RESUMEN

Este ensayo examina la ambigüedad que envuelve a organizaciones sin fines de lucro que implementan programas contra la pobreza en el contexto de reformas neoliberal. A pesar de la imagen positiva que las convirtió en una alternativa ideal al desacreditado Estado benefactor, investigaciones recientes sobre organizaciones sin fin de lucro exponen la ambigüedad política de sus intervenciones: Algunas contribuyen al bienestar general y el cambio social, mientras que otras adelantan formas de gobernanza y ejercicios de poder neoliberal. Esta ambigüedad requiere que la investigación sobre organizaciones sin fines de lucro examine, y no asuma, la relación entre la misión de bienestar que reclaman las organizaciones y los efectos concretos de sus intervenciones sociales. Este ensayo contribuye a esta línea de investigación crítica sobre organizaciones sin fines de lucro mediante un estudio de caso de una organización nacional que implementa proyectos antipobreza en Puerto Rico: Acción Social de Puerto Rico, Inc. (ASPRI). El estudio discute las reformas políticas que llevaron a que los programas anti-pobreza de ASPRI se entrelazan con la nueva lógica de gobernanza neoliberal. El estudio expone el desfase entre las metas de bienestar de ASPRI y los efectos de sus programas en la población servida. El estudio desmitifica la presunción a priori de las virtudes del sector sin fines de lucro sobre el Estado benefactor. [Palabras clave: sin fin de lucro, neoliberalismo, desarrollo comunitario, políticas de empoderamiento].
ABSTRACT

This essay examines the ambiguity encompassing nonprofit organizations implementing anti-poverty programs in the context of neoliberal reforms. Despite the “do good” image that made them an ideal alternative to the discredited welfare state, research on nonprofits in the context of neoliberal reforms has exposed the political ambiguity underlying their actual effects: Some contribute to wellbeing and social change, while others further neoliberal forms of governance and power. This ambiguity demands that research on nonprofits examines, rather than assume, the relation between the “do good” claims of this sector and the actual effects of their social interventions. This essay builds on and contributes to this critical approach to nonprofits through the case study of a nation nonprofit organization engaged in anti-poverty community development in Puerto Rico: Social Action of Puerto Rico, Inc. (ASPRI, for its acronym in Spanish). The study discusses the policy reforms that led ASPRI’s long-standing anti-poverty program to become entangled with the logic of neoliberal governance. By questioning the assumed transparency between ASPRI’s “do good” claims and the effects of its programs on the population served, this study demystifies the assumed virtues of the nonprofit alternative to the welfare state. [Keywords: nonprofit sector, neoliberalism, community development, empowerment politics].
Introduction: nonprofits, neoliberalism and the cloud of political ambiguity

The statist reforms inaugurated in the 1980s by the Reagan and Thatcher administrations were predicated on both, a critique of public welfare systems and an exaltation of the virtues of nonprofit organizations in supplying basic needs and promoting socio-economic change.1 This anti-welfare state stance, which congealed into a reformist agenda known as neoliberalism, blamed the public safety net for bloating the public bureaucracy, ingraining a rigid and inefficient managerial system, and promoting a centralized, paternalistic welfare model that drained the public treasury, and trapped people in a web of dependence and stifled private initiative (Harvey, 2005). In contrast, nonprofit organizations were praised for their managerial flexibility, smaller size, fiscal efficiency, and apolitical orientation, which avoided corruption and political patronage (Grønbjerg & Salamon, 2002). Also, nonprofits were celebrated for their local reach, social capital formation and participatory models that promoted collective empowerment. Thus, the nonprofit sector emerged in the post1980s era as a “do good” sector; an image that made it an ideal alternative to the discredited welfare state.

However, research on nonprofits in the context of neoliberal reforms soon revealed the ambiguity underlying their actual performance and results. To be sure, some studies in the United States (U.S.) and Latin America confirmed their positive contributions to socioeconomic wellbeing and political empowerment (Fisher, 1998; Salamon, 2002). Yet, ethnographic research on community development nonprofits in Brazil, Bolivia and India (Chernela 2005; Gill, 1997; Sharma, 2006) exposed their collusion with neoliberal reforms, which favored new forms of governance and power that incorporate non-state actors and work through empowerment politics (Li, 2007). These studies show how nonprofit interventions serve to manage and control impoverished populations, despite their social change claims. The accumulation of these mixed reviews led William Fisher to conclude: “There is no simple or consistent story of good NGOs confronting evil governments… the NGO field is a heterogeneous one encompassing a wide range of groups with different ideological agendas” (1997, p. 452). In other words, the sector’s “do well” image has obfuscated the fact that nonprofits can advance diverse and often competing political projects: from alternative grassroots initiatives to neoliberal reformist agendas. Thus, researchers need to explore, rather than assume, the relation between the sector’s “do well” claims and the actual effects of their social interventions.
This ambiguity of nonprofits in the context of neoliberal reforms was the point of departure of my research into nonprofits engaged in community development in contemporary Puerto Rico. Following the post1980s global trends, Puerto Rico has undergone a series of neoliberal reforms that privatized public corporations, revoked protectionist tariffs, eliminated jobs in the public sector, reduced work-related benefits, slashed public budgets, and knocked down the social safety net, among others (Bonilla & Boglio Martinez, 2010; Colón, 2005, Pratts, 1996). These reforms have been presented as necessary to reinvent a Puerto Rican state burdened by an ineffective bureaucracy, insufficient fiscal resources, and widespread dependence on its welfare programs (Santana Rabell, Santiago Centeno, & Rivera Ortiz, 2007).

