

Chapter 3 The Non-Governmental Landscape

Whether NGOs are the brave new face of people-led action or the coopted workhorses of states shedding their welfare responsibilities, the phenomenon of NGO growth is a reality. For humanitarian NGOs, now claiming some 60% of \$10 billion in annual global humanitarian spending, this heady position has brought risks and challenges. Increased reliance on state funding challenges their independence. Being drawn into the modus operandi of the commercial market place challenges the role of ideals and advocacy, while competition from the military challenges their sense of worthiness and self-value. As major players, humanitarian NGOs lament these developments but can and should do far more to shape them.

1. *If NGOs wish to continue to access the lion's share of government funding, they need to accept greater accountability. Can NGOs do this on their own terms, rather than those of audit-driven state systems? Can they build accountability that allows local partners and constituents to play a key role? Can they devise mechanisms that do not create intolerable staff or financial burdens?*
2. *As state aid agencies find themselves under increasing pressure to align spending and policies with short- and medium-term political agendas, should NGOs be building public constituencies at home for more needs-oriented approaches? Must they play the aid game, complete with donor accountability, product definition, and increasing competition from corporate and military actors, or should they build a more independent existence, outside this marketplace, appealing directly to the concerned affluent public?*
3. *As the global role for NGOs expands, how will northern-based NGOs open up to true partnerships with southern counterparts?*
4. *Can and should the present handful of large global NGOs continue to grow? Should they become more specialized, or more comprehensive? How will they manage their international structures and partnerships to be both efficient and democratic? How will they resist the pathologies of large corporations and bureaucracies?*

Writing in *Foreign Affairs* a decade ago, Lester Salamon declared that “a striking upsurge is underway around the globe in organized voluntary activity and the creation of private, nonprofit or nongovernmental organizations.... Indeed, we are in the midst of a global ‘associational revolution’ that may prove to be as significant to the latter twentieth century as the rise of the nation-state was to the later nineteenth.” It may be too early to determine whether this development will prove to be as important as the rise of the nation-state. However, there is no mistaking the importance, past and, by projection, future, of non-governmental organizations in matters of service delivery, innovation, and advocacy for social change.

The humanitarian activities of the non-governmental sector are situated against the backdrop of major hazards, present and future analyzed in Chapter One and framed by the international political and policy landscape sketched out in Chapter Two. This chapter examines the humanitarian marketplace and reviews major trends that are likely to shape the work of NGOs in the future. It utilizes interviews conducted specifically for this study as well as analysis of relevant critical literature on the subject.

The Humanitarian Marketplace

What are the trends in the underwriting of international humanitarian programs? Have aggregate availabilities of funds to operational agencies increased in recent years, whether from governments or from private sources? Has competition among such agencies (e.g., UN organizations, NGOs, the Red Cross movement) grown? Are new actors in the humanitarian sphere – for-profit private sector agencies, commercial contractors, American and other military forces and international peacekeeping troops -- giving NGOs a run for what used to be “their” money? What are the implications of such developments and of longer term trends for efforts by NGOs to deal with ambiguity and change?

Marketplace data is not as readily available as hoped or expected, and some of the data that does exist is beset by problems of methodology and comparability.⁹⁴ However, the financing of humanitarian action evidences a number of discernible features. Roughly \$10 billion annually has been provided in recent years to the humanitarian enterprise by OECD/DAC governments and their publics and by non-OECD/DAC donors. This

figure includes, along with emergency relief, activities in the areas of post-conflict peace activities, which in 2001 were valued at some \$4 billion. Funding for humanitarian work, which during the 1970s and 1980s represented some three percent of Official Development Assistance (ODA) flows, now represents about ten percent of ODA. Growth in humanitarian aid, now a larger piece of a smaller aid pie, has come at the expense of development assistance, which has shrunk.

Governments in recent years have divided their funding of the humanitarian enterprise into roughly equal thirds. One third goes to the Red Cross movement, another third to NGOs, and the final third to UN agencies. The general division varies from crisis to crisis and also over time. The Red Cross movement and NGOs tend to receive more funding in the early stages of emergencies while the UN attracts more resources as volatile situations stabilize.⁹⁵

The NGO share of the total has grown in recent years. Western NGOs receive funding from three major sources: bilateral governments, multilateral organizations, and private contributors. In 2001, the last year for which figures are available, private contributions to NGOs worldwide were estimated at \$1.5 billion. In addition, NGOs programmed about one third of all bilateral humanitarian assistance and as much as half of all humanitarian funds managed by UN agencies. During the years 1997-2001, the European Community Humanitarian Office (ECHO) granted more than sixty percent of its funds to NGOs. Such funding put the NGO share of the aggregate \$10 billion in such aid flows at about sixty percent, or \$6 billion. Demonstrating the importance of NGOs vis à vis other humanitarian actors, the figure also highlights the extent to which governments and the UN system are dependent upon NGOs, the indubitable and often unsung workhorses of the humanitarian enterprise. At a very minimum such dependency is mutual, rather than, as is often portrayed, that of the NGO supplicant who is paid by governments and must march to their tune.

The respective shares of multilateral and bilateral funding suggest a trend toward bilateralism, although not necessarily of the runaway sort that is often supposed.⁹⁶ U.S. government funding has shown consistency of support for UN activities, both through the State Department's underwriting of UNHCR and other international organizations and through AID funding of WFP. However, there have been some exceptions, as in U.S. funding of an NGO consortium to respond to the southern African drought as a counterweight to WFP. ECHO has recently increased the multilateral share of its portfolio.

Several trends within bilateral funding deserve mention, each with implications for NGOs. While the United States remains the largest contributor of humanitarian resources, European government contributions to such activities now exceed those of the U.S. In 2001, the figures were \$2.55 billion and \$1.97 billion respectively. Second, the U.S. continues to rank last among OECD governments in the amount of its ODA contribution as a percentage of its Gross National Product. Third, while popular delusions of grandeur about the levels of U.S. generosity abound, U.S. per capita aid contributions of less than \$7 per American per year (the figures are for 2001) are dwarfed by those of humanitarian superpowers such as Denmark, Norway, Sweden, the Netherlands, and Luxembourg, with per capita contributions in the \$37 -- \$50 range. Finally, a disproportionately large portion of U.S. humanitarian aid takes the form of food assistance. This not only introduces a certain inflexibility into resource transfers but subjects food aid programming to an increasing chorus of criticism as part of a scheme to promote and prop up U.S. food exports to the disadvantage of developing country agricultural interests.

At a more programmatic level, four key trends have characterized recent developments in donor-NGO relations. First, donors are more insistent on measurable outputs. Second, greater cohesion has emerged within the NGO subsector, reflecting agency concerns about increased accountability to donors and their own perceived need for greater independence. Third, NGOs have increased the advocacy component of their work. Finally, the bona fides of NGOs as non-governmental agencies have occasioned more reflection. Each of these trends, and their likely meaning for the humanitarian marketplace of the future, is examined in turn.

