)
 - Partido da Causa Operária (PCO)
 - Partido Comunista do Brasil (PC do B)
-

APPENDIX D

Accounting for Redistricting in Rondonia, Brazil

Tracking the changes in electoral support from one election to the next is complicated by the creation of new municipalities from one year to the next. From 1994 to 1998, a number of municipalities in Rondonia were divided to form new municipalities. In 1994, Rondonia had 40 municipalities. In 1996 and 1997, a total of 12 new municipalities were created by taking territory from 14 existing ones. So by 1998, Rondonia had a total of 52 municipalities. This is a general trend across Brazil—about 500 new municipalities were founded between 1994 and 1998.

The complication arises when trying to compare the electoral results of 1994 directly with those of 1998. The 12 new municipalities did not exist for the 1994 elec-

tions, and some of the other municipalities had lost population between 1994 and 1998. We resolved this problem by reaggregating the data back to the 40 municipalities of 1994. That is, we reassigned the votes and other variables from the new municipalities back into their contributing municipalities. For example, Parecis was formed by taking 4,144 individuals from Pimenta Bueno. For our data set, we counted 1998 votes in Parecis as if they were in Pimenta Bueno.

The only remaining complication is how to reaggregate the data when more than one municipality contributed to a new municipality. For example, Alto Alegre do Parecis (no relation to Parecis) was formed with territorial contributions from Cerejeiras and Alta Floresta do Oeste. How should the 1998 votes from Alto Alegre do Parecis be counted? Our solution was to divide the votes between the contributing municipalities according to the percentage of territory contributed. Because Cerejeiras contributed about 2% of the new municipality's population, and Alta Floresta do Oeste contributed about 98%, 2% of the votes from the new municipality were added to Cerejeiras, and the other 98% were added to Alta Floresta do Oeste's total. This approach ignores a potential ecological inference problem. However, because most of the new municipalities are small in size, any variance introduced by our approach should be negligible.

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