

NGOs IN DEVELOPMENT

The development efforts of non-governmental organisations (NGOs) have achieved a much higher profile in recent years. In the UK, increased public awareness of the role of NGOs in the mid-1980s produced a surge in private donations at a time when official aid was being cut back — although these have since declined. Governments have been channelling more official aid through NGOs in a number of OECD countries, including Britain. NGOs are perceived by some to share the objectives of official donors but to work more effectively in promoting certain forms of development. Others argue that the goals of NGOs are quite distinct from those of government agencies and that their work is not directly comparable. Concentrating primarily on the experience of northern NGOs, this Briefing Paper examines the range of their activities, their operating methods, their relationship with official aid donors, and the evidence of their impact.

What are NGOs?

The term NGO is very broad and could be applied to any organisation which is operationally distinct from government. In the field of development, NGOs range from large, northern-based charities such as Oxfam to local self-help organisations in the South. They may include research institutes — like ODI — and coordinating bodies such as the International Coalition for Development Action (ICDA) based in Brussels and Interaction in the US, as well as lobby groups such as the World Development Movement. Multilateral agencies which also receive private contributions, such as UNICEF, and northern private funding institutions like the Ford Foundation are not considered in this Briefing Paper.

Box 1 : British NGOs

The size and objectives of British NGOs involved in development vary considerably. The 300-plus UK organisations raised £135m in 1987 which is about a tenth of the amount the Government spends on aid. About two-thirds of these funds are disbursed to the poorest countries in sub-Saharan Africa and South Asia. Together, Oxfam and Save the Children Fund (SCF) account for almost half the total income raised by UK development charities. The Ethiopian famine of 1984/85 prompted a steep increase in private donations, particularly following the Band Aid Appeal. Oxfam displaced the National Trust as the largest British charity in 1986. Yet the incomes of some of the major UK NGOs have since declined while others have grown less quickly. Oxfam, for example, fell from first to third place in the ranking of fundraising charities in 1987.

British NGOs adopt varied political stances. SCF, for example, has tended to avoid taking up political positions, while War on Want is close to the labour and Trade Union movement. Oxfam and Christian Aid have increasingly taken an interest in policy questions in recent years, addressing issues such as the debt crisis, environmental impact, the social costs of adjustment, and the resolution of regional and local conflicts. Some agencies, such as Help the Aged and SCF, also have a substantial involvement in UK-based projects.

The numbers of NGOs have increased substantially in the past five years. Several thousand are based in the OECD countries and engaged in development-related activities. A quarter are US-based, while some 300 are based in Britain (Box 1).

NGOs in the UK and the USA (Private Voluntary Organisations — PVOs) receive the bulk of their funding from voluntary private sources, and engage in one or more of the following activities: channelling aid to projects and programmes in less-developed countries (ldcs), sending volunteers to work in ldcs, promoting development education and advocacy work in the North.

Organisations in other countries of the North do not always conform to this pattern. In Germany, for example, the churches are working with NGOs such as Misereor, which are involved in development activities similar to those of, say, Christian Aid, but they derive a large proportion of their financial resources from special taxes levied on church members by the government. The German political foundations (Stiftungen) maintained by each of the major political parties blur the distinction between government and non-government activity even further. Although much of their activity is domestically oriented, they also have a significant involvement in the Third World. Their activities in ldcs are in many respects similar to those of the conventional British and North American NGOs although, unlike under British charity law, political campaigning is not specifically proscribed. Stiftungen obtain much of their finance through their parent political party and therefore fall within the non-governmental category, but four of the five parties which run such foundations frequently participate in government.

In France the relationship between NGOs and government is also different from the UK/US model. As in many continental European countries, there is a major distinction between confessional (usually Catholic) and secular organisations (some of which are linked to trade unions or political tendencies). Although a number of French NGOs may be more active abroad in criticising governments and in some cases supporting dissident movements, there is considerable consistency of approach with official French development policy. As a result, criticism by domestic NGOs of government aid policy and performance is probably more muted in France than in other European countries, although this has been changing with the formation of new groups in recent years such as Agir Ici. In the Scandinavian countries, and to some extent Canada and the Netherlands, the relationship between government and NGOs is much closer, with greater collaboration and exchange of personnel.