Quantifiable outputs

In recent years, donors have become more insistent on measurable outputs. Many have made grants and contracts more focused on the specification of project goals and the identification of indicators to measure performance. A 2002 study of AID funding identified a range of mechanisms to fund NGOs, with grants and co-operative agreements the predominant ones.⁹⁷ Under grant agreements, an NGO implements an agreed-upon program without further substantial AID involvement. Under a cooperative agreement, an NGO retains significant independence but AID is involved in agreeing to the activities to be performed, the selection of key personnel, and the approval of monitoring and evaluation plans. The study concluded that, compared with most other donors, USAID's choice of funding mechanisms tends to be guided by a desire for programmatic and financial controls and competition. Hence it is not surprising that AID has increased its use of cooperative agreements and of for-profits (in relation to non-profits) as implementing partners. The head of AID has lamented the lack of standardized and quantified reporting by NGOs.

As for the U.S. State Department, although the cooperative agreements through which the Bureau of Refugees, Population, and Migration (BRPM) funds NGOs have not changed dramatically in recent years, there has been a gradual addition of requirements around Codes of Conduct and Sphere standards. BPRM has also become more explicit about its expectations of NGOs through guidelines available on its website. Overall, interviewees felt that BPRM relations with NGOs had been "formalized and standardized."

DFID now has Partnership Programme Agreements (PPAs) with most large UK NGOs. These are usually 5-year agreements built around a set of specific outcomes, with the responsibilities of both DFID and the partner articulated. The first set of PPAs are due for review in the near future and, if working satisfactorily, will be continued. Although PPAs require comprehensive reporting and self-criticism by NGOs, one interviewee appreciated that DFID is flexible enough to accept a modified version of the NGO's own internal reporting. An interviewee from an NGO which does not have a PPA expressed the view that the PPA device had a negative impact on its own levels of funding since DFID has a cozier relationship with PPA NGOs.

A SIDA interviewee felt that the Swedish government agency's relationships with NGOs had become more "institutionalized and regularized" in recent years, although perhaps with less of a micro-management animus than with the U.S. government. SIDA has framework agreements with leading Swedish NGOs and provides funding to smaller agencies through several umbrella organizations. Going somewhat against the donor mainstream, SIDA is looking to move towards less short-term project underwriting and more long-term program funding, reflecting a desire to get away from micro-management and towards a system based on trust and confidence in NGOs. Yet SIDA is also working on impact assessment for humanitarian programs (NGOs currently use a logical framework format for applications), thereby increasing performance measurement.

The Danish government, too, is focusing on performance measurement, having tightened its reporting requirements at the end of 2001. NGOs are currently required to outline indicators in proposals and then to report performance against them. However, one interviewee noted that NGOs would prefer greater emphasis instead on impact assessment. Explaining that politicians are usually more interested in measurable outputs than in impact, however, he accepted the requirements as a *quid pro quo* in the utilization of taxpayer funds.

ECHO has also come to place greater emphasis on financial and programmatic controls. It introduced a revised version of its Framework Partnership Agreement (FPA) towards the end of 2003, which moved from input control to an emphasis on outcomes.⁹⁸ It has also introduced a requirement for interim reports, thereby increasing the administrative burden on NGOs. The new FPA is causing a further range of difficulties. There is trepidation, particularly among smaller NGOs but also among ECHO staff, about the new requirements introduced as a result of the Commission's Financial Regulation. Auditors, some of whom may have no experience with the challenges of complex emergencies, now have the power to interpret the provisions of the FPA and to demand the refund of money if they deem that NGOs have not achieved the stated outcomes.

New procurement rules require NGOs to source products in EU or ACP countries unless granted an exemption from doing so. The rules also make NGOs responsible for ensuring that suppliers adhere to ethical standards. However, it is unclear what these standards are, how NGOs are to verify adherence, and how far down the supply chain they are expected to monitor. The introduction of the new FPA has led to delays in ECHO decision-making, hampering the timely response of some NGOs to emergencies. While recognizing these difficulties, one NGO respondent was positive about the new FPA, believing that it was more realistic about costs and that the focus on outcomes was supportive of organizations striving to do quality work.

The insistence on measurable objectives and quantifiable outputs as well as the trend toward reduced operating autonomy for NGOs reflect wider government policies and pressures on donors. Tighter reporting and performance measurement requirements from USAID are due to the Government Performance and Results Act (GPRA) and reflect congressional pressures to demonstrate results and report more frequently. Changes in ECHO's procurement rules reflect the requirements of the Commission-wide Financial Regulation.

By and large, NGOs have welcomed the growing systematization of funding because it clarifies what donors want. More comprehensive proposals can also be used as internal planning and programming tools, and reporting can improve NGOs' own performance measurement. However, the practicalities of providing reporting or of training field staff to meet requirements place an additional burden on NGOs. Accordingly, some European NGOs are considering setting up a crisis fund in case they are required to return money to the Commission. (This will divert funds from beneficiaries.) Some also question whether appointing additional NGO staff simply to report on contracts is a sensible use of donors' money. Still others question whether the emphasis on measurable objectives may be too narrow and see the increasingly short leash on which NGOs find themselves as driven by concerns about political control rather than enhanced results.

Despite the formalization of funding relationships and the now-shorter leash, a number of donors have devised mechanisms to enable NGOs to respond quickly to sudden emergencies. Since June 2001 ECHO has had a "primary emergency" procedure which enables it to take a formal funding decision within 24-48 hours and then fast-track the release of funding. SIDA allocates a certain amount of emergency funding to six or seven humanitarian NGOs at the beginning of each financial year. When an emergency occurs, the NGOs fax a one-page proposal to which SIDA responds within 24 hours, permitting the NGO to spend immediately up to SKr 1 million.

Government insistence on measurable outputs is reinforced by increased donor field presence and monitoring. AID's OFDA deploys Disaster Area Response Teams (DARTs), DFID's CHAD has Operations Teams, and ECHO has increased its network of representatives in the field considerably. The presence of more staff in the field gives donors the capacity to undertake their own assessment of needs, make better-informed funding decisions, and monitor the work of NGOs more closely.

Looking ahead, CHAD has confidence in the NGO community's ability to self-regulate in the area of principles and standards and is unlikely to make any additional explicit demands. The Danish government, like SIDA, would like to move away from micro-management by allocating lump sums to NGOs through longer-term framework agreements. A U.S. State Department official, too, suggested that although the agency would go further down the route of standardized, perhaps paperless, performance measurement, this approach is likely to prove unsatisfactory. Hence, it will probably look at qualitative measures as a way to explain and back up quantitative indicators.

Concerted NGO Action

A second trend in the NGO subsector of the humanitarian marketplace involves an increase in concerted action among NGOs. Recent years have witnessed a growing sense of discipline among NGOs. Given the traditional picture of the NGO world as a test tube filled with innumerable particles bombarding each other randomly with great force, this second trend is noteworthy.