Consistent with the global neoliberal narrative, the island’s nonprofit sector has been invoked as a necessary contributor to this reformist agenda, especially in the areas of welfare dependence and community change. Public sector reforms included the call for a new form of democratic governance in which the State shares the responsibility for securing public goods with a network of actors, including nonprofits (Santana Rabell, Santiago Centeno, & Rivera Ortiz, 2007). In this new form of governance, nonprofits either substitute or collaborate with public and private for-profit agencies in the delivery of social services and the promotion of community change. Unsurprisingly, the local nonprofit sector has undergone a dramatic growth since the 80s: 64% of all registrations of nonprofits in the island occurred between 1981 and 1999 (Díaz Olivo, 2000, p.728). This process has intensified since then: on average 2,500 new organizations were registered between 1999 and 2003.

The island’s neoliberal reforms have generated an enormous research literature, yet the role of the nonprofit in those reforms has not been carefully examined. The literature on nonprofits is limited by the lack of critical assessments of the political ambiguity of the sector in the context of neoliberal reforms identified in the international literature. Comprehensive studies of the island’s “Third Sector,” such as those produced by Estudios Técnicos (1996, 2002, 2007), reproduce its “do good” image by selectively exalting the contributions of this sector to the local economy and to the wellbeing of its population. A few other important studies examine the success of emblematic initiatives, of the proposed democratic governance, carried out in the Peninsula de Cantera and the municipality of Caguas (Pratts, 2013; Rivera Grajales, 2006; Santana Rabell, Santiago Centeno, & Rivera Ortiz, 2007). However, there is a shortage of studies interrogating whether the performance of specific nonprofits lives up to their “do-good”
claims or how they collude with neoliberal governmantasy. Migdalia Camacho Hernández (2009) offers a literature review of the nonprofit sector in the island and highlights this gap when she argues that the alleged virtues of this sector, such as its local reach, altruistic mission and social capital formation, have not been empirically proven. One noticeable exception is a study by Rubén Estremera Jiménez focused on the much praised Peninsula de Cantera project. Estremera Jiménez (2007) critiques the desencuentros (mismatches) between the claims of community empowerment and self-management and its actual implementation. According to his research, the project is plagued by the clash “between the wellbeing of the community and the interests of those that promote capital accumulation (2007, p. 124, translated to English).

This essay seeks to redress the dearth of critical research in Puerto Rico linking the nonprofit sector to neoliberal reforms. It does so through the study of a Puerto Rican nonprofit engaged in anti-poverty community development: Social Action of Puerto Rico, Inc. (ASPRI).2 The study locates ASPRI, its community development program, and its main funding source—the Community Service Block Grant—within the broader neoliberal reforms undergone by the U.S. and P.R. since the 1980s. This historical sketch traces the continuities and ruptures of anti-poverty policies and programs resulting from U.S. welfare reforms, which trickled down to Puerto Rico. These continuities and ruptures configure an ambiguous political context in which the long-standing anti-poverty and community development programs offered by ASPRI become entangled with the logic of neoliberal governance. By questioning the assumed transparency between the “do good” claims of ASPRI and the effects of its programs on the population served, this study demystifies some of the assumed virtues of the nonprofit alternative to the welfare state.

Methodology

This essay presents the finding of an ethnographic case study of ASPRI conducted between 2008 and 2010 as part of my dissertation research on grassroots support nonprofits promoting community change in contemporary Puerto Rico.3 ASPRI’s selection was the result of a purposive sampling strategy (Russell Bernard, 2011, p. 145) that identified local nonprofits relevant to my research interests: Organizations conducting grassroots support work, operating nationally, and having direct connections to post1980s policy reforms in the United States and Puerto Rico. After consulting with the Department of Fam-
ily, which manages most federal anti-poverty programs, and searching the Directory of Nonprofit Organizations compiled by the Non-Profit Evaluation & Resource Center, Inc., I preselected possible candidates and proceeded to contact them. ASPRI was one of the organizations identified that agreed to participate in my research.

Examining the indeterminacy of nonprofits in our current neoliberal context required an in-depth research study that justified the choice of the ethnographic case method, which is suited for labor-intensive studies of nonprobability samples (Russell Bernard, p. 143). Also, my goal of contributing to a critical reassessment of nonprofits in Puerto Rico benefits from the case study’s emphasis on generating understanding of complex phenomena. According to Chadderton and Torrence (2011), case studies “privilege in-depth inquiry over coverage: understanding ‘the case’ rather than generalizing to a population” (p. 54). Presenting a detailed case study that offers a critical understanding of nonprofits in Puerto Rico is of more value at present than issues of generalizability due to the paucity of similar studies. However, my findings are relevant to the sector as a whole since the ethnographic case method produces knowledge of issues and problems at a smaller scale that are relevant to larger scale theoretical discussions (Chadderton & Torrence, 2011, p. 54).

The ethnographic case method allowed me the flexibility to expand the boundaries and strategies of research analysis beyond ASPRI’s institutional setting and long-term participant observation. I followed Lisa Markowitz’s (2001) application of social network analysis to NGOs. Thus, my analysis locates ASPRI at the center of a complex social network that links a disparate set of actors, ranging from federal funding agencies, local state administrators, and community groups. Finally, I applied Dorothy Smith’s (2005) methodology on institutional ethnography that requires the discursive analysis of systems of ideas, such as models, policies and mission statements, which shape the organization’s political orientation and its program effects.

