

NOT-FOR-PROFIT ORGANIZATIONS: THEIR ROLE IN THE SOCIAL WELFARE OF METROPOLITAN POPULATIONS

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SUMMARY Services to improve nutrition are provided by many organisations: by the government and private enterprises, by those which are local and those which are national and even international, by those for whom this is their central task as well as by those for whom it is a secondary concern, or even an unexpected byproduct of their mission. Such services are also provided by not-for-profit organizations (NFP's) in the so called independent or third sector. It is the purpose of this paper to analyse this sector and assess its usefulness in enhancing nutrition in metropolitan areas. We will 1) give an overview of the not-for-profit sector, 2) summarise the justification for this form of organisation, particularly emphasising environments with few resources, 3) offer some thoughts why such NFP's may be appropriate vehicles for the improvement of nutrition and 4) consider the implications of policy and planning of not-for profit participation. The presentation will finish 5) with an analysis of the experience of programmes delivered by not-for-profit organizations.

GLOBAL VIEW

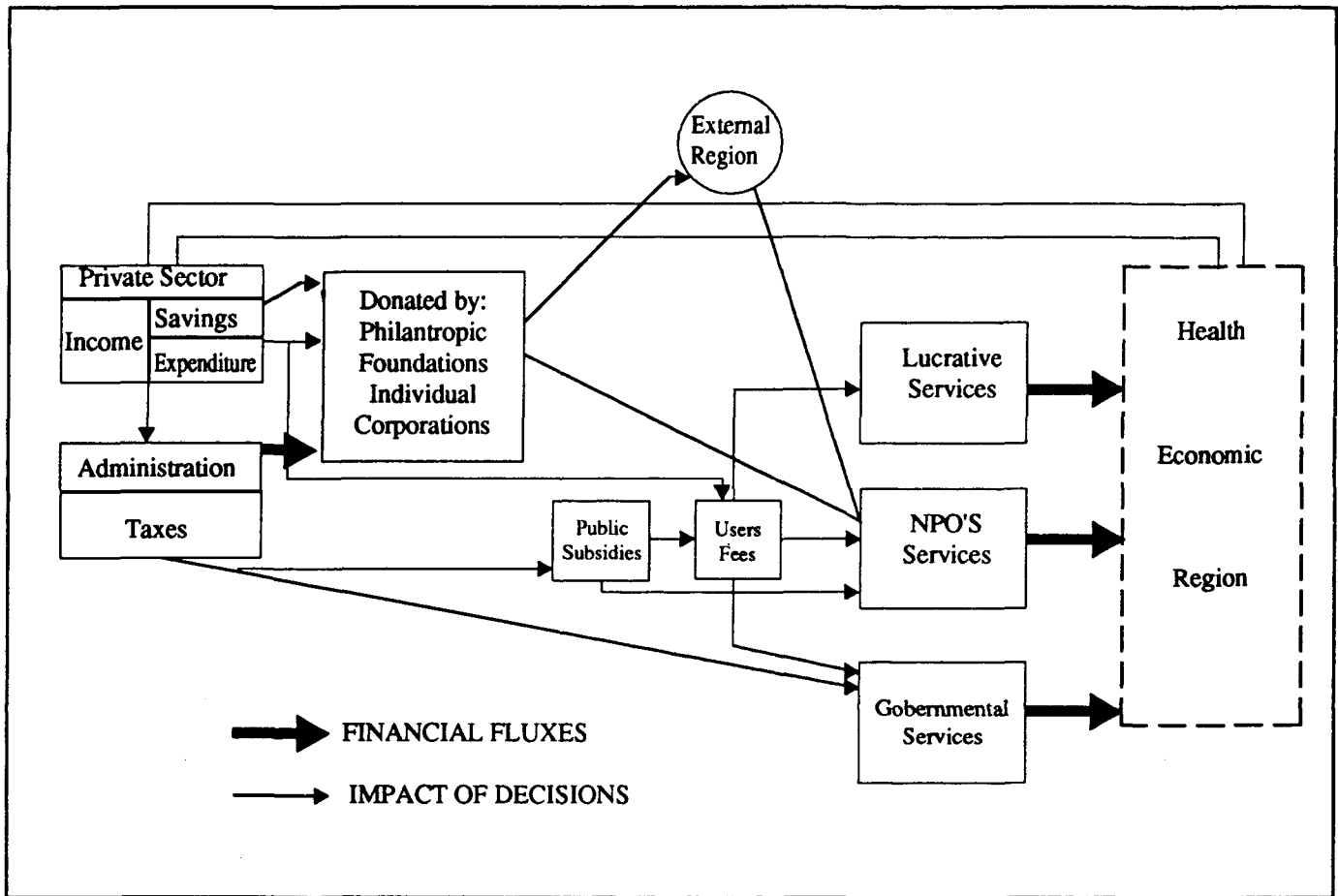
Not-for-profit organizations (NFP) are engaged in the delivery of many types of services in most parts of the world (James 1988, McCarthy 1992). The sector includes enterprises in the welfare or charity domain, as well as in health, education, arts, and culture provision. Churches and the many affiliated enterprises in the religious domain are included. For some purposes it is useful to include in the NFP category membership entities such as labour unions, credit unions and other financial enterprises, recreational groups, those which cater to shared vocational and advocational interests, chambers of commerce and even political organisations. A particularly important part of the NFP domain is the foundation, an entity which is established to channel funds and other resources to beneficiaries which include service delivery.