What is often portrayed as an unseemly NGO “scramble” – Goma, Zagreb, and more recently Darfur have become part of NGO folklore – may in reality be evolving into somewhat less of a free-for-all.⁹⁹ One analysis of the NGO “swarming” in Sierra Leone found that most of the 53 NGOs on the scene in 2002 were making a positive contribution, of varying scale, in an admittedly difficult situation.¹⁰⁰ In broader compass, “although there are hundreds of NGOs, it is safe to say that 75 percent of their humanitarian spending is handled by fewer than fifteen large transnational organizations.”¹⁰¹ In 2001, of some 439 NGOs registered with AID, thirty percent of U.S. aid resources were managed by only five agencies.¹⁰²

Since a small handful of mega-NGOs manages a disproportionately large percentage of total NGO resources, there may be more order than the apparent randomness would suggest. Some analyst even speak of oligopolistic tendencies among the major NGOs, their federations and professional associations, which are seen as stifling desirable competition within the sector. Be that as it may, NGOs are probably better advised to make the most strategic use of the funds available to them rather than to engage in extensive hand-wringing over the opportunists and snake-oil salesmen who pass for NGOs. In short, there is at the operational level in major crises less confusion than meets the eye, although there remains undoubtedly a need for greater restraint and a higher degree of NGO professionalism.

In actual practice, coordination often works better and resources are more cost-effective when fewer NGOs are involved. That is suggested by the UNHCR/NGO experience in 1994 in Ngara with Rwandan refugees.¹⁰³ Moreover, larger NGOs have certain evident comparative advantages, including the expressed preference of donors for wholesaling rather than retailing, an enhanced ability to maintain essential institutional infrastructure between crises, the greater network of human resource and networking contacts, and the capacity of publicly recognized agencies to mobilize resources from the general public. Interviews suggest that in order to remain competitive vis à vis donors, smaller NGOs need to develop specific areas of recognized competence. Donor governments, however, do not have a good track record in funding fewer NGOs rather than more. The suggestion by the Swedish government in 2001 that limits be placed on the number of NGOs funded for work in Afghanistan went nowhere. There are, in any event, trade-offs between the activation of fewer or more NGOs in a given crisis.

One of the areas in which greater NGO community cohesion is evident has been in the insistence on a more needs-based allocation of donor resources. It is an acknowledged fact that high-profile crises – Afghanistan and Iraq are the two most recent examples – command (some would say, commandeer) disproportionate levels of resources. One recent study has the disparity of per capita expenditures on persons in need ranging from \$50 per capita in Africa to \$300 in the Balkans. The issue for NGOs is not simply whether to seek some of the ample government funding available for the headline emergencies, but how to offset the dearth of resources that this creates for more serious humanitarian crises.

It is noteworthy that in raising funds for recent headline crises, NGOs and for that matter the UN system have piggy-backed discussion of the needs of persons in “forgotten crises” on the better-known (and sometimes hyped) situations for which resources are sought. Thus several agencies paired public fund-raising appeals for Kosovo in 1999 with requests for lesser known crises. While agencies have transferred personnel from the needy to the lesser needy locations, they have done so with some reluctance. One NGO staff person detailed on short-term assignment to Kosovo from Sierra Leone found herself upon her return to Freetown a pariah among her colleagues. A Danish Foreign Ministry official credits NGOs with acting as a watchdog on proportionality, working to ensure that governments do not channel all their funds according to a political agenda but also fund so-called forgotten crises.

Donors have taken some initial steps themselves to ensure that their funding is allocated according to need rather than reflecting only political pressure. One of the principles of good humanitarian donorship agreed by the major donors in June 2003 is to “allocate humanitarian funding in proportion to needs and on the basis of needs assessments.” The Stockholm session at which the good donorship initiative was launched had before it three hard-hitting reports, commissioned by donors and NGOs, on resources flows and the commercial and

political drivers of aid allocations.¹⁰⁴ ECHO has committed itself to focusing more funding on “forgotten” crises, although this may reflect its desire to establish a “niche” for itself and validate its existence as a humanitarian aid donor at a time when its separate existence is under threat due to changes within the Commission.

An upswing in advocacy

A third trend in the NGO subsector involves an expansion in the advocacy component of NGO work. All the NGOs interviewed for this study believed they could influence relations with donors. In fact, some argued that NGOs had a responsibility to “use their muscle internationally in a constructive fashion.” That was, in fact, CARE’s approach regarding Afghanistan, where some two dozen staff persons (including the executive director in Atlanta and CARE officials in Washington, New York, and Brussels), and overseas staff in Kabul were engaged in advancing a specific policy agenda. There is talk among major U.S. NGOs of establishing a high-level alliance between themselves, donors, and other humanitarian actors in order to have greater influence on responses to crises through joint needs assessments and evaluations. NGOs are in a position to influence donors because of their pivotal role as implementing organizations. In instances such as Iraq, however, such influence may be limited given the supplanting of AID and State by the Defense Department.

Looking to enhancing the impact of advocacy on public policy further still, one European NGO official suggested that NGOs take a more indirect and long-term approach, devoting more attention to educating individual donors. He also argued that NGOs need to realize that “unity is powerful” when making a stand on situations like Iraq rather than allowing institutional survival to take precedence or letting governments “divide and conquer” them. In the Iraq situation, U.S. NGOs have shown considerable cohesion in defending programming space through contesting the Defense Department’s demand for prior sign-off on NGO press releases and through quietly resisting AID’s insistence on a binding declaration that U.S. government funds not benefit terrorists or their kin. The intermediate role played by InterAction on behalf of U.S. NGOs is paralleled at the country level by the liaison contribution of the National Coordinating Committee in Iraq (NCCI) vis à vis the Coalition Provisional Authority on behalf of a wider NGO membership.

One interviewee expressed the view that it would be helpful for NGOs to share information with donors and discuss policy-level issues with them outside of a funding relationship based on particular emergencies. Donors are certainly open to this: both CHAD and SIDA express a desire for more policy-level dialogue with NGOs. Although both donors have regular meetings with NGOs, these tend to be program-oriented. Interviewees from BPRM, too, felt that NGOs could share information or raise issues more assertively at their monthly meetings with the U.S. government.

Some NGOs express caution regarding the extent to which they can hope to influence donors. One pointed out that NGOs need to acknowledge that states have very different responsibilities and obligations from non-state entities like NGOs. Given the nature of the issues and scale of the needs, NGOs cannot always hope to have, or themselves to represent, the answers. There is also a perceived danger that, given the political pressure on aid programs, NGOs may find themselves relegated to the role of junior partners, with donors engaging in dialogue without taking on board what is said. To some extent, this has been the recent experience with ECHO. Due to pressures imposed by the new Financial Regulation and staff overload, the notion that the relationship with ECHO is a partnership, said one NGO official, is “absurd.” U.S. NGOs often feel that the now-standard language of AID’s “partnership” with NGOs is also more rhetoric than reality.