Until recently, Japanese NGOs did not figure prominently in the provision of development aid, but their numbers have grown rapidly in the 1980s, in tandem with a significant expansion in official Japanese aid. In 1981 there were fewer than fifty such organisations, but by 1987 there were nearly two hundred. These range from Japanese branches of international agencies such as Foster Parents Plan and Save the Children Fund, to a diverse group of indigenous organisations.

NGO Aid in Relation to Official Aid Disbursements

	1		2		3		4
	NGO Aid*		Official Aid		1 as % share		% change in NGO Aid in real terms
	(US\$m)		(US\$m)		of 2		
	1980	1987	1980	1987	1980	1987	1980-87**
Australia	40	40	667	627	6.0	6.4	-14
Austria	23	20	178	196	12.9	10.2	-25
Belgium	45	31	595	689	7.6	4.5	-41
Canada	102	109	1,075	1,885	9.5	5.8	-8
Denmark	13	24	481	859	2.7	2.8	+59
Finland	16	41	111	433	14.4	9.5	+120
France	36	106	4,162	6,525	0.9	1.6	+154
Germany	421	645	3,567	4,391	11.8	14.7	+32
Ireland	—	26	—	51	—	51.0	—
Italy	3	18	683	2,615	0.4	0.7	+417
Japan	26	92	3,353	7,454	0.8	1.2	+205
Netherlands	79	172	1,630	2,094	4.8	8.2	+88
New Zealand	7	8	72	87	9.7	9.2	-1
Norway	33	66	486	890	6.8	7.4	+72
Sweden	59	90	962	1,377	6.1	6.5	+32
Switzerland	63	94	253	547	24.9	17.2	+29
UK	120	221	1,854	1,865	6.5	11.8	+59
US	1,301	1,633	7,138	8,945	18.2	18.3	+8
Total (average)	2,387	3,436	27,267	41,530	(8.8)	(8.3)	(+24)

*Grants by Private Voluntary Agencies, excluding government contributions.

**Deflated by UN index of dollar export unit values of developed market economies.

— = not available.

Source: Derived from data provided by the Development Assistance Committee, OECD.

Trends in NGO Aid

Volume and Distribution of NGO Aid

Statistical measurement of NGO aid flows faces formidable problems of comparability and data availability, but the Development Assistance Committee (DAC) of the OECD produces regular annual figures which are a starting point for making broad comparisons. Figures for 1980 and 1987 show that NGO disbursements from DAC member states increased by 24 per cent in real terms (see Table). As a proportion of total DAC official aid, however, they declined from 8.8 per cent to 8.3 per cent.

According to these DAC figures, aid from US and German NGOs far exceeded that of other countries in 1987. The increase in spending from 1980-1987 by British NGOs was higher than the average, but less than that of Italian, Japanese and French NGOs.

Sources of Finance

Governments have become important providers of funds to NGOs in four areas:

- co-financing development projects (Box 2)
- contributions to the cost of volunteer programmes
- grants for disaster relief work
- supporting development education in the North.

Private contributions, however, still constitute by far the largest single source of NGO income. It is for this reason that NGO fund-raising is generally directed at increasing the volume of individual donations, often through forms of sponsorship such as income deduction schemes and covenanting. In Britain, corporate financing and trade union contributions are a small proportion of NGO income when compared to other European countries, while profits from shop sales are very important for some UK NGOs.

Major Issues for NGOs

From Relief to Development and Beyond

NGOs are now involved in a wide variety of activities. These include the provision of relief to the destitute or famine-stricken, support for community development projects, and measures to promote the 'empowerment' of oppressed social groups. Given this range of activities, NGOs have been vigorously questioning their most appropriate role.