From the war on poverty to servicing impoverished communities: the community services block grant

Social Action of Puerto Rico, Inc.’s incorporation in 1982 as a nonprofit was motivated by U.S. welfare policy changes early in the 1980s, specifically the replacement of anti-poverty programs authorized under the War on Poverty’s Economic Opportunity Act (EOA) of 1964 with the Community Services Block Grant (CSBG). ASPRI, then, is not one of those nonprofits that emerged as a grassroots initia-
tive seeking to voice the concerns of some community group. Instead, ASPRI belongs to that subset of nonprofit organizations created in response to the U.S. federal government’s restructuring of its welfare policies. Analyzing the policy context in which ASPRI emerged is important because, as Migdalia Camacho Hernández argues, the political relationship between nonprofits and the state reflects “the historical, cultural and political moment that serves as its context” (2009, p. 60). In other words, the role and function of nonprofits vis-à-vis state projects varies depending on the historical juncture in which they occur. Thus, understanding the political orientation of ASPRI’s anti-poverty initiatives requires examining the reformist policy context in which it emerged and in response to which it developed its mission.

The Community Services Block Grant was authorized by the Omnibus Reconciliation Act of 1981, which consolidated 77 EOA anti-poverty programs into 9 block grants (P.L. 97-35, 1981). CSBG replaced eight EOA categorical programs that addressed a broad range of issues: from food and nutrition and services for seniors to youth sports and community economic development. Despite replacing some of its programs, CSBG retained the EOA’s main purpose: the amelioration of poverty and its causes. Ironically, this retention contrasts with President Reagan’s plan to eliminate the EOA, a legislation that marked the most significant expansion of the welfare state since the New Deal. The Omnibus Reconciliation Act of 1981 resulted in a major restructuring of the welfare state that undermined the principles and commitments promulgated by President Johnson’s War on Poverty. This act constituted the initial stage of a conservative, cost-cutting reformist era that changed the manner in which the federal government funded anti-poverty programs and collaborated with nonprofit organizations (Nemon, 2007).

The legislation called for CSBG funds to be channeled through Community Action Agencies (CAAs), a network of public and private organizations previously responsible for implementing EOA programs, such as the Community Action Program (CAP). CAP was an innovative program that, according to Howard Nemon, “marked the first time that the federal government directly sponsored and financed community organizations on a large scale to carry out federal policy” (Nemon, 2007, p. 7). CAP funds resulted in an unprecedented partnership between the federal government and nongovernmental organizations to combat poverty. Interestingly, CAP was one of the EOA programs replaced by CSBG. Thus, CSBG continues the tradition of state-nonprofit collaborations established by CAP and retains a key aspect of the War on Poverty’s strategy for combating poverty. There-
fore, CSBG does not represent a shift from publicly operated programs to publicly funded programs operated by nonprofit organizations. Instead, CSBG maintains the federal government’s historical collaborations with CAAs even though the Reagan administration substituted the programs that gave rise to those collaborations.

However, CSBG altered the manner in which the federal government related to CAAs. Under the EOA, funding flowed directly from the federal government to CAAs. By contrast, CSBG funds now flow first to state agencies which, in turn, are responsible for disbursing them to CAAs. Under CSBG, states assume new administrative responsibilities, which included monitoring agencies, providing technical assistance, and conducting audits. These expanded roles require new administrative structures and personnel, which increased state costs, only a portion of which (up to 5%) were covered by CSBG. Thus, CSBG transferred both funds and administrative responsibilities to states, which resulted in a reduction of the federal government’s administrative roles over CSBG.

CSBG’s reliance on intermediary state agencies exemplifies the shift to devolution that characterized President Reagan’s New Federalism (Finegold, Wherry & Schardin, 2004). States’ authority over grant management has been greatly expanded under this model of federal-state relations. The block grant format gives states much needed flexibility to attend the local causes of poverty. However, devolution was about much more than just empowering state agencies. Block grants provide a fix financial award to states and CAAs that does not necessarily match the total award required if financial resources were distributed to all recipients who qualified based on need or right to benefit (ibid.). Block grants eliminate de facto the concept of categorical entitlement, that is, an individual’s rights to benefits. Thus, the new state-mediated, block grant model for funding CAAs ultimately pursues the elimination of federal guarantees to impoverished populations and the reduction of federal welfare spending and responsibilities.

CSBG did in fact receive less total funding than the eight programs it replaced. In 1981, the Community Services Administration, the office that managed EOA programs, received $525 million dollars to fund the anti-poverty, community action programs it administered. The following year, CSBG received $350 million to cover basically the same programmatic areas, which represents a 34% budget cut. This budget remained fairly consistent until the mid-1990s and only in 2005 did CSBG funds matched the pre-1981 funding level of the EOA programs it substituted (Nemon, 2007).
The reduction in CSBG funds translated to fewer funds for CAAs, which compensated that loss by expanding the number of federal and state programs they administrated. A longitudinal analysis of CAAs finances demonstrates this expansion. In 1986, CSBG funds accounted for 17% of the total budget of the CAAs surveyed (United States General Accounting Office, 1986, p. 18). The report also indicates that CAAs ran other federal programs, such as Head Start, Community Development Block Grants and Low Income Home Energy Assistance. Including these programs, federal funds accounted for 89% of CAAs total budget, which points to an almost complete dependence on federal funding for their operation (p.18). By contrast, a similar study carried out in 2005 revealed that CSBG funds accounted for only 6% of CAAs’ total budget, while federal funds accounted for 63%, state programs 11% and local government funding 7% (Power et al., 2006). These ratios display the continued dependence of CAAs on government funds, but also show a significant reduction of federal funds in CAAs’ budgets, which is consistent with welfare spending reduction goals underlying CSBG’s authorization.