In recent years, there have been numerous examples of traditionally fractious private agencies coming together to hammer out and implement common advocacy positions. In the case of Afghanistan, NGOs joined together to protest the deployment of U.S. military forces in plain clothes, blurring essential distinctions with humanitarian personnel; to oppose the establishment of Provincial Reconstruction Teams, which have a mix of military, intelligence, civil affairs, and development, along with humanitarian, personnel; and to urge the expansion of NATO troops to provide additional security throughout the country.

Independence issues

Finally, recent events have caused increasing attention to the issue of the non-governmental aspect of NGOs. The increasing invasiveness of government donors into NGO decision-making and the need for advocacy efforts in support of humanitarian space and values have led NGOs to look afresh at their relative degree of independence. What is the real meaning of “non-governmental,” especially when most NGOs now habitually accept significant amounts of government resources? Is it a euphemism, or a distinguishing quality?

In an effort to safeguard their independence of action, some U.S. NGOs in recent years have diversified their portfolios, reaching out to ECHO and individual European government aid agencies, whether directly or through European counterparts or representational offices. This strategy – in effect, spreading relationships and risks of NGO dependency, does not address the underlying question of a private funding base as distinct from one or more governmental funding sources. It does, however, offer some protections, particularly inasmuch as donors in DAC and other forums have had only limited success in harmonizing their aid policies.

Most NGOs express a clear preference for privately donated funds, which, they often say, are more valuable by a factor of at least two than bilateral or multilateral funds. Among the objectives served by funds mobilized from the general public are the following:

- To ensure NGO independence from government donors and to enable them to work in neglected crises in which there is little specific donor interest;
- To be able to mobilize public outrage and involvement, promoting changes in host or recipient government policy where necessary;
- To have the capacity to respond quickly to sudden emergencies, especially when donor agencies take several weeks or months to approve proposals and transfer funds, and to moderate the cash-flow problems that exist up until government donors release funding; and
- To underwrite activities that donors are reluctant to fund, including risk reduction and disaster mitigation, advocacy and research.

Despite the greater utility of private over governmental funds, however, NGOs often identify reasons why it is difficult to increase their private funding base. These include the time-consuming requirements of cultivating individual donors, the vulnerability of public concern to cynicism about the humanitarian enterprise, the modest scale of individual contributions as contrasted with big-ticket government grants, and the tying of expenditures to the particular public appeal that commits funds to be spent in a given crisis and for specific relief activities.

Although there is a general perception that large NGOs have a comfortable private funding base, two interviewees pointed out that their organizations receive a great proportion of their humanitarian aid from institutional donors. Without this, it would be difficult to respond adequately to emergencies. Even World Vision US, which has one of the largest private funding bases, receives large government grants for emergency work and has a strategy for trying to increase both funding streams. One NGO also felt it was important to accept donor funding, particularly when there is a good relationship, because this enables it to influence donor objectives and scale of response.

NGO views on whether it has become more difficult to raise funds from the general public for humanitarian work vary considerably. CARE U.S. is exceeding its targets to raise unrestricted funds and has seen no change in its ability to attract funds for emergencies like the Gujarat earthquake. Save the Children UK’s levels of fundraising have fallen considerably, despite investment in this area. One interviewee suggested that recent criticism of humanitarian aid had made it more difficult to raise funds for this. (Specific well-publicized incidents that reflect poorly on the stewardship of NGOs can have a chilling effect on funding from governments and the public alike.) A Catholic Relief Services interviewee expressed the view that the greater number of emergencies in the public eye, the media’s portrayal of crises, and the perceived politicization of

aid may have contributed to compassion fatigue in the US.¹⁰⁵ NGOs focusing specifically on humanitarian aid like MSF and Mercy Corps seem to have suffered from this effect.

However, a Save the Children U.S. interviewee felt that there has been no real test of the level of public giving since 9/11. Using the examples of Rwanda during the genocide, Cambodia during the Cambodian/Vietnamese war, and Chechnya, he argued that it has been difficult to raise funds for humanitarian work in politically charged situations for decades. However, the public generally responds to images of people in circumstances beyond their control. Hence, there was no difficulty raising funds for Rwandan refugees in Zaire or Khmer Rouge refugees in Thailand or for natural disasters.

Concerns about the directions of government policy in both the United States and Europe, directions sketched out in the previous chapter, underscore the importance of NGO independence from governments. In the U.S., some NGOs express concern about an eventual politicization in aid allocations and programs reflecting the prevailing overarching counter-terrorist objectives. USAID and the State Department are now undertaking joint strategic planning for the first time. Also, a recent USAID White Paper places a very clear emphasis on overseas aid supporting U.S. national security interests.¹⁰⁶ At a public meeting, a USAID official explained the White Paper's focus on fragile states: "state failure is a U.S. security concern, as it provides fertile ground for terrorism, drugs, and the like."¹⁰⁷ One U.S. NGO interviewed pointed out, however, that there were no conditions attached to the funding provided by the U.S. government for humanitarian work in Iraq.

Similarly, the EU External Relations Commissioner has linked development and counter-terrorism by arguing that tackling security concerns means tackling poverty. Taking Central Asia as an example, he saw the "glacial" pace of development leading to bad governance, intolerance, and religious fundamentalism.¹⁰⁸ (The falling off of development aid levels in relation to humanitarian assistance may be implicated.) One British NGO expressed concern about funds being diverted away from humanitarian aid towards foreign policy-related objectives, both in the UK and at EU level as the Common Foreign and Security Policy is strengthened by the new European Constitution.

If there is a new level of interest among NGOs in strengthening their credentials as non-governmental agencies, some NGOs have taken this to the point of being anti-governmental in their approach to the authorities in southern countries. Post-Cold War experience in countries such as Mozambique and Haiti highlights the displacement of government functions by international NGOs, often with donor encouragement. While state structure in such settings are often weak or embryonic, state capacity is weakened further still – and the necessary resumption of responsibility by the authorities delayed – when NGOs overplay their hand.¹⁰⁹

In sum, then, reflecting developments in the humanitarian marketplace over the past decade, donors are more results-oriented and their funding of NGOs more instrumental, while NGOs themselves are demonstrating more cohesion, both in operational programs and in stepped-up advocacy work, and greater attention to the importance of independence as a prominent feature of their "non" governmental status. Clearly, the positioning of NGOs in relation to governments will require ongoing reflection and strategizing in preparation for a time of major ambiguity and change.

Other Actors and Competitors

The marketplace includes not only card-carrying humanitarian agencies but also other actors that are increasingly taking on tasks in the humanitarian sphere. As for-profit contractors and military personnel doing civic action work have become more active on the scene, competition with traditional humanitarian agencies has increased. In fact, one could postulate that decreased competition among humanitarian groups reflects their stepped up competition with the new arrivals. Interviewed for this study, some NGOs saw themselves as competing with other NGOs. Others viewed their competitor as the agencies of the UN system. For example, WFP was seeking food aid, as were NGOs, from the United States and the EU. Still others sensed that the real competition was from commercial and military quarters. Some complained about

their plight: they have to “act like a business” to safeguard their share of the market but at the same time must “act like a government” and show all the trappings of bureaucracy and accountability to be taken seriously.

