

volunteer Principle which is explicit or implicit, as a result of which the role and contributions of remunerated professionals tends to be devalued or their number and scope of action is limited.

In some Societies, as we noted, there has been a contrary tendency to promote professionalization, which leads to an increase in paid staff and removes volunteers from those programs and services which demand a certain amount of training or are provided under very competitive conditions. This trend, which can be seen in Venezuela and to a lesser extent in Colombia, is nevertheless not widespread in Latin America and the Caribbean as a whole.

In both cases it should be stated that the imbalance between professionals and volunteers limits the effectiveness and social impact of the National Societies affected. In the most common situation, where the number of paid technicians compared to volunteers is small, the latter feel deprived of professional training, support, and guidance in carrying out their work, which is a factor limiting their effectiveness and impact and often leads to relatively unprofessional operations. The last situation occurs most often in branches, where the absence of remunerated staff is widespread. In those situations in which professionalization is emphasized, the cost of activities increases, low-cost strategies based on mobilization of local resources are not possible, and efficiency and social effectiveness decline, especially if we consider the Red Cross a mechanism for channeling the solidarity potential of society. In sum, both situations represent a major organizational and operational weakness in a context which increasingly requires interventions carried out with professionalism and rigor and with abundant, motivated, and concerned human resources

Making use of the advantages inherent in both kinds of personnel as well as those stemming from their positive interaction means finding an optimal point of equilibrium as to their numbers and mechanisms of mutual support and joint work in the programs. Up to now that has been achieved in only a few National Societies.

The uncertain situation of remunerated staff

Beyond this reality is the frequent uncertainty of a work situation in which there are no incentives or mobility, salaries are generally very low, and employment conditions are sometimes unfavorable, unstable, or ill-defined, especially at the support levels, since labor relations are marked by uncertainty and instability. Because of this, the ability to hire and retain trained professionals is very low and in many instances there is a considerable lack of incentives. As a result, in many instances staff are recruited by other NGOs which offer greater opportunities for professional advancement and better salaries. This situation is clearly related to the economic crisis the region has experienced, which has led to a sizable decrease in the National Societies' financial capacity as well as widespread reduction in the buying power of their salaries. Nonetheless, this reality has not been dealt with in relevant institutional policies.

In addition, the amount of discretion given to managers in hiring and firing paid staff is very large, and tends to be endorsed by the statutes. Generally speaking there are no transparent and open procedures or objective criteria based on the merit and suitability of candidates, and largely informal procedures are used in hiring. This is also a factor of instability, and sometimes leads to the replacement of professionals when the institution's leaders are replaced.

Financing and budgets

During the Study most of the National Societies expressed strong concern about their financial situation and prospects because of frequent crisis situations, declines in revenue, and the dilemmas of survival in an ever more competitive environment. The Study also found that these perceptions are based on facts that define an increasingly difficult context for self-sufficiency and development. Many of the

problems, as we note below, originate in the Societies themselves, which means that there is significant potential for making reforms conducive to modernization in this field.

A preliminary observation which has to be made is about the scope and exactness of the economic and financial data in the Study. In the first place, they were supplied directly by the National Societies themselves, and they have not always been compared with other data such as those from external auditors. Further, the revenues declared by the National Societies are usually only those of the headquarters and/or the branch in the capital city if such a branch exists autonomously. As the finances of branches are not customarily included in financial reports or accounting systems, there are differences between total revenues and revenues recorded for accounting purposes. Additionally, not all National Societies have updated balance sheets, as a result of which we have had information from different years (mostly from 1988 to 1992), and some do not draw up financial reports but only estimates.

Diversification and balance in revenue structure

The sources of financial revenue of the National Societies included in the Study show some diversity overall, the commonest being: a) raffles and lotteries they or the state have sponsored; b) state subsidies of varying legal and administrative nature as to both funds and kind; c) agreements or contracts with the state to perform public services; d) operating revenues from the sale of services in the market; e) voluntary donations and contributions; f) capital yields; g) collections and fund-raising campaigns directed at the public; h) contributions from volunteers or contributing members, and finally, i) certain income-generating and commercial projects. In addition to these internal sources, almost all the Societies in the region receive external cooperation funds, whether from the Red Cross Movement, international

organizations, or governmental cooperation agencies.