The need to secure financial support led CAAs to expand the number of state and local government programs they ran. This expansion eventually transformed these agencies into grant managing, social service delivery organizations. Most CAAs from the 1960s were incorporated by community leaders and social welfare professionals as part of a grassroots support system that promoted citizen participation and community-based initiatives to reduce the causes of poverty. To be sure, CAAs have dealt with the tension between community empowerment and social service delivery since their inception. Yet, at present CAAs have fallen prey to the neoliberal trend that has watered down nonprofit activism and distanced them from grassroots social change politics by incorporating them into a reformed social safety net that attends to, but does not overcome, existing inequalities. Thus, for CAAs the transition from CAP to CSBG funds transformed them from a community action network to a social welfare delivery network.

This increased emphasis on social service delivery is an effect of ideological transformations in the U.S. federal government’s anti-poverty policies. According to the 1964 Economic Opportunity Act, the purpose of CAPs was to “provide stimulation and incentive for urban and rural communities to mobilize their resources to combat poverty through community action programs” (P.L. 88-452). CAPs called for the maximum feasible participation of residents of impoverished areas in the planning and implementation of solutions to their socioeconomic problems. The insistence on citizen participation reflected a commitment
to combine government resources with citizen empowerment as a necessary approach to overcoming poverty. As such, CAP represented a clear effort by the federal government to promote a participatory development model as a solution to the nation’s lingering problems with poverty.

However, President Reagan’s 1981 Omnibus Act changed this proactive stance towards poverty into a conservative, social services orientation. The substitution of the Community Action Program by the Community Services Block Grant exemplifies this change. This shift was facilitated by a politically ambiguous concept adopted by CSBG from the EOA legislation: self-sufficiency. In the context of the EOA legislation, self-sufficiency was part of a progressive reform that made poverty a prominent issue on the public agenda. Also, the federal government backed its call for greater self-sufficiency with an investment in public programs that increased the opportunities of impoverished populations to move into the workforce. By contrast, the 1981 legislation re-signified the concept of self-sufficiency to convey a critique of citizen dependence on welfare assistance. The goal was not so much citizen empowerment as the reduction of welfare rolls. CSBG’s call for self-sufficiency did not receive the financial support needed for the educational, training and service programs required to help people re-enter the workforce. Thus, CSBG stands as an example of the capacity of neoliberal reforms to absorb existent community-based, empowerment programs and re-signify them in alignment with its anti-welfare critique. This new vision trickled down to CAAs implementing CSBG and made them social service agencies.

A community action agency in Puerto Rico’s social welfare history: social action of Puerto Rico, Inc.

ASPRI emerged precisely at the historical crossroad in which President Reagan’s New Federalism and anti-welfare reforms were undermining categorical programs and citizen entitlements, reducing federal welfare funding, restructuring federal-state-nonprofit relations through block grants and re-orienting their anti-poverty stance to a more conservative social service model. This ideological and political context left an indelible imprint on the political orientation of ASPRI’s anti-poverty mission and programs. Ultimately, ASPRI’s entanglement with this reformist agenda through CSBG funding resulted in its absorption into the nonprofit arm of the neoliberal governmental apparatus in P.R.

In its first year of incorporation, ASPRI was classified as an eligible entity, a CAAs, to implement community programs under the Om-
nibus Budget Reconciliation Act of 1981. Thus, ASPRI’s incorporation constitutes a local response to the federal government’s welfare reform that created a new anti-poverty program, CSBG, whose funds were available to nonprofit agencies. To be sure, federal programs funded local nonprofit organizations prior to 1981. As in the U.S., CAP funds were used by Puerto Rico’s local Office of Economic Opportunity to partially finance a number of nongovernmental initiatives. Yet, ASPRI’s incorporation in response to CSBG funding points to changes in local state-nonprofit relations. First, CSBG’s substitution of CAP had different implications for the Puerto Rican state than for the nonprofit sector. For the public sector, CSBG represented a reduction in federal funds and the elimination of important categorical anti-poverty programs that addressed many of the population’s pressing needs. By contrast, the nonprofit sector, especially recently founded agencies such as ASPRI, found in CSBG a welcoming funding source on which they could rely to finance their operations.

ASPRI’s recruitment of its administrative staff resulted in the transfer of social welfare professionals from public agencies to a nonprofit one. For example, ASPRI first Executive Director had served previously as a program assessment consultant and Executive Director of the Division of Community Education (DIVEDCO) between 1978 and 1981. DIVEDCO was a public community-based educational agency which interestingly received CAP funds until their replacement by CSBG (Pérez Quintana, 1984). Other DIVEDCO employees also joined ASPRI, including administrative personnel still employed at the agency in 2009 at the moment of my research, most notably the agency’s Community Development Program Director and one of its Evaluation and Monitoring assistants. Furthermore, DIVEDCO’s new Executive Director in 1982 established a collaborative agreement with ASPRI that assigned DIVEDCO employees to ASPRI to work together in community development projects.

Anthropologist Leslie Gill confronted a similar personnel shift between state agencies and NGOs in Bolivia and interpreted it as a mechanism through which neoliberal politics drift to the nongovernmental sector:

NGOs are increasingly accepting the burden of poverty alleviation from retrenching and decentralizing state agencies. Personnel regularly circulate between them and state agencies. They are thus situating themselves within the context of state policy and the parameters of neoliberalism (1997, p. 146).

The movement of administrative staff from DIVEDCO to ASPRI to pursue similar community initiatives demonstrates the political ad-
justments made by social welfare professionals under an emergent re-formist policy context. Moreover, it illustrates the personal linkages through which neoliberal reforms diffuse beyond the public sector and integrate nonprofits into their restructured political network.