As for competition from commercial contractors, the media’s focus on the role of mega-firms such as KBR and the Bechtel Corporation in Iraq has highlighted their activities and the lack of competitive bidding for contracts. In actual fact, however, such contractors are doing more in areas such as water and power infrastructure where NGOs have no demonstrated particular comparative advantage. The competition is more intense from smaller for-profit contractors working in the health and education sectors.¹¹⁰ Some NGOs concede that for-profit contractors are threatening because they spotlight the lack of evidence accumulated by NGOs over the years that would demonstrate the value of their activities from a results-based perspective. Most NGOs, including secular ones, have traditionally been “faith-based:” that is, animated by an intrinsic faith in the inherent efficacy and utility of what they do.

In both Afghanistan and Iraq, the U.S. government has chosen to channel substantial amounts of funds to private, for-profit contractors for reconstruction work. There is some evidence that this has reduced the amount of funding available for traditional humanitarian aid activities by NGOs, giving rise to concern among U.S. NGOs in particular.¹¹¹ USAID also works with for-profit development organizations like Development Alternatives International. NGO interviewees noted that for-profits have the advantage of being able to demonstrate quantitative results more conclusively, to provide tailor-made reporting as often as required (an important element as USAID itself is asked by the Congress for increased reporting), and to follow specifications and other instructions. Yet the phenomenon is restricted to high-profile emergencies: there is no sign of the U.S. government using contractors in Sudan or Ethiopia.

The European donors interviewed do not envisage a role for for-profit companies in humanitarian assistance. Although a private company, Crown Agents, undertakes reconstruction projects and occasional logistics work for DFID, a CHAD official emphasized that Crown Agents was not involved in humanitarian aid provision. British consulting firms are providing technical services on contract to the government in Afghanistan. If the use of contractors becomes wider U.K. government policy, however, it appears that CHAD will be under pressure to adopt a practice it is presently against.

On the contractual side, CHAD is unlikely to move down the route of defining work and asking NGOs to bid for it. This is because it values the independence of humanitarian NGOs. But it is being more explicit in its strategies for individual crises and NGOs applying for funding are expected to fit within these. However, the UK government is establishing a post-conflict reconstruction unit to undertake contingency planning. This will work with commercial companies for large-scale reconstruction, an area in which NGOs are not normally involved. But some humanitarian aid funding will be channeled through this unit.

FIGURE 15
EVOLVING ATTITUDES TOWARD COOPERATION WITH THE
CORPORATE SECTOR

“In the end, a proportion of the NGO world will decide that the best way of leveraging corporate and market change is to get directly involved. As Randall Hayes, founder of the Rainforest Action Network, put it: ‘If you [as an NGO] are not talking to business, you are just preaching to the choir. The real change to protect the environment is going to come from the business sector; we can’t depend on government regulation to solve our problems.’¹¹²

Competition from the military exists both at the level of funding and in the jockeying for position in the field. Some donors (e.g., the U.K.) fund civic action activities by the military and traditional agencies from separate

pots. As a result, the two sets of actors are not locked in a zero-sum contest. Others (e.g., Canada) may fund ODA accounts in a given crisis in order to fund civic action work. Still others (e.g., the U.S.) may advance funds to the military from humanitarian accounts, later to be reimbursed once defense appropriations catch up with events.

In the field, NGOs have been outraged by military personnel who have solicited funds from NGOs for their civic action work and by the quick-and-dirty approach the military has taken toward reconstruction.¹¹³ NGOs flag not only the damaging aspects of the competition but the perceived threat to the integrity of their own work, given the political objectives which civic action advances. The proposal currently under DAC review that funds provided for civic action by the military be counted as official development assistance (ODA) would doubtless exacerbate the issue. Such an approach would further blur essential humanitarian and military distinctions and inject even greater ambiguity in comparative performance than now exists.

While competition by NGOs with commercial and military actors may be reinforced by the policies of European donors, the relevant policies have their common tap root in the U.S. approach to humanitarian action. In the words of one analyst, "... the U.S. is leading the trend towards the bilateralisation and privatisation of aid, stressing corporate participation and implementation by non-governmental, particularly faith-based organizations."¹¹⁴ The U.S. has also been in the vanguard of suiting up military personnel for humanitarian tasks, although U.S. policy toward the role of the military in nation building remains unclear and an object of contention even within the Department of Defense.

Charting a course across an increasingly competitive landscape is a more arduous a task for NGOs because of the pervasive distrust that exists between donors and NGOs. One example is the prevailing lack of transparency regarding the criteria used by donors to select one channel over, another the lack of connection between prior performance and future grants.¹¹⁵ The reality that both the military and commercial contractors are encountering serious difficulties in functioning in the humanitarian sphere may presage the peaking of competition with NGOs in high profile settings. Contractors and military personnel have taken far more casualties in Iraq than have NGOs, with some firms withdrawing personnel and phasing down operations as a result. In lower decibel emergencies, competition is far less an issue.

Since the Rwanda crisis, governments seem to have been more willing to consider using the military to deliver humanitarian aid. In the wake of the multiple tasks taken on by the military in the Kosovo crisis, there has been an active debate about the appropriate roles for troop contingents. USAID has been proactive in funding the military. An NGO interviewee pointed out that, in Afghanistan, NGOs and the military both competed for USAID funds to complete several school refurbishment programs.

A CHAD official was very clear that his division does not regard the military as humanitarian aid providers although they may play a temporary, stop-gap role. This is particularly the case, the official explained, in an outright conflict or situations of great insecurity when NGOs may not be able to operate (although even then ICRC and other preferred CHAD partners may be present). CHAD would not use the military as a channel, except in extreme circumstances. SIDA, too, does not favor a role for the military in humanitarian work. Hence, as Swedish members of the Provisional Reconstruction Teams were heading for Afghanistan, the government argued that they should focus on improving security rather than playing a humanitarian role. Although SIDA accepts that the military and civilian actors can work side-by-side, it believes that this should be done according to OCHA's guidelines for the use of Military and Civil Defence Assets (MCDA), which treats military assets in a "last resort" and "exceptional circumstances" mode.

In Denmark, there have been three-way discussions between the government, the military, and NGOs in the wake of the Afghan and Iraq conflicts (since 1995, a Humanitarian Contact Group has facilitated the exchange of views). The three parties have entered into an informal agreement that when NGOs are unable to render assistance and the Danish military is on the ground, it will provide a first response on a small scale. If NGOs and the UN are present, however, the government will provide assistance through them. The Iraq

conflict has underlined the need to ensure the neutrality and independence of NGOs. There is consensus among all actors that NGOs, for their own security and integrity, must not be seen to be part of the conflict.