This diversity of revenue sources is only apparent, however, if we consider separately the revenue structure of each of the National Societies since on one hand only some of these sources of financing are really significant in terms of the structure of revenues and, on the other, many National Societies have a relatively undiversified and unbalanced pattern in that structure because they depend to a great extent on a single channel of financing which is also external. There are thus few control possibilities and a certain amount of potential uncertainty about the future financial situation. This is true of those Societies that depend to a great extent on governmental subsidies or grants, or foreign cooperation. In respect of this problem, it is significant that the League's Strategic Plan for the 1980s said that not depending on a single source of financing, whatever it might be, and being able to obtain by itself the funds needed to carry out its activities are among the criteria for a National Society's "independence."⁸

Only a few National Societies have a more diversified and balanced revenue structure in which their own revenue sources predominate. This has often meant greater financial solvency, financial and decision-making autonomy, institutional independence, strength and autonomy as a counterpart in cooperation projects, and greater ability to weather crisis periods. There are major exceptions to this situation, however. A balanced and diversified revenue structure does not always mean that there is broad availability of resources or that fiscal years end without losses. Similarly, some Societies which depend heavily on a single source of revenue (e.g., a national lottery) may in absolute and relative terms have much greater revenues than other Societies which have balance between various of their own and external revenue sources (fund-raising campaigns, Government subsidies, sales of services). In summary, the situation of the National Societies in the region suggests that balance and diversification in sources of financing does not necessarily result

in financial solvency, but are an effective way to achieve it in the long run.

Raffles and lotteries: a traditional, solid, and stable revenue source

Raffles and lotteries are one of the most used sources of revenue in the National Societies, and also one of the most traditional. Different situations and kinds of lottery must be distinguished within this type of financing:

National state lotteries or raffles

For their support and operations, some Governments have granted Red Cross Societies the profits from a designated day in the national lottery or similar raffle (the "National Lottery" in Colombia, "Sports Lottery" in Brazil, "*Polla de Beneficencia*" in Chile, etc.) as a "Red Cross" raffle. Another, more frequent form of revenue is a proportion of 10% to 20% of all yields from some or all lotteries, which sometimes amount to quite large sums. National Societies which benefit from this kind of lottery manage to obtain sums representing 10% to 78% of their total recorded revenues in this way, and in many cases it is their main source of financing. Red Cross participation in lotteries indicates significant state support, often with legislative approval, which has sometimes been considered an "indirect subsidy." For that reason and because inflation has scarcely affected it, it is a solid, stable, and long-term means of financing. In recent years, however, some National Societies have been deprived of lottery funds which they used to receive, and others have had to share them with other charitable or social action organizations on the ground, according to the state, that such organizations have rights to such funds similar to those of the Red Cross. This happened in Uruguay. In other countries the use of lottery funds has gradually come under the supervision of the public authorities and been made subject to various auditing procedures, as well as regulated and made contingent on the provision of specific services to the

public, as happened in Colombia. Although such regulation has at times been perceived as a form of control, it has generally had positive effects on the affected National Societies such as improvement of mechanisms of collaborating and coordinating with public authorities as to services provided to the population at large and improving procedures for overseeing expenditures and financial information.

National Red Cross raffles

Standing or annual national raffles organized exclusively by the Red Cross are another important mode of financing. Among them should be noted the annual raffle of the Panamanian Red Cross, the "Tico-Bingo" or the "Cross of luck" of the Costa Rican Red Cross, the *Oro Raspadito* of the Mexican Red Cross, and the Jamaican Red Cross's national raffle. Successfully executing this kind of raffle and obtaining significant revenues is only possible, as the region's experience shows, if there is an adequate legislative framework in the country and the National Society has a widely favorable public image, considerable organizational and financial capacity, and businesslike management, marketing, and publicity. It is significant that, generally speaking, branches receive more from these raffles' yields than from National Lotteries funds, which are usually intended to support the administrative apparatus and services provided by the headquarters.