ASPRI embodies the social service orientation towards poverty reduction advanced by the CSBG legislation and assumed by most CAAs in the U.S. Contrary to other CAAs founded in the 1960s, ASPRI was not founded by grassroots leaders engaged in social change community efforts. Instead, it was founded by social welfare professionals with vast experience in public community development programs that did not promote adversarial tactics to achieve their goals. As such, ASPRI is not a nonprofit organization created as an instrument of empowerment and social struggle by a marginalized community. In fact, the role and participation of community members in ASPRI is reduced, like in most current CAAs, to a cosmetic, proportional representation—one third—in its Board of Directors (Nemon, 2007).

As a Community Action Agency, ASPRI is expected to implement programs that offset the causes and consequences of poverty. Yet, one of ASPRI’s main service programs consists of administering adult day care centers throughout the island for people under the poverty line. In these centers, ASPRI provides food, medical check-ups, recreational programs, and assistance with multiple issues, from dealing with social security or Medicare to intervening with family problems. While these are important services for an elderly population with scarce resources, they certainly do not advance the cause of eradicating poverty, which is CSBG’s and, by default, ASPRI’s alleged mission. The same can be said about some of its other programs. ASPRI offers an emergency assistance program, which provides medical supplies to underprivileged elderly who have an immediate need. In the early 1980s, ASPRI also ran an employment program geared towards helping people secure a job, mostly through employment subsidies. Like most CAAs, ASPRI also received funds from other federal programs, such as the Emergency Community Services for the Homeless Program (ECSHP). In all, these programs denote a commitment to working with impoverished populations facing challenging life circumstances. However, service delivery and subsidies have proven incapable of altering the conditions that gave rise to these problems or even redressing their deep-seated problems.

Under its current Executive Director, who began in 2001, the agency has incorporated new programs, such as an after-school tutoring program and a music program for school-age children and youth. The agency also developed a formal structure for its community de-
Development program. Unlike its other programs, these seem to address some of the fundamental causes of poverty: education and political organization (community boards). These programs suggest ASPRI can operate as a grassroots support organization offering a set of support interventions targeting the principal causes of poverty. Yet, the success of these programs has been limited to determining their effectiveness in generating changes in client attitudes and practices. While this is necessary, success in combating poverty depends on mobilizing and re-directing public and private resources towards impoverished populations, a challenging and potentially contested political project that is absent from these programs.

ASPRI’s commitment to a service delivery approach is best demonstrated by its reliance on the Family Development Model to design and implement its diverse programming. Conceptualized for CAAs by the federal government during the mid-1980s, this model proposes a comprehensive service delivery approach that “utilizes intensive case management to help families assess their barriers to self-sufficiency and then create a plan for escaping poverty” (Nemon, 2007, p. 13). This model was devised to provide uniformity to the disparate service delivery approaches that resulted from the flexibility offered by CSBG to CAAs in the formulation of local programming. Of course, the delivery of multiple, coordinated services to impoverished populations are recognized as an essential component of anti-poverty programs. However, the Family Development Model re-centered CSBG’s unit of intervention from communities to families. It also changed the intervention approach from community action to case management. As such, this model represents a movement away from the community empowerment approach present in the EOA legislation and which CSBG allegedly continued.

ASPRI has extended its family case management approach to all of its programs, including its community development program. The agency’s current Community Development Program Coordinator justified this move during an interview:

We now focus more on family case management, although we still do some community work. Previously, community development focused more on communal problems, such as streets and infrastructure. But, the problem is that people are no longer interested in getting involved. The community is not as relevant a unit as the family. That is where people’s interests lie.7

The Family Development Model has refocused the community development program’s effort from local infrastructure development and
communal mobilization to family case management. This shift was motivated by the need to comply with the federal guidelines that promoted that model. Nevertheless, ASPRI’s Community Development coordinator justifies this change alleging that the central category of her development program, community, has lost some of its power to compel people to action in contemporary P.R. This despite ample evidence to the contrary, such as recent communal mobilizations against waste disposal projects, questionable renewable energy initiatives and attempts to privatize beach access. Moreover, the justification espoused poses a devastating critique to the program, particularly to its continued efficacy or even need. Community has become an empty concept kept alive only in ASPRI’s mission statements and program titles to comply with CSBG.

Ultimately, ASPRI stands as a concrete example of a Community Action Agency that has molded its operation to fit CSBG’s conservative social service approach. Like CSBG, ASPRI retains the EOA’s language of poverty reduction, community-based participation and self-sufficiency in agency documents. However, ASPRI’s programs and service model define it as a grant managing, service delivery organization that functions much more as a safety net cushioning the symptoms of poverty than as a grassroots support organization committed to rattling the foundations of inequality. While it provides essential resources and services to impoverished communities, these are ultimately inadequate for the dismantling the structural barriers separating low-income communities from income security and wealth creation.

The “do good” claims on trial: ASPRI as a case study of the nonprofit alternative

Nonprofits have emerged as ideal alternatives to the public welfare system because of their claim to greater managerial flexibility, fiscal efficiency, and apolitical orientation. ASPRI’s performance in relation to these fundamental neoliberal premises will be examined in order to determine if it constitutes a viable alternative to the welfare state. The analysis focuses on three key issues: Has contracting with ASPRI avoided the politicization of anti-poverty interventions? Is ASPRI less prone to corruption? Does ASPRI offer greater administrative and service-delivery flexibility through innovative initiatives?