Some British NGOs, for example, have attempted to move in a more overtly political direction in their activities both at home and overseas. This has at times brought some of them into conflict with the UK charity laws. In 1981, War on Want formed a separate campaign organisation in order to avoid contravening its charitable status. Christian Aid has had to defend itself against complaints of political bias, and other UK NGOs have been cautioned. Right-wing pressure groups such as Western Goals UK have criticised the development activities of the UK NGOs on 'political' grounds, and charity law is presently under review. The leading French Catholic development agency Comité Catholique Contre la Faim et pour le Développement (CCFD) has been under attack for sponsoring projects which allegedly 'promoted Marxism' in the Philippines, Haiti and Latin America. CCFD sued the proprietors of 'Le Figaro-Magazine' in which these accusations were made, but suffered financial losses as a result.

A number of NGOs active in the Third World still retain a focus on individual welfare (e.g. through child sponsorship) but many have shifted the emphasis of their work away from the provision of immediate relief towards assisting communities to develop their physical and social infrastructure, and to enlarge their productive assets. This shift in emphasis by some NGOs may not yet be recognised by many individual contributors, especially as the flood of funds raised in response to African famine required NGOs

Box 2: Co-Financing Schemes

Direct government support goes to NGO-sponsored projects in ldes through co-financing schemes, usually on the basis of a matching grant. Some European countries introduced co-financing arrangements in the early 1960s but the British government did not establish its own scheme until the mid-1970s.

Britain

The Joint Funding Scheme (JFS) was set up in 1975 with the aim of using NGOs to support government efforts in directing aid to the poorest. Funds are made available on a 'pound for pound' basis for development projects costing between £3,000 and £500,000 (with a maximum of £200,000 in any single financial year), for up to a five year period. In 1978 a system of block grants was introduced for three of the major NGOs (CAFOD, Christian Aid and Oxfam), and was later extended to SCF. Contributions from the JFS have amounted to 10 per cent or more of their development expenditure in recent years. Since the scheme's inception, more than fifty NGOs have been in receipt of matching grants, but the four block grant recipients account for nearly 50 per cent of the total JFS allocation.

Government contributions to the JFS rose from £3.3m in 1984 to £6.6m in 1987. Expressed as a percentage of net bilateral aid, this represented an increase from 0.6 per cent to 1.1 per cent over the same period. Further contributions were made in the form of disaster relief and financial support for the volunteer recruitment agencies, raising the total amount channelled through NGOs by the Government to £19.7m in 1987. This was equivalent to 1.5 per cent of total oda as compared to 6.5 per cent for the Netherlands, 8.0 per cent for Canada and 12.7 per cent in the case of the USA.

Partly in response to a 1987 report from the House of Commons Foreign Affairs Committee calling for a higher proportion of the bilateral aid budget to be channelled through NGOs, the budgetary allocation to the JFS was increased to £11.2m in 1988. A further rise was announced in February 1989 to £16 million, representing an increase of 43 per cent over the previous year. More rigorous reporting and evaluation procedures are also to be introduced.

European Community (EC)

The EC introduced a co-financing scheme in 1975 with a Community budget allocation. Funds increased rapidly from Ecu 2.5m in 1976 to Ecu 62.8m in 1987, covering both operations in developing countries and development education in Europe. Projects funded under the scheme are concentrated in rural development, health and training, although a large proportion fall in more than one sector.

By 1987, the Community's total spending on development NGOs had risen to Ecu 192m, although co-financing accounted for only one-third of the allocation; most of the remainder was in the form of food aid (Ecu 109m) and emergency aid (Ecu 19m) channelled through NGOs, but not exclusively to developing countries.

to give more attention to relief efforts than they might otherwise have wished. In practice, most NGOs have been directing a part of such 'relief' funds towards productive, income-generating activities in or near disaster zones. At the same time they have attempted to counter a prevailing view of the poorest groups in developing countries as inert victims unable to help themselves.