It was observed in the Study that those National Societies which have broad participation in the National Lotteries in their countries, or which are able to organize large national raffles, are those with greater financial resources and often among the largest and best developed in the region: the Mexican Red Cross, Costa Rican Red Cross, and in lesser measure the Panamanian Red Cross, in Central America; the Colombian Red Cross in South America, and the National Societies in Jamaica and the Bahamas in the Caribbean.

Branch lotteries and raffles

Finally, reference must be made to the lotteries and raffles which branches conduct locally in most of the countries. Since the branches frequently receive limited resources from headquarters or have partial or complete financial autonomy, this source of financing is usually the key to guaranteeing their support. Given the local scope, their organization is much more uncertain, businesslike methods are not applied, and their results depend greatly on their socioeconomic environment. Branches in quite poor or small communities generally get very little or no profit in spite of the fact that raffles entail major organizational effort by the local volunteers.

Government financing: between subsidies and agreements

Financially, only a small number of National Societies in the region have complete autonomy from the public authorities in not receiving governmental funds. As a result, public funds are one of the most widespread sources of revenue, though their relative importance in the revenue structure varies greatly. Direct Government contributions form a wide gamut which ranges from 2% to 55% of the revenues recorded by those National Societies that receive them.

Excluding indirect channels such as lotteries, tax exemptions, or the exemption from payment of public services (water, electricity, telephone service) from which some National Societies benefit, there are at present three means of public financing of the Red Cross. The first is direct subsidies in cash to support the organization and its activities in general without the fixing of precise services in return.

The second is "earmarked" subsidies to pay for specific programs or services, or for some of their expenses. In this instance the most usual is payment of the salaries of the professionals who conduct them (in hospitals, schools, day care centers, blood banks, or centers caring for the elderly, deaf children, the handicapped, or other

persons who require assistance). It is significant that in this respect, Governments tend preferentially to finance those services or programs such as hospitals or blood banks whose possible disappearance or closure would have immediate effects on the operation and coverage of the health care system. Only to a smaller extent do governmental contributions support social action or community services or programs.

These two means are the most common and, when they are not based on stable mechanisms backed by some kind of legislation (e.g., stamps whose revenue is assigned to the Red Cross), they are characterized by the discretion which the Government, which provides them, can exercise over them. This results in a relationship in which there are certain risks to the autonomy and independence of the institution and some amount of situational uncertainty and insecurity, as for example following a change in Government. In some cases subsidies even come from the discretionary funds of the President's office in a given Government or a specific Ministry, as a result of which the National Society has to conduct more or less intense lobbying to guarantee such subsidies every year.

Governmental subsidies were one of the revenue categories which most showed the effects of the economic crisis of the 1980s inasmuch as the crisis was largely a fiscal one and significantly affected the state's financing capacity. The amounts the National Societies received were cut or, in most cases, lost their real value due to the effect of devaluations and inflation. Their proportional share in revenues recorded thus fell significantly, and in many instances they became purely symbolic. In addition, some stabilization and structural adjustment programs led to the revocation of earlier tax and customs exemptions. Generally speaking, the National Societies have not had the negotiating capacity or strength necessary to bring about an updating of the value of governmental subsidies or an increase in them. Only in countries which have recently returned to democracy, such as Chile or Paraguay, has

there been a substantial increase in governmental subsidies due to the greater concern for social development shown by the new democratic Governments.

The third means is the financing of a program or service through an agreement or contract between the state and the National Society. In this framework, some National Societies have experienced significant growth and development by obtaining large-scale financial support over long periods. The nature and characteristics of a contractual scheme usually prevent or at least lessen the risks inherent in subsidization. In this kind of relationship a long-term guarantee is implicitly established by clearly specifying the obligations and rights of both parties, and at the same time the potential threat to the independence of the Red Cross which might spring from its relationship with the state is precluded to some extent. An example of this method of financing is the agreement of the Costa Rican Red Cross with the Costa Rican Social Security Fund (CCSS), an autonomous state institution, to provide a national ambulance service. Another example is the contract between the Government and the Colombian Red Cross to provide services to the elderly and victims of violence. Various blood programs have also established this kind of accord. This is the case with the award to the Ecuadorean Red Cross by legislative decree of national responsibility for blood service, which includes reimbursement of the cost of producing each unit of blood by its hospitals, and similar agreements in Honduras and Nicaragua. There are also some examples of this kind of relationship with local Governments.