Political Neutrality

Critiques of the entanglement of party politics with state agencies have served to legitimize state subcontracting of nonprofits. The public sector’s susceptibility to party politics introduces rent seeking and vote
maximizing considerations that often derail the delivery of services to those most in need. By contrast, the nonprofit sector’s purported distance from party politics helps it avoid these pitfalls. However, ASPRI’s history contradicts somewhat this argument. The general perception of ASPRI among social welfare professionals, politicians and community activists is that ASPRI’s incorporation was promoted by the New Progressive Party’s (PNP, for its acronym is Spanish) administration to gain access and control of CSBG funds. As evidence, most people interviewed recalled that ASPRI’s first Executive Director was a government official under Governor Romero Barceló and left public office to incorporate ASPRI. Moreover, ASPRI remained closely associated with DIVEDCO, the Executive Director’s previous employer, until 1984 when Romero Barceló lost the general election to the Popular Democratic Party (PPD, for its acronym is Spanish).

This partisan association was so pervasive that the new PPD administration tried to deny ASPRI access to CSBG funds. However, since CSBG funds were earmarked for ASPRI the government could not re-distribute those funds at will. The administration curtailed that problem by promoting the incorporation in 1986 of another CAAs, the Instituto Socio-Económico Comunitario (INSEC), in order to re-direct CSBG funds to an agency with close political ties to them. ASPRI’s Executive Director sued the government in an attempt to avoid losing the CSBG funds. This contentious legal battle led to a compromise in which ASPRI and INSEC split the CSBG funds, with ASPRI receiving 39% and INSEC 32%. Thus, a political dispute over the control of CSBG funds created an anomalous situation. First, two CAAs co-existed in the same jurisdiction offering similar programs, a situation actively avoided by CAAs elsewhere. Second, party politics, not sound social policy, determines each agency’s funding rates. In that sense, ASPRI does not represent an alternative institutional space untainted by politics, but rather stands as one more space to which party politics has been transferred in P.R.

ASPRI’s current Executive Director claims to have distanced the agency from its alleged partisan connections. Yet, she too represents a continuation of that association since she served as Director of the Gericulture Commission under the Romero Barceló administration. Moreover, ASPRI retains its partisan association in the popular imaginary. During my visits to community projects, veteran leaders asserted ASPRI’s historical linked to the PNP. Finally, ASPRI’s Board of Directors has historically limited its inclusion of public officials to political figures associated with the PNP, such as Guaynabo’s Mayor Hector O’Neill, Salina’s ex-Mayor Basilio Baerga, ex-Senators Lucy Arce and Néstor Aponte.
Administrative and Service-Delivery Flexibility

Despite what its nonprofit status might suggest, ASPRI’s administrative decisions are subject to financial considerations. ASPRI has service contracts with several municipal governments and regional consortia, most of which have PNP connections: Bayamón-Comerío, Mayagüez-Las Marias, Dorado-Manatí, and the municipalities of Vega Alta and Cayey. Unsurprisingly, ASPRI has translated its historical political connections to service contracts. However, the bulk of its operating budget comes from CSBG funds, which in 2008 totaled $10.8 million. Financial dependence carries with it important consequences for nonprofit organizations, such as potential conflicts between donor demands and their service population’s needs. ASPRI’s dependence on CSBG funds obligates it to comply with the federal government’s fiscal demands and subjects the agency to the policy changes resulting from the different ideological bearings of every new administration.

ASPRI’s dependence on CSBG is reflected in the fact that its strategic plan and programs are limited to CSBG compliance activities. The agency’s 2006-2008 Action Plan consisted of a detailed outline of six national goals (Acción Social, 2006):

Table 1: National Goals of the Community Services Block Grant Program

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<thead>
<tr>
<th>Goal 1</th>
<th>Low-income people become more self-sufficient (self-sufficiency)</th>
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<tbody>
<tr>
<td>Goal 2</td>
<td>The conditions in which low-income people live are improved (community revitalization)</td>
</tr>
<tr>
<td>Goal 3</td>
<td>Low-income people own a stake in their community</td>
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<tr>
<td>Goal 4</td>
<td>Partnerships among supporters and providers of services to low-income people are achieved.</td>
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<tr>
<td>Goal 5</td>
<td>Agencies increase their capacity to achieve results</td>
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<tr>
<td>Goal 6</td>
<td>Low-income people, especially vulnerable populations, achieve their potential by strengthening family and other supportive systems (family stability)</td>
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</tbody>
</table>

For each goal, ASPRI developed a set of performance indicators, institutional strategies and activities, and outcome measurements.

These national goals are not original or even locally specific since they were developed in 1994 by a CSBG federal monitoring and evaluation committee with input from the Office of Community Services and the Department of Health and Human Resources. These goals were created to comply with the Government Performance and Results Act
Doing good or just as bad?...

Both GPRA and ROMA represent an important shift in the way the federal government administered its programs. According to Callahan and Holzer (1999), GPRA and ROMA were part of President Clinton’s government reforms which attempted to redress the growing critiques of government inefficiency, over-spending and lack of accountability. These reforms moved the federal government away from compliance-to results-based assessments. This shift represented a new phase of neoliberal restructuring in which the previous welfare state’s reliance on social welfare professionals to determine a program’s need or efficacy was substituted with evaluation tools and compliance guidelines that privilege financial considerations. This substitution is not unique to the U.S. Nikolas Rose’s analysis of the forms of governance developed by so calls “advanced liberal democracies” makes explicit mention of this approach:

The powers once accorded to positive knowledge of human conduct are transferred to the calculative regimes of accounting and financial management...The enclosures of expertise are to be penetrated through a range of new techniques for exercising critical scrutiny over authority—budget discipline, accountancy and audit being three of the most salient (1996, p. 54).