Some NGOs have further extended the shift away from relief. Noting that the positive effects of their community schemes can be overwhelmed by local vested interests or by national economic impoverishment, their attention has focused on the social and political environment in which projects have been implemented. In countries where they believe development is blocked by political repression and inegalitarian land ownership, they have been concerned with the need for representation and reform. Similarly, the effects of armed conflict are seen as an additional brake on development and NGOs are increasingly involved in

reassembling the broken pieces of development projects in war-torn areas.

Confronted by extreme poverty deepened by economic austerity or civil war, NGOs have sought alternative means of coping with the effects of balance of payments problems and have sometimes focused on the failings of the international economic system. Many of the larger NGOs are now involved in discussions with international institutions such as the World Bank, and run their own development education campaigns to highlight practices arising from OECD countries' policies which hinder development, and to influence public opinion. At the international level, a number of bodies have been created (such as CIDSE, ICDA, ICVA) to co-ordinate NGO activities on key policy issues.

Some NGOs have gone further in attempting to induce change in the political and economic environment in certain developing countries. This has led to the concept of 'empowerment': helping citizens to understand the nature of their oppression and to take effective action against it. In promoting such campaigns foreign NGO officials may enjoy a privileged status enabling them to adopt roles too dangerous for locals, but they are vulnerable to expulsion. The same activities undertaken by local people in local NGOs, especially in Latin America, can turn them from non-governmental to anti-governmental organisations. In Bangladesh a proportion of NGO funding, for example, is directed at landless groups to help them confront corruption, secure land rights and fight unjust employment practices. The Bangladesh Government now has stringent controls over the activities of foreign NGOs.

Government Funding

The large increase in government funding for most northern NGOs (Box 2) is the result of both practical and political factors. Politically, NGOs have been the beneficiaries of a broad shift in opinion in favour of private initiative rather than public sector activity. Accordingly, there has been some shift in emphasis from government-administered projects to NGO-run projects.

Moreover, this has resulted in growing competition between NGOs and the multilateral agencies for government funding; NGOs are now receiving almost twice as much money as that channelled through the UNDP by OECD governments. NGOs are also perceived as able to operate in areas where governments have regarded direct action by themselves as inappropriate, for example in Kampuchea, the Gaza Strip, and Ethiopia itself. The UK government has co-financed projects in Nicaragua with CAFOD and Christian Aid, despite having terminated bilateral project aid. Similarly, NGOs have undertaken work with EEC assistance in countries where their own governments considered direct aid to be politically inexpedient.

The German political foundations illustrate another case of political involvement, although some of their work is very similar to the kind of projects financed by US and UK NGOs. Before independence in Zimbabwe, for example, the SPD's Friedrich Ebert Stiftung was supporting two rival political parties, ZANU and ZAPU, while the CSU's Hanns-Seidel Stiftung was assisting Bishop Muzorewa's party.

At the practical level, NGOs have been favoured by government and public opinion because they are perceived to be more effective executors of project aid on the grounds that they are more likely to be sensitive to the needs of the poor and closer to the grass roots in their operating style. However, evidence on the comparative effectiveness of NGO and official aid is inconclusive and inadequate.

NGO Reactions to Government Funding

The increased availability of public funds for NGOs has provoked considerable internal discussion. Some

organisations have seen co-financing schemes as a means of continuing their work on a larger scale. Others believe that the acceptance of government money might divert NGO efforts towards the sorts of projects they would not otherwise undertake, and might also compromise their independence. Oxfam-America and several other US NGOs refuse to accept funds from the US government and many UK NGOs maintain ceilings (often 10 per cent of total income). Some official donors have also expressed concern about the increase of public funds: a 1982 study for USAID noted that US NGOs were functioning increasingly as government intermediaries to the detriment of their private status.