The most important and extensive problem noted in this method of financing and relationship with the state has to do with the real costs of the service provided. There are several cases in which public financing covers only part of the real cost of the service or product, which results in deficits which have been covered by the National Society's budget or external cooperation. Such a situation may be considered paradoxical since at times it is the National Society which

subsidizes a public service for which the state is ultimately responsible.

Not all National Societies with a large governmental component in their financing have experienced limitations on their autonomy and independence. Still, in those in which the Government has broad authority to appoint leaders or define institutional policies, Government financing is the most important cause thereof. In such cases it widely exceeds 50% of total revenues, while the proportional influence of other revenue sources is much less and the Societies' fund-raising efforts are very limited. It has been observed in such National Societies that the possibility of losing contributions from the Government (which at times are small in absolute terms) is usually put forward as an argument against those who would like to reform the Statutes and redefine the relationship with the public authorities in order to increase the institution's independence and autonomy.

Limits on and possibilities of charging for services

Revenues from the sale of services have for decades been a customary source of income for National Red Cross Societies, though their impact has been quite small. During the last decade, however, they increased somewhat both relatively and absolutely. This is due to the decrease in other revenues because of the crisis, especially from governmental sources or fund-raising campaigns, but also because of the new financial policies of some National Societies which, as we noted above, have become decidedly market-oriented. Though not free from internal doctrinal debates, this has led to putting priority on more competitive activities and services likely to generate revenue. A positive side to such debates has perhaps been that in some National Societies the "charitable" approach, traditionally alien to considerations of efficiency and analysis of its effectiveness and impact in cost-benefit terms, has been called into question.

Earlier we mentioned the implications which increasing market orientation and charges for services have had on the action priorities of the National Societies and the widespread internal discussion this has caused. At this point we will therefore take up another side of this reality, that of economics and finance, by examining both the real meaning of operational revenues and their limits and possibilities on the basis of the different experiences of the National Societies. That will lead us into consideration of certain facets which up to now have barely been mentioned in the debate.

The first conclusion in this regard is that, overall, revenues from service charges are of little importance. They are significant in only six National Societies in Central and South America, where they range from 10% to 75% of total annual reported revenues (in order of importance, they are Venezuela, Suriname, Honduras, Argentina, the Dominican Republic, and Colombia). In the small Societies in the English-speaking Caribbean the proportional importance of such revenues—mostly obtained from first-aid course fees—is greater, but the figures are very small in a context of general budgets which are also quite small.

In the second place, the reality of the National Societies in the region shows that in only a few services and programs is it possible to establish a system of charges which generate revenue. This is for outpatient medical services or hospital services of some complexity (laboratories, radiological examinations, care of hospitalized patients), blood banks supplying private and public hospitals, and ambulance service. Although such services may charge a certain fee in the health care market when they are carried out by professionals efficiently and competitively, other services are to a large extent alien to market logic because of their nature and characteristics, and so systems of charging for services are neither feasible nor perhaps suitable. This is true of assistance and community promotion services for the most vulnerable or of relief or rehabilitation activities stemming from emergency situations which are based on volunteers and intervention

strategies governed by common-cause criteria. In other words, the facts show that systems of charging for services guided by the market, though they may be more widespread and efficient, cannot be extended to all activities within the Red Cross's ambit due to the nature and mission of the Movement.