GPRA and ROMA are textbook examples of this wave neoliberal reforms that scrutinize the cost-efficiency of anti-poverty interventions and emphasize budgetary considerations over process and human conduct expertise.

ASPRI’s strategic plan and programming are geared specifically to comply with CSBG’s national goals and ROMA requirements. ASPRI’s current Executive Director and Sub-Director acknowledged during an interview that the agency limits its goals and programs to those prescribed by CSBG. ASPRI’s over determination by CSBG’s requirements belies the contention that nonprofit organizations have greater administrative flexibility and are more responsive to local demands than state agencies. ASPRI only uses federally-recognized service models and discards implementing programs whose outcomes
cannot be translated into statistical results. Also, ASPRI’s compliance with federal requirements curtails its innovative potential.

ASPRI’s case study undermines the idealization of nonprofit organizations as “do good” alternatives to state agencies. ASPRI functions as an appendage of the state facilitating the neoliberal reform of the federal welfare system. ASPRI translated both President Reagan’s conservative welfare reform and President Clinton’s fiscal accountability measures into concrete administrative processes and program that changed how services were offered to impoverished populations. Moreover, ASPRI’s continual renewal of CSBG funds depends not on its innovative capacity and flexible administrative structure, but rather on its capacity to deliver the services and accountability measures demanded by the federal government. Ironically, ASPRI even contradicts the critiques of neoliberalism which posit that nonprofits are undermining the state. Instead, as Aradhana Sharma has noted for NGOs in India, nonprofits like ASPRI find themselves entangled “within the webs of governance as instruments and not just targets of rule” (2006, p. 78). ASPRI is a prime example that while the federal government might have downsized since the 1980s, its authority was not completely undermined or transferred.

Nonprofit Corruption

The federal governments’ tightened fiscal oversight initiated under the Clinton administration led to a corruption investigation that uncovered a number of embezzlement schemes by ASPRI administrators. An audit report submitted by P.R.’s public accounting inspector found that between 1990 and 1995 ASPRI administrators “deprived ASPRI of the timely use of [CSBG funds] for the purposes for which they were assigned, which were, among others, offering services to agency clients, such as elderly and low-income populations” (Oficina del Contralor de Puerto Rico, 2001, p. 9, my translation). The principle ASPRI administrators signaled by this report were Flor de María Cacho, Executive Director; Mr. Waldermar Pérez, Sub-Director; Mr. Catalino Soto, Legal Advisor; Mrs. Paulina Colón, Personnel Supervisor; and Mr. Juan de la Torre Sánchez, Internal Auditor.

According to the audit report, in 1988 Mrs. Cacho and Mr. Pérez incorporated another nonprofit organization, the Center for Education and Community Services, Inc. (CECSI), without securing the consent of the Board of Director or informing the Department of Family, which manages the CSBG grant (p.9). They used CECSI as a front to carry out a series of embezzlement and fund misappropriation transactions that cost ASPRI and their clients millions of dollars. One of the
schemes consisted of paying CECSI inflated prices for food bought for ASPRI’s served population. Under the direct orders of Mrs. Cacho, CECSI employees purchased food from various distributors and later re-sold them to ASPRI at prices that exceeded the original by twenty to thirty percent. According to the audit report, between October of 1990 and September of 1995, the agency paid CESCI $1,851,003 for the alleged purchases. (p. 6).

Mrs. Cacho and Mr. Pérez used a similar scheme to purchase medical supplies for ASPRI’s clients. The money diverted to CESCI was used by Mrs. Cacho and Mr. Pérez to purchase bank certificates, which generated interests. These certificates and their interests were used to get loans to cover ASPRI’s overdrafts and as collateral for credit lines for CESCI. More significantly, these funds were used for personal gains, such as paying of personal debts, buying cars, acquiring real estate properties, clothing, perfumes and vacation trips ( p. 8). Employees involved in the scam also benefitted by receiving monthly compensations that fluctuated between $150 and $300. The total amount embezzled by these schemes was close to $5.8 million in federal aid money.

As a result of these and other irregularities identified by both state and federal investigations, on July 16, 1997 a Federal Grand Jury found probable cause to accuse Mrs. Cacho and Mr. Pérez of the five charges (pp. 6-7): Conspiracy to Commit Theft from a Program Receiving Federal Funds; Theft from a Program Receiving Federal Funds; False Statement on an Application for a Bank Loan; Frauds and Swindles; and Criminal Forfeiture. In August of 2000, Mr. Pérez was found guilty of four charges, while Mrs. Cacho was found guilty of all five. Both served prison time for their corruption schemes.

The audit report also faulted ASPRI’s Board of Directors and the Department of Family for failing to monitor and evaluate ASPRI’s financial and administrative operations. In the case of the Board of Directors, the audit report found that the absence of regular meetings and the presence of ASPRI’s Legal Advisor impeded the Board from effectively monitoring ASPRI’s administrators and their financial operations (p.13). Paradoxically, the President of the Board of Directors kept his post throughout this legal ordeal and still presided over it in 2009.

After Mrs. Cacho’s resignation in August of 2000, ASPRI went through a short period of court-mandated syndication that ended in 2001 with the hiring of a new Executive Director. Under this new Executive Director, ASPRI has complied with all federal requirements and has slowly regained the confidence of both state and federal agencies. One of the Department of Family’s program evaluator assigned
to ASPRI expressed in an interview that ASPRI had overcome its past corruption scandal and was currently complying with all monitoring requirements.