Although ECHO does not fund the military and lobbied successfully to have the neutrality of EC humanitarian aid enshrined in the European Constitution, European NGOs are concerned about the implications in the Constitution that development and humanitarian aid are “tools” to be used to further the EU's strategic interests.¹¹⁶ It is unclear how this will play out until the new Commission takes office in November 2004 and new structures proposed by the Constitution, such as the post of a European Foreign Minister, are established in 2006. In the meantime, the Rapid Reaction Force, authorized to undertake humanitarian and rescue tasks, is being formed and the Commission is establishing an African Peace Facility which will divert €250 million from the European Development Fund to support African peace-keeping operations. These developments blur the line between the military and overseas aid and may lead to encroachments on the independence and neutrality of the assistance provided by ECHO.

NGO officials interviewed for this study expressed a range of views about the role of the military in humanitarian programs. One pointed out that since there is no clear and unambiguous answer, different opinions often exist, even within the same agency. On one hand, NGOs could work with the military to improve the quality of its work, introducing the troops to Sphere standards and community participation methods. On the other, NGOs may refuse to engage with the military because they fear that their independence and impartiality will be compromised.

One NGO concern about the involvement of the military is that it can threaten their security, as appears to have been the case with the Provisional Reconstruction Teams in Afghanistan. One interviewee argued that states do have the right to provide some humanitarian assistance through the military because they are well-placed to do the task in some situations. But when governments fund both the military and NGOs, the line between independent humanitarian actors and the state becomes blurred and confuses beneficiaries. He argued that NGOs should also be concerned if governments use NGOs in conflict situations to legitimize their military objectives. When MSF announced its withdrawal from Afghanistan in mid-2004, the immediate provocation was the killing of five of its staff, for which the Taliban claimed responsibility on the grounds that ‘organisations like MSF work for American interests.’ Earlier, however, MSF had condemned “the distribution of leaflets by the coalition forces in southern Afghanistan in which the population was informed that providing information about the Taliban and al Qaeda was necessary if they wanted the distribution of aid to continue.”

Will new actors such as the military and private contractors continue to play a much greater role in the humanitarian sphere during the coming decade? While they are likely to remain players in the field in high-stakes political crises, there will always be places like the Sudan which are not of sufficient political interest to deploy commercial and military actors and where only NGOs, along with the Red Cross Movement and the UN, have the demonstrated capacity to provide assistance. As a result, a more needs-oriented approach by NGOs to their engagement in crises might attenuate the intensity of their *contretemps* with the military.

Trajectories

This overview of recent developments in the humanitarian marketplace sets the stage for a look at trends that may be expected during the coming decade. They are the continuing growth of the NGO subsector, the refinement of a division of labor among NGOs, the financing of NGO activity, management challenges, and accountability issues. Each of these will be examined in turn.

Continued growth in the NGO subsector

NGOs are likely to continue to grow in number and importance. It is unlikely that the growth in the number of NGOs, which multiplied in the first post-Cold War decade, will subside anytime soon. Indeed, every

indication suggests that the growth will continue and the field will become increasingly crowded. The recommendation that NGOs practice birth control is unlikely to be taken seriously. There is something about the humanitarian imperative that makes it difficult to “just say ‘no’.”

The likelihood that the number of NGOs will continue to blossom and flourish, unrelated to the ambiguity and change in the broader hazardscape, reflects the reality that the success of NGOs has bred imitation. In addition, the opening of political systems and advances in technology have democratized NGO-creation. As a result, NGOs, including international as well as local entities, are no longer a solely Western enterprise. “In organizational terms, global civil society today is less a Western-based phenomenon than in the past,” reports *Global Civil Society*, “and the significant growth rates of recent years enhanced its reach and expansion outside North America and the European Union.” A new generation of southern NGOs has introduced new issues relating to communication and cooperation North and South. The implication of this growth is that the field will become even more crowded, more diverse, and more competitive.

While the “supply” of NGOs is likely to grow exponentially, the “demand” for their services is unlikely to taper off. Chapter 1 sketched some of the problems that can be expected, each acute and complex and with major humanitarian implications. Poverty is still everywhere; in fact, on a global scale, it’s getting worse, even as the planet as a whole gets richer. Urbanization and migration are facts of the world’s future life. HIV/AIDS is challenging an entire continent, with “second generation” areas to follow. Lands are being deforested and species are becoming extinct. Natural disasters and armed conflicts will continue to happen. People will continue to be born and to consume the world non-renewable resources. Given the likely magnitude of the challenges, the growth of the NGO sector is heartening. NGOs are taking on more tasks, although there are limits to growth and a danger, noted earlier, to overreach.

The increase in size of NGOs and the consolidation of their numbers is likely to increase. Mega-NGOs, or BINGOs (Big International NGOs), are the equivalents of multinational corporations not only in their global reach but also in their range of soup-to-nuts activities. The sixty-year evolution of the World Conservation Union (IUCN), one of the oldest, largest, and most respected environmental NGO in the world is in some ways typical of what may be expected. It began as a group of scientists interested in very narrowly defined, scientific learning about conservation issues. When they realized that conservation policy needed to be not only motivated by science but action-oriented, ICUN evolved into a conservation action NGO. When action – particularly in the developing countries – led IUCN to confront issues of development, it transformed itself increasingly into a sustainable development organization, shedding its image as interested only in wildlife conservation. More recently it has found itself increasingly in conflict-prone and conflict-ridden areas, facing issues that might once have been defined as the exclusive purview of humanitarian organizations. Recently it became active in Afghanistan, where environmental conservation can be divorced from neither development nor conflict concerns. NGOs in other areas have come to similar conclusions about the interconnections of what might once have been separate spheres of activities.

Although there is a perceptible trend towards NGO consolidation, it is not clear whether this trend will, can, or, for that matter, should continue into the future. Very large NGOs, much like very large corporations, can sometimes implode from sheer size. There are also calls -- some from the BINGOs themselves -- for a more “networked” model that moves away from centralized management of activities and towards consortia, franchises, and partnerships which can be more nimble, less costly, and equally, if not more, effective. Some NGOs see advantages in specialization, rather than covering a waterfront of issues. But there are also some major unknowns: for example, as NGO lore holds, whether specialized NGOs have an advantage when it comes to innovation whereas all-purpose agencies are better at “scaling up.” “Scaling out” is yet another possibility: that is, where the organization may not grow in size, but the impact of its activities is scaled out through the demonstration effects, partnerships, networks and consortia. In any event, linear organizational models, like linear projections from the present to the future, may be unsuited to the situation.

Refinements in the division of labor

The division of labor within the NGO subsector is likely to be refined. The structure of the NGO community is changing to allow for new partnerships and networks. Distinctions between issue areas are blurring. Institutional insulation is giving way to institutional partnerships involving a more diverse array of actors, including for-profit and military institutions. The deck is shuffled as a new breed of southern NGOs reaches maturity, as established NGOs grapple with the pangs of age, size and specialized focus, and as new modes of partnership and management among groups and consortia of NGOs develop. Figure 9 suggests the broad directions of the evolution.