Finally, it should be noted that the considerable fund-raising potential of charging for services in hospitals or medical services is limited in most of the cases considered by the heavy costs of operating those services. Only in a few very localized instances (Colombia or Venezuela) are such services both self-sufficient and generators of surpluses which help finance the organizational structure and activities of the National Society in which there is no capacity for fund-raising or generating revenue. In most cases, in contrast, high operating costs cannot be fully covered by revenues and so services are run at a deficit. There are hospitals, blood banks, and ambulance services which illustrate this situation clearly because they have reached a size which is insupportable by the scale of market potential (in other words, the payment capacity of public and private authorities); further, they suffer serious management problems which limit their efficiency and are therefore a continuous financial drain for the National Societies that support them. The deficit is usually covered by other National Society revenues or at times by foreign cooperation, or else it simply accumulates, causing problems of insolvency and indebtedness. In such cases we face a paradoxical situation: the most expensive services, which at the same time have the greatest self-financing ability, have to be financed from the general budgets of the National Societies and so take away resources vital to institutional development and the care of vulnerable sectors. This situation shows both the limitations inherent in services which depend on fee-collection systems and the risks of deficit spending and untenability they run. Where this occurs there is an obvious need for short-term "structural adjustment" to bring about more efficient management, a more sustainable scale

of services, and tariffs which, alone or combined with other revenue sources (e.g., governmental subsidies of service provision or demand), at least enable costs to be met and the achievement of self-financing in order not to be a financial burden on the entire organization.

Fund-raising campaigns: a declining source of revenue

Most of the National Societies make fund-raising efforts based on collection of donations of money or in kind of varied scope and magnitude. The most extensive are national collections such as the *Día de la Banderita* of some Societies in Central and South America or the "Red Cross Weeks" of some Societies in the English-speaking Caribbean.

This source of revenue weighs heavily in the finances of the small National Societies in the Caribbean, ranging from 10% to 55% of their total recorded revenues. This is due as much to the small size of such Societies and their budgets, on which the amounts obtained from collections have a strong impact despite being small absolutely, as to the fact that the fund-raising efforts of such Societies are comparatively much greater than those in Latin America and the rest of the Caribbean; this is an interesting feature of the organizational culture of the Red Cross in the English-speaking Caribbean. Finally, it must not be forgotten that some of the countries in this subregion have comparatively very high per-capita income levels, which undoubtedly facilitates fund-raising efforts and makes them much more fruitful. On the smallest islands, however, the Red Cross Societies are increasingly facing stiffer competition from other NGOs, which also conduct fund-raising campaigns and activities to collect funds. This causes a problem of saturation in the population which makes results ever more limited.

In Central America, Mexico, South America, and the Greater Caribbean, however, the significance of collections in overall reported revenues is generally quite small, and in some countries its

importance has even declined due both to the crisis and the increase in funds from external cooperation. Some exceptions are the Paraguayan Red Cross, to which the *Día de la Banderita* has represented about 10% of its revenue, and the Uruguayan Red Cross, which obtains 25% of its budget from the annual collection, with the interesting peculiarity that the collection is managed by a private company. Only 2% or 3% of recorded revenues of other Societies are from collections. Estimates of the value of fund-raising campaigns must be taken with a grain of salt, however, since collections carried out by branches, which often are one of their main sources of financing, are usually not recorded for accounting purposes.

The Study also found that fund-raising campaigns at times have not only an extremely small financial impact but also create quite adverse counterproductive effects. In the first place, they entail enormous effort in mobilizing human resources and particularly volunteers, which if reckoned in a simple cost-benefit calculation of resources not used for other purposes would show that they are relatively unprofitable operations. The direct consequence of this is wear and tear on and discouragement of volunteers, who are overused to raise funds in campaigns whose results are well known to be poor and who are diverted from activities which might give meaning to their participation in the organization. This fact is a major cause of volunteer drop-out. In addition, conducting a national fund-raising collection, which may not produce much financially if measures are not taken to prevent that happening, often creates the false impression that the financial needs of a National Society will be fulfilled through such activity. This false impression involuntarily helps society and public authorities free themselves of responsibility toward the Red Cross.