Not-for-profit enterprises have several important characteristics. These distinguish them from organisations in the private and in the public sector (see Figure 1). Unlike private sector enterprises, NFP's can not distribute surplus: there is no "profit" for stockholders. They must, of course (though this is often overlooked) match expenses with revenues. If there is excess, this can be dedicated to expanded service, capitalised and returned to those who provided the revenue. NFP's, unlike for-profit enterprises or the public sector, receive significant shares of their revenue as donations or gifts from individuals, other NFP's (such as foundations), businesses, or as grants from various levels of the government. In addition to monetary support, NFP's are recipients of in-kind donations (surplus material, property, etc.) and perhaps of greater importance, volunteer labour ranging from holding positions on governing boards to work as consultant experts to fund raising, to menial client-directed activities and maintenance (see Figure 1). In the USA, one estimate is that this represents an input (5 million workers) equal to two thirds that of the employed workforce (Weisbrod 1988).

NFP's may, and often do, practice price discrimination in what they ask for their services (for example, giving free of charge services to the needy or charging only nominal fees — or to the donors, who tend to include the wealthy). NFP's are treated distinctively with respect to the tax code and other laws: for example, in most nations they are exempt from certain taxes, and gifts to them may reduce tax obligations for the donors. All these characteristics are part of the web of incentives to support NFP's. Most societies have set these in place to encourage their existence and activities: activities which are expressive of some public interest. This purported public interest is insured in several ways: in particular in governance by boards which are expected to represent the larger public (and clients), and by a charter which spells out the mission of the organisation. Prohibition on generating (and distributing) any profit is universally seen as a necessary condition for public image.

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FIGURE 1
MOVEMENT OF FUNDS AND ITS IMPACT (FLUX)



As elsewhere in the world, NFP organisations exist in all parts of Latin America, though we have limited organised information on this sector here (Consejo 1981, Smith 1989, Stearns and Otero 1990). Like NFP's in the USA and other OECD nations, they are active in a variety of service fields, and rely on support in part outside their community (indeed, in some cases successfully raise funds internationally), and have distinct organisational structures, definition of mission, and relationships with other enterprises (Powell 1987, Reiner 1988, Weisbrod 1988).

Simply to give some perspective on NFP's, recent summaries from the USA show that these constitute a large part of the service sector and that this is one of the major growth sectors in the economy (Independent Sector 1986, Weisbrod 1988). There are well over one million entities (compared with some 3 million for profit enterprises), employing almost ten percent of the labour force. About two fifths of these are religious bodies and service organisations in the welfare, education, health, arts,

and other subsectors. NFP's are represented in the most rapid growth areas in the economy (indeed constitute a significant part of such growth), and in many metropolitan areas they are the most important activity. Certain services are heavily identified with non-profits: religion, of course, is virtually 100%, general hospitals 65%, higher education 20%, nursing homes 22%.

Why NFP's? There are several rationales for this form of enterprise. Perhaps the best and clearest is that the NFP form is appropriate where, either in terms of mission or priority, there is less than public consensus: but there is some considerable interest that a particular service should be offered. This opens the door for NFP's as experimental entities, testing the waters, so to speak. It also helps explain the growth of NFP's in circumstances where resources are scarce, and where a particular service is not judged by the majority (or the leadership) to be necessary. NFP's also arise where donors seek to establish control over a particular domain.

"If not for profit," as has been asked, then for what purpose (Young 1983)? Enhancement of assets, market share, or size of organisation, all are criteria which have been found to motivate management. An expanded entrepreneurial arena (not the least the building of a political base or other network) are also common purposes. But altruism clearly does have a role to play: with clients or beneficiaries defined as the public at large, a sharper identified client group, or donor-members themselves.

Such a motivational and institutional context makes for advantages where services are delivered by NFP's. Their time horizon will be longer than that of a government agency; indeed some of the oldest enterprises in nations such as the US are NFP's. Their distance from private or public bureaucracies makes them more acceptable or approachable to clients who otherwise would not perhaps be served. Their situation in a decentralised map of service delivery affords a variety of innovations to be tried out. Of course, they are also more vulnerable, as their resource base may not be assured.

What impact on the delivery of nutritionally-directed services in the urban environment can NFP's have? can they do better than other organisational forms? We can see the following effects:

Under conditions of resource scarcity (and this not only refers to monetary considerations, but also to such resources as administrative capabilities) NFP's can more effectively meet client needs in a decentralised fashion.

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