There are clearly some risks for NGOs in accepting government funds. Governments, even without funding them, can impose political constraints on NGOs' activities. In the USA, for example, attempts have been made by the US government to stop NGOs using private funds in various countries including Cuba, Kampuchea and North Korea. The Swedish government refuses to support most NGO activities that have not received the formal approval of the host government, while the Netherlands government has clauses in its co-financing agreements with the four largest agencies which prohibit the use of funds for activities aimed to undermine a government by unlawful means.

As governments change, so can the fortunes of NGOs. During the first years of President Mitterrand's administration, the French government rapidly increased funds to NGOs (such as Frères des Hommes) which gave a high priority to development education and the need to alter relations between North and South. The Chirac administration subsequently shifted the focus towards the more technical project-oriented and humanitarian NGOs such as Médecins sans Frontières and reduced funding for development education.

Complaints have been made by both northern and southern NGOs that their relationships with aid recipients are becoming increasingly similar to that of their governmental counterparts. Northern NGOs are seeking from their southern partners more 'fundable activities' as the supply of government project finance increases, since frequently they operate in target countries only through local organisations. But as northern NGOs have to account to their governments for how money has been spent, they have to impose reporting and accounting requirements on their southern colleagues which few can meet without stronger administration.

In addition to these political and administrative problems with government funding, some northern NGOs also believe that eventually they may be bypassed altogether. In Africa particularly, they have tended to select and administer projects themselves through expatriate staff. But now many northern NGOs have devolved project selection and the administration of funds to their partners in the field, and some southern NGOs have advocated the direct transfer of grants to indigenous organisations, thereby circumventing their northern counterparts but becoming, as a result, more directly dependent on official backing. This has raised questions about the appropriate roles of southern NGOs. Official donors may view southern NGOs as service delivery agents, whereas northern NGOs recognise their southern partners' potential for institution-building outside the realm of government action.

The European Court of Auditors has suggested that the European Commission should consider direct funding of southern NGOs, arguing that some northern NGOs merely act as forwarding agents and are not involved in the design and monitoring of projects. Some donors, however, have regulations precluding direct financing of NGOs in other

countries, and it is not yet clear how far this trend is likely to develop.

NGO Effectiveness: The Unanswered Questions

Questioning and self-criticism are features of most NGOs and both within and without there is growing uncertainty over assertions that the efficiency of aid is enhanced by channelling resources through NGOs. The counter view is first, that NGOs are failing to establish a distinctive identity as a 'development alternative'; and, second, that they are often not as effective, in development terms, as claimed.

The lack of a distinctive NGO identity, it is argued, is because NGOs are often either compelled to adopt, or are willing to adopt, the objectives and procedures of official agencies because of their growing dependence on public funds. On the other hand, the increasing flow of official funds provides many NGOs with an opportunity to promote their own work, particularly in areas such as community development and social mobilisation with resources previously regarded as unattainable.

A conference held jointly by ODI and the journal *World Development* in 1987 addressed the issue of development effectiveness, although attention was drawn to a dearth of information on practical achievement. The conventional wisdom that NGOs are better than official agencies (whether donors, international financial institutions or public bodies in ldecs) in tackling poverty, stimulating community development and providing disaster and famine relief remains largely untested.

Many NGOs are ambivalent about evaluation. Their work is often undertaken in difficult circumstances and among the most disadvantaged social groups, so their 'success' rate is bound to be modest. Yet NGOs' own financial viability depends on a large constituency of individual subscribers who respond to a self-confident image of development success. Some NGOs are also concerned that evaluation may be used by official donors as a device for controlling their activities in developing countries.

Despite this ambivalence, specific evaluations of NGO activities are growing in number and sophistication. Yet few studies have attempted to compare the effectiveness of NGOs to official donor/government intervention where similar development objectives are shared and similar resources are applied. Most NGOs would reject such a comparison, in any event. They claim that NGOs often aim to develop mechanisms for building community self-reliance in opposition to existing power structures, and do not always share the objectives of official donors. The 1987 conference highlighted this paradox: although most multilateral and bilateral agencies now endorse the important developmental role of both northern and southern NGOs, this role may be under threat from the encroaching embrace of governments and official donors.

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