In the past decade some Societies in the region reached the point of abandoning national fund-raising campaigns because of their high cost and very poor results, while other Societies have not carried them out nationally for many

years National Societies themselves have noted that one of the reasons for the limited scope of such campaigns in many of the region's countries is the historically high level of poverty and absence of a middle class, together with the marked deterioration in real income of the middle and lower strata of the population during the crisis of the 1980s. But if such reasons, which derive from the socioeconomic environment, help explain the limited reach and results of fund-raising campaigns, they do not explain them fully. There are other, internal causes which can be ascribed to the way in which the National Societies plan, organize, and conduct such campaigns or fund-collecting operations. Such differences in the design and execution of fund-raising campaigns explain the acknowledged difference between the fund-raising ability of some Societies and others, apart from differences in per-capita income of the populations in the countries.

Except for a very few cases, fund-raising campaigns are neither designed nor planned along modern marketing and publicity lines, which take into account the segmented reality of markets or, in this case, of potential contributors by designing publicity strategies and messages which are different for each part of the market. At times this is due to a restricted and conservative interpretation of the Principles of the Red Cross or a tradition-bound organizational culture which considers such methods incompatible with the humanitarian nature of the institution. Fund-raising campaigns also tend to overlook those symbolic and emotional elements which, in terms of personal gratification and satisfaction, represent the "remuneration" a contributor expects to receive in return for his contribution. In addition, only a few Societies link their information campaigns through the communications media with fund-raising efforts and campaigns in such a way that the former support the latter. It has also been observed that, quite generally speaking, National Societies tend to neglect providing contributors with necessary information about the use and targets of funds obtained, as a result of

which contributions from the public for successive campaigns are not positively stimulated.

This is especially important in the case of some Red Cross Societies which in the past were affected by problems of bad management and/or use of funds, and in such situations were characterized by a lack of financial transparency. It has been noted that such situations have seriously eroded the institution's public credibility, and that usually has direct and very negative effects on fund-raising capacity. When a National Society has been sanctioned for that reason, and even despite its later submission to public scrutiny, the credibility needed to obtain satisfactory results from fund-raising campaigns takes a long time to recover.

Other sources of financing

Other, less usual sources of financing in the region as a whole, or of less financial significance, have been returns on invested capital, donations, and member dues. Returns on capital investments have been or are important to the Red Cross Societies in Brazil, Colombia, Guatemala, and Mexico, where they range from 10% to 15% of the total recorded revenues of some of the Societies noted and up to 40% of the Mexican Red Cross's. The Mexican case offers the peculiarity, unnoted until now, that much of its investment portfolio was built with external cooperation funds received after the 1985 earthquake in Mexico City. In 1985 that National Society received plentiful funds for relief and reconstruction projects, which were satisfactorily carried out and justified, but which in addition enabled capital funds to be built up through sophisticated financial operations such as swapping Mexico's foreign debt in the secondary debt market. This kind of operation has nevertheless been the subject of controversy because it entails some financial risk and for its humanitarian implications. Three Societies (in Trinidad and Tobago, Jamaica, and St. Kitts and Nevis) in the English-speaking Caribbean have investments of various kinds whose capital

returns represent 8% to 23% of their revenues. The Jamaican Red Cross's investment fund was also built with contributions from external cooperation after Hurricane Gilbert in 1988. Experience from such investments, as long as there are proper guarantees of security and correct use of funds as well as control, transparency, and solvency, suggests some possibilities of financial cooperation within the Red Cross Movement and financing for institutional development which might warrant more detailed study and more precise definition of relevant policies.

Financial crises of varying scope and magnitude have forced some National Societies to use not only interest on invested capital but also the capital itself, however. In extreme situations, as with the Guatemalan Red Cross, a long and deep institutional crisis, together with the effects of devaluations and inflation, has meant the near disappearance of capital funds accumulated during the period of economic bonanza from the late 1970s to the early 1980s. This illustrates the frailty of such financial mechanisms in a situation of institutional crisis, economic instability, and high inflation.