As suggested in the “world view” category, formerly distinct issues will blur and merge. It is no longer self-evident where humanitarian relief ends and development begins, or vice versa. The notion that an NGO focused on either saving one child’s life now or on creating conditions for a better life for children down the road might never have been true, but is certainly not a very useful distinction today. The much debated relief-to-development continuum may have been unhelpful in the artificiality of its stages of immediate *disaster relief*, short-term *rehabilitation*, or longer-term *development*. Yet the need to work across the spectrum, or at least to coordinate with others, is obvious. In practical terms, NGOs will either have to become “super-NGOs” covering a waterfront of issues, or create more refined and better operationalized avenues for networking and collaboration with other NGOs and actors. Each has major management implications.

FIGURE 16
PARTNERSHIPS: NEW PLAYERS ON THE FIELD, NEW WAYS TO
RELATE TO EACH OTHER.¹¹⁷

<i>Issue</i>	<i>20th century</i>	<i>21st century</i>
Status	Outsiders	Insiders
Focus	Problems	Solutions
Structure	Institutions	Networks
Funding	Guilt	Investment
World view	Single-issue	Multiple-issue
Accountability	Ad hoc	Strategic

Is the recent trend of greater NGO collaboration with major development actors, including international bodies such as the UN and World Bank as well as northern government agencies such as USAID and DFID, likely to continue? Yes. The official development agencies have acknowledged their weaknesses in implementing projects. In turning to northern and southern NGOs they access cultural expertise and local connections, as well as knowledge of project implementation systems and technologies. Southern NGOs in particular can engage with local populations and enlist their trust as governments themselves often cannot. They can collaborate up and down; they have in fact successfully challenged their own governments while also supporting local grassroots movements. They often collaborate as well with northern NGOs or other organizations, as northern NGOs provide financial resources and international access. In short, a range of actors is acknowledging that collaboration with NGOs offers the best use of each entity’s strengths.

Even as NGOs are getting more involved in policy processes, they are being asked to do more service delivery. Indeed, many smaller “non-governmental” organizations are nearly entirely service delivery or technical assistance contractors for governments. This has been, and is likely to remain, one of the motors driving the emergence of more and more NGOs. Yet increasing interaction with governments and business could lead to “co-optation” by these better-endowed actors, while an ever-increasing scale of service delivery could make NGOs less innovative and flexible, more bureaucratic, and less willing to speak out against convention, governments, donors, or policies. Despite that danger, the great promise of this increasing

interaction is that NGO innovation and enterprise could rub off on other actors. Whatever happens, it is likely that both NGOs and other institutional sectors of society will influence the ethos and processes of the other.

The past ten years or so have shown – and the next ten are likely to confirm -- that international NGOs are indeed policy entrepreneurs, whether they want to be or not. The Oxfams and World Visions of the world are now seen as part of the “new global public management” regime. NGOs, big and small, find themselves interacting with other institutional actors – state and market actors – in multiple ways. Sometime NGOs are engaged in “pulling” those actors along by acting as contractors and consultants, at other times “pushing” them forward by being activists and monitors, and at still other times creating the policy space within which policy entrepreneurs from the market and state sectors can work with NGOs themselves to formulate innovative and integrated initiatives.

NGOs and INGOs, “the professionalized organizational components of global civil society,” have the role of entering governmental and political debates, acting as advocates and trying to influence policy in a more directly political way. NGOs are no longer just “doers” of things. By their choices and actions they are becoming “influencers” of things. This expanded role is being accepted in policy circles and has led to (and in turn been reinforced by) a growth of direct NGO involvement in policy making, with NGOs serving as knowledge brokers, advocates, monitors and sometimes serving on official national delegations. The international NGO system has been getting increasingly interconnected and is likely to become more so.

The near-term future is also likely to see increased collaboration within and across the NGO community. The size of an individual NGO is not the measure of success. Rather, it is the effect of the NGO in terms of structural reform or systemic change that marks a successful business, and humanitarian NGOs are, in a sense, in the business of reducing suffering. Working together as a collective unit is the most effective way to be business-effective. “What will 'make a difference' to global poverty in the years to come,” note two analysts, “will not be the number of villages that are served or children that are sponsored, but how grassroots action is connected to markets and politics at multiple levels of the world system, a collective task in which the ability of [development NGOs] to work together—not individual competitiveness—will be critical.” If the goal is structural or some other means to sustainable change, there must be a collaborative effort to get to the root of the issue. Prerequisites include the economic know-how and influence to understand and work with markets and the political savvy and credibility and supporting pressure to command a hearing and action by policy-makers. This kind of larger-scale project—a combination of advocacy and direct service —is much more possible with more major collaborative efforts.

A key challenge for the future is not only how NGOs interact with other sectors but what relationships might develop within the NGO sector itself. The larger North-South divides that have impacts on other global processes also influence NGO relations. Already the trend is for better endowed northern NGOs to “sub-contract” with less well-resourced southern NGOs. While the language of “partnerships” is often used, resource flows remain critical in defining these relationships. In a network setting, the question of unequal relationships will have to be dealt, including how to manage unequal contributions and unequal access to resources and how to deal with disparities of power and influence. In the absence of greater mutuality, it seems likely that the breach will widen between NGOs with agendas paralleling those of northern governments and NGOs that retain and expand real links with progressive civil society forces in the South.

At the same time there has been, and will increasingly be, a large segment of the local NGO sector that does not interact with northern NGOs at all, including religious NGOs in many societies. Indeed, these southern NGOs not only do not, or choose not, to interact with their northern counterparts. Indeed, some local NGOs in the South do not want to be called NGOs because the term is too closely identified with northern or North-supported civil organizations. The multiplicity of civil society organizations in the South adds to the challenge framed by the SustainAbility study: that “The most successful NGOs will be the best networkers, the most reliable partners.”

Financing

The financing of NGO activities will, according to most prognostications, continue to be substantial. There has been an ebb and flow of the amount of funds moving through NGOs since the 1970s, and the sources and direction of that aid have changed as well. In recent years, as noted earlier, humanitarian aid has come to represent a larger portion of a shrinking ODA pie. As humanitarian NGOs have continued to grow and expand in scope and legitimacy, many nations spent large proportions of their aid budgets through NGOs.¹¹⁸

At the same time, NGOs have benefited from new sources of funding. Resources from private investors and donors, including individuals, foundations, and corporations more than doubled from 1988 to 1999. Businesses, corporations, and other private ventures are expected increasingly to fund international NGOs, in the name of mutual gains and comparative advantage. Businesses can offer funding to NGOs in exchange for risk reduction, market information, a positive image in local communities, and new networks. Public-private partnerships are becoming more and more popular, particularly with environmental and human rights-focused endeavors, although clear ethical groundrules to protect the integrity of NGOs are only beginning to be hammered out.

Indeed, the partnership framework within which donors, new and traditional, provide funding for NGO activities will require additional attention in the coming years. International NGOs in their relations with donor governments, and southern NGOs in their dealings with northern NGOs and with northern and southern governments, will need to be on guard against cooption. Given the tendency of available funding to drive programming decisions, NGO managers face pressures of mission creep and the need to maintain program identity and integrity in the face of funders with particularistic agendas.