The personal failures of ASPRI’s administrators should not be used to characterize the agency or the nonprofit sector. However, ASPRI’s corruption scandal demonstrates that despite being managed by a group of experienced and educated professionals, nonprofits are not immune to embezzlement schemes. This case problematizes the aura of not-for-profit social commitment that supports the sector’s “do good” image. In fact, Puerto Rico’s government accounting inspector published a report on fraud in nonprofit organizations that exposes not only the prevalence of these acts, but also identifies vulnerabilities that are specific to nonprofits (Oficina del Contralor, 2005, pp. 1-2):

- An atmosphere of extreme confidence due to the labor they carry out
- Excessive control of the organization by the founder, a director or a specific contributor
- The absence of personnel with financial experience in the Board of Directors
- Limited funds assigned to operational and accounting areas

ASPRI met many of these conditions. Its administrators took advantage of these vulnerabilities to defraud not only the federal government, but the population in need of those resources.

The claim that nonprofit organizations are more trustworthy and impervious to corruption than public agencies because they are mission-driven organizations not motivated by profit-seeking interests is based on a spurious assumption. ASPRI’s experience demonstrates that funding agencies need to establish strict monitoring procedures, similar to those imposed to any public agency. Moreover, ASPRI’s case example undermines the uncritical acceptance of the nonprofit sector as an alternative, do-good sector that would help the state avoid the politicization of services, public-fund embezzlements and ineffective bureaucracy.

Conclusion

Our current political era has witnessed a qualitative change in the manner in which states, markets and nonprofits are articulated. The analysis of both CSBG and ASPRI documents precisely how state-nonprofit relations, common during the height of the welfare state era in the 1960s, gained a new momentum since the 1980s as a result
of the federal government’s restructuring of its welfare state. To be sure, ASPRI’s mission statement and federal financial support maintain important continuities with previous welfare programs. Tracing these historical linkages is necessary because they shift the analysis from characterizing the newness of state-nonprofit relations to examining their transformation across changing political eras.

However, policy contexts and party politics matter for the kinds of social welfare interventions that are possible at any given time and in any organizational context. CSBG’s and ASPRI’s analysis showed how decades-old mission statements, participatory initiatives and state-nonprofit collaborations became politically ambiguous in the context of neoliberal reforms. The intersection of liberal anti-poverty and development politics with contemporary neoliberalism has produced what Sue Kenny (2002) calls a “fused discourse”: The activist framework of engagement and self-determination has been entangled with individualistic notions of self-determination and resilience in the market framework (p. 296). The policy changes that gave rise to CSBG and ASPRI were motivated by Reagan’s conservative, anti-welfare state ideology, but made use of concepts and appealed to commitments formulated during the liberal, public welfare era of the 1960s. Thus, ASPRI’s case study shows how neoliberal reforms use this politically ambiguous fused discourse to incorporate socially committed organizations, such as development nonprofits, to their new form of governance.

ASPRI became a contested site in which political parties tried to exercise control of federal funds designated for impoverished populations. This susceptibility to political interests questions the notion that nonprofit organizations represent an associational field “of structured citizen action outside the boundaries of the market and the state” (Salamon, 2002, p. 11). Contrary to this oppositional view, ASPRI’s history exposed how some nonprofits lie within the political sphere of local parties and even serve partisan interests.

The neoliberal preference for contracting with nonprofits is justified on the grounds that these organizations constitute a “do-good sector sustained by volunteers and unencumbered and untainted by the politics of government or the greed of the market” (Fisher, 1997, p. 442). ASPRI’s regretful corruption scandal and strict submission to CSBG’s administrative demands and evaluation tools undermine its “do good” image and questions its viability as a suitable alternative to the much vilified Puerto Rican state. Finally, ASPRI’s case study is not presented as being representative of the nonprofit sector as a whole. However, the lessons learned complicate the uncritical discourse engulfing nonprofits in the island. ASPRI’s analysis substantiates the call...
for greater empirical research on the nonprofit sector in order specify which organizations are “doing good” and which ones are “just as bad” as the neoliberal state.

1. The literature reviewed for this essay uses the terms nongovernmental, nonprofit and third sector in a somewhat overlapping fashion to refer to a sphere of action lying purportedly outside of the state and the market. I use the term nonprofit (sin fines de lucro) due to its more common usage in Puerto Rico. Camacho Hernandez (2009) offers a clear discussion of the overlaps and differences of these terms.

2. I use ASPRI, the Spanish acronym for Acción Social de Puerto Rico, Inc. Grassroots support organizations are development-oriented nonprofits that serve as intermediaries between public and private resources and impoverished communities.

4. Block grants are “fixed-sum federal grants to state and local governments that give them broad flexibility to design and implement designated programs” (Finegold, Wherry, & Schardin, 2004, p.1).

5. Some states and local governments like Puerto Rico established public community action agencies and/or local Economic Opportunity Offices which made them recipients of EOA funds.

6. CAAs are mandated by the Green Amendment of 1968 to establish a tri-partite board consisting of elected public officials, representatives of their client population, and private sector leaders, including businessmen, leaders of faith-based groups and civic leaders.


8. The remaining funds go to the municipalities of San Juan (15%) and Bayamón (14%).

9. Community action agencies cover a county or city that is not serviced by another CAAS.

10. The consortiums have at least one PNP municipality.

11. ASPRI’s financial information was retrieved from the 990 form submitted to the IRS for the 2008-2009 fiscal year.


cotidiana (pp. 119-134). Serie Atlantea 4 (Río Piedras: Proyecto Atlantea).