Member dues and donations are of some significance budgetarily only in the English-speaking Caribbean due to the smallness of the budgets of those organizations and the fact that the Societies in that subregion have a broad base of subscribing or contributing members. This is a marked difference from most of the Red Cross Societies in Central and South America, which historically have placed more emphasis on volunteers than on this type of member. The number of contributing members in some Southern Cone Societies is quite small and they pay relatively out-of-date dues whose real value is little more than symbolic. For that reason, dues represent a very small proportion of revenues. Some Societies have therefore considered the need for profound updating of such mechanisms, and in others the need has been noted to create a flexible and more embracing model of contributing member to enable enrolling a large number of such members, though no concrete measures have been adopted in this regard.

Finally, donations showed a significant tendency to decrease during the past decade and are only important in supporting a few concrete programs ("Meals on Wheels" in the English-speaking Caribbean, for instance) or in financing branches, which occasionally obtain donations in kind or land for building their headquarters. A notable exception occurred in Costa Rica, where a large bequest enabled the National Society to build a new emergency center and acquire more than 60 vehicles to renovate and strengthen its ambulance service. Still, that kind of event seldom occurs and cannot be thought representative of contrary medium- and long-term trends.

Highlights and shadows in external cooperation

Since there is a chapter devoted wholly to the role played by external cooperation, we will deal here only with its impact and significance on the revenue structure of the National Societies in Latin America and the Caribbean.

Of the region as a whole it may be said that external cooperation has been the only source of revenues which has showed clearly dynamic behavior and which has experienced spectacular growth. On one hand, various National Societies have received large amounts of aid through appeals for help when major disasters have occurred such as the earthquakes in Mexico in 1985 and San Salvador in 1986, the eruption of the Nevado del Ruiz volcano which buried the Colombian city of Armero in 1985, or Hurricane Gilbert in 1988—to cite only a few. The funds received in these cases have enabled the National Societies to strongly increase their operational capacity, not only to deal with short-term relief needs but also to carry out major medium- and long-term reconstruction and rehabilitation programs. The amounts received from such appeals have sometimes been several times greater than the regular budget of the National Society. To the extent that this has been aid related to projects and within the

appeal system, it usually has its own accounting and has not directly affected the regular revenues of the National Society, except for some Societies which in addition to carrying out the projects have capitalized such contributions by creating investment funds, as we noted above. Aid in kind has a similar operational though not financial impact; examples are clothing and especially food, usually as food aid from the European Community channeled through the Federation.

In addition to relief appeals, cooperation for institutional development or for starting or supporting programs and services—often bilateral—has grown strongly, especially in relatively less developed countries such as Bolivia or Haiti, or where domestic armed conflicts of great intensity have occurred as in El Salvador or Nicaragua, in both countries with strong ICRC leadership. In such cases the funds, though subject to separate accounting, are frequently included in the National Society's budget. Their impact has varied greatly, but an overall view suggests that they have come to be of great importance in a broad context of regular revenues in decline. In some Societies cooperation has been very small or absent for several years (as in Guatemala or Peru), or their value is small. In a large group of Societies, however, external contributions to both the regular budget (through institutional development programs or to support the National Society in a situation of armed conflict) and for specific projects (blood, AIDS, nutrition, health care, etc.) have proportionally been very high and even enabled the overall budget of the National Society to increase during the 1980s, in contrast to what happened in most of the region's countries, in which total revenues diminished. In some of these Societies, foreign cooperation has come to represent about a third of the total (in Argentina, Chile, Haiti, and Honduras); in others it has been above 50% (in Ecuador and Nicaragua), and in extreme instances it has been three, four, or five times the budget itself, as in Bolivia through the National Development Plan and other programs, contributions to which have averaged around 500% of resources themselves. The smaller a National Society's size and ability to raise funds,

the greater the impact of external funds, even though not very high figures are involved in absolute terms. This is true of many of the small Societies in the Caribbean, but it also occurs frequently among the financially weakest Societies in Central and South America. Thus, for example, a medium-cost program with quite specific goals, such as AIDS prevention (between \$40,000 and \$50,000 annually) may amount to half of a National Society's budget for all its regular activities. As we note below, this obviously creates a very unbalanced growth pattern in the National Society which may even become distorting and create a strong dependence to the extent that expenditures intended for administrative expenses—when not for other fixed expenses—end up directly financing the stable organic structure of the recipient National Society and even some of its regular services.