Nor is there an “invisible hand” that ensures the availability of resources at places and times of maximum need. That is particularly evident in food aid supplies, which are often least available when most needed. “Against a backdrop of almost escalating humanitarian crises—notably in southern Africa—global food aid has actually decreased from a peak of 15 million tones in 1999 to 11 million tones (in 2002), a drop of more than 25 percent,” reported a spokesperson for the southern African Development Community. As noted earlier, the future of food aid may be further clouded by the possibility that it will be found to violate international trade agreements. Such a finding would force a major change in the political economy of humanitarianism and confirm longtime criticisms of food aid as more tailored to the needs of exporting countries than to those of countries in crisis.

Preserving NGO identity from one year to the next is also becoming more difficult as donors earmark funds for particular projects or fashions. The combination of earmarked funds and trendy projects makes for a smaller pool of aid for less publicized or chronic emergencies. Combating donor fatigue will require clear proof of results. Good management and demonstrable outcomes will, as noted earlier, become even more key in securing funding over the next years.

While the issue of development fashions is of course not new, it poses for NGOs a particularly critical challenge, given their general reliance on government funding. Responding to the whims of donors may mean moving away from particular thematic or geographic areas in which they have developed expertise. If NGOs are indeed organizations whose values distinguish them from other actors, they follow donor fashions at their own risk. Indeed, a major financial challenge for the future is to create reserves of resources that lie beyond the whims of the flavor of the day. Most NGOs have not responded to this challenge well. Some are beginning to look at the business world as a source of new support and of new ideas on how to become more financially independent and sustainable.

Management

Management challenges will also require attention and innovation. Rapid growth coupled with structural changes in the NGO sector has triggered new challenges to NGO management. Entering a time when virtually anyone with a phone, fax, and business card can become an NGO, three management challenges are likely to loom large: the management of growth, the cultivation of diversity, and the need for efficiency.

First, there are the management implications of rapid growth in the size of NGOs. The strengths that make NGOs nimble and successful when they are small can be lost as they grow. As NGOs become “corporatized,” they may take on the management pathologies of large corporations and government bureaucracies, including lack of communication, of human resources and training, and of a common agency vision and mission. Enlarged NGOs often tend to reach for management tools created for corporations and bureaucracies at the expense of their “NGO-ness.” Some of the most important NGO qualities – innovativeness in ideas, nimbleness in operation, and energy in implementation – can become casualties of growth.

As NGOs grow in size, they are faced with demonstrating comparable growth in impacts. Developing, testing, and scaling up new ideas can become fairly expensive. The expense is justified only if new ideas and approaches are taken on by local actors and multiplied by them. Indeed, there are “economies of innovation” that correspond to “economies of scale” in industry. One option is to become bigger in size and therefore bring down the unit cost of doing things, which nevertheless often remain high. A more robust option is to create multiplication by duplication, thanks to a demonstration effect that leads to others following the same path. This is a preferred model but not an easy one, given the importance of local action and local realities. At the end of the day, size does still seem to matter, with jobs to fill, products to sell, salaries to pay, images to maintain. NGOs North and South have tended to take the first route option and become bigger while embracing the second option and presenting themselves as catalysts for innovation and change. The challenge of the future will remain that of scaling up impacts without bloating in size.

Cultivating diversity is a second looming management challenge. NGOs are no longer primarily a northern vehicle; in fact, they have grown more rapidly in the South than in the North during the past decade. For the most part, North-South NGO partnerships remain unequal and uneven. While northern NGOs may make conscious efforts toward genuine mutuality and equity, client NGOs have emerged in the South which essentially serve as sub-contractors. The ethos of partnerships is valued in the NGO world, but if relationships are indeed of a sub-contracting nature, should they not be managed as such? Building management structures that can reflect or induce true partnerships has not been tackled well by NGOs, North or South. Academic review of these issues is in its infancy, still borrowing heavily on business and public management experience and imposing the pathologies of those fields on NGOs.

A related management issue involves promoting consistency of values at a time of increased agency size and global reach. While business is clear in its goals (i.e., increasing profits) and bureaucracies in their processes (i.e., standard operating procedures), NGOs as value organizations need to highlight their own core values and respond to dynamic conditions accordingly. While, for example, many NGOs that work on sustainable development agree on this value, some view the task as making development more environmentally sensitive; others view it as making environment more related to development. The tension is apparent in large international NGOs working in this field.

A third major management challenge involves efficiency, a key demand of donors on NGOs. Financial efficiency exists in tension with the desire to experiment with new ideas, which (as with pharmaceutical research) can be risky and expensive. Too large a focus on efficiency can easily lead to predictability and a repetition of things known to work. The challenge is to retain a focus on the defining purpose of NGOs which relates to innovation and not take on the zealous focus on simple economic efficiency that is better done by the market sector.

Accountability

New arrangements for mutual accountability will need to be devised. The growth of and changes within the NGO sector have brought new challenges for its identity, scale of responsibility, and purpose within the broader global community. NGOs today are at a point of unprecedented influence, responsibility, and credibility. The non-profit sector is the world's eighth largest economy.¹¹⁹ NGOs are considered by some to be the "third sector," after the public and private sectors.

At the same time, however, and perhaps as a result of their higher visibility, NGOs are increasingly being asked tough questions about legitimacy, accountability, and transparency. After a long honeymoon period in which NGOs lived a charmed life, funders as well as the public want better accounting and measurement of efficacy, efficiency, and effectiveness. Do they do what they say they do? Do they do it well? Do they do it cost-effectively? Do they actually make a difference on the ground?

As NGOs assume more major roles within the international aid apparatus, they make service provision a larger portion of their work. It has been steadily growing since the 1990s. In this framework, NGOs become a kind of subcontractor or instrument of privatization for states, utilizing their role as mediator and maneuvering between donors and recipient projects. This subcontracting can lead to cooption of NGO agendas and missions. NGOs also have obvious responsibilities to the people they serve, as well as to each other and to the missions they aim to uphold.

Governmental and intergovernmental partners of NGOs are able to draw on their cultural expertise and local connections, as well as knowledge of the systems and technologies necessary to implement a project or intervention. Southern NGOs in particular can engage with local populations and command their trust as governments themselves often cannot. They can collaborate up and down; they have successfully challenged their own governments while also supporting local grassroots movements. They often collaborate as well with northern NGOs or other organizations, as northern NGOs often provide financial support to southern NGOs; in fact, northern NGOs transfer more resources to the South than the World Bank. In short, a wide array of actors, including governments, militaries, international organizations, local NGOs, communities, and other entities are recognizing that collaboration with NGOs may be advantageous. International NGOs for their part have a variety of views regarding such collaboration.

To whom should INGOs be accountable and through what mechanisms? There are multiple stakeholders. NGOs collaborate upwards, downwards, and horizontally. Some people