In relation to this problem of external dependence, it is important to note two additional facts. First, in a context of crisis, contributions from external cooperation have become the only way to undertake equipment and infrastructure investment programs or to start or develop new programs for most of the National Societies in the region, and so they displace existing or potential capacities. This is particularly apparent in the area of social welfare, community development, or primary health care, which represent a much greater proportion of the amount of development appeals than what should be expected given their small weight in the present programs and activities. Second, it must be mentioned that in general, present cooperation mechanisms and particularly bilateral cooperation do not include mechanisms for developing the self-financing capacity of a recipient National Society and so help prolong the problem. Only a few programs have planned a gradual decrease in funds in order to stimulate replacement of foreign funds with their own, as is true of Swedish and ICRC cooperation with the Bolivian and Salvadoran Red Crosses, respectively. It must be said, however, that "ordered withdrawal" of cooperation is not in itself a mechanism for promoting

self-sufficiency, though it may contribute to it, but only a means to minimize the costs of such withdrawal and prevent traumatic transition situations.

Limited innovation efforts in a decade of crisis

Summing up what we have said above, the chief results of the crisis have been widespread diminution in operational capacity, widespread decline in the financial base, various changes and shifts in revenue structure, and the greater presence of international cooperation, with its positive aspects (increase in or maintenance of operational capacity, institutional development, response to emergency situations) and negative ones (greater dependency and frequent organizational and budgetary imbalances). In this context it should be asked what efforts the National Societies have made or what innovative initiatives they have taken to deal with the crisis and its results or to create a financial basis for their development efforts.

An overall view suggests that ability to formulate and implement innovative responses to the crisis, intended to strengthen revenues, has been limited. Many National Societies have passively watched the weakening of revenues without having the necessary ability, strategic vision, or will to react, or have been unsuccessful when they have adopted measures to reverse that process. Investment funds have been created and the services able to generate revenues have been strengthened, but such efforts have been very localized in the first instance and only represent the deepening of already existing mechanisms in the second. As we noted above, and to mention some possible paths of action in this area, the crisis has not meant the broad adoption of new, low-cost community promotion strategies based on voluntary action and mobilization of local resources. In many cases the charitable approach is maintained without the resources needed to apply it, which often means reducing the amount of activity to very low and sometimes token

levels. Nor has there been an effort to identify new sources of revenue to diversify them. There have been few innovations in collecting and raising funds, and strategies valid during the 1970s have been maintained and have shown themselves to be less effective in a context of crisis and greater competitiveness. Sponsorship experiments have been quite localized, and as we mentioned, very few National Societies have approached the new Social Investment Funds which have proliferated in Latin America. As will be noted below, the National Societies have not tried to establish new programs of cooperation with international agencies outside the Red Cross Movement.

In this panorama the efforts made by some National Societies which have been involved in innovative financial, income-generating, or commercial projects which earlier had not been considered part of the Red Cross's activity and which, conducted according to businesslike criteria, have demonstrated their effectiveness in strengthening the institutions' finances stand out. This is true of the Banca Serfin's credit card in Mexico, in whose profits the Mexican Red Cross participates, and the "bazaars" for selling tax-exempt household appliances, organized by the Guatemalan Red Cross, which when they could be held not only provided support for the organization but also created a major capital fund. The Honduran Red Cross's Christmas fruit sales operations, also based on customs exemptions, have enabled about 20% of the national budget to be met. In Belize the handicrafts shop also accounts for a fifth of the budget. Livestock farms in Panama help maintain Children's Centers. In various National Societies in the English-speaking Caribbean, the headquarters' meal and rental services meet from 8% to 75% of budgets. Finally, in Costa Rica the maintenance of public telephones, as agreed with the public company responsible for telecommunications, represents a major source of revenue for local committees. These experiences, though local, show great development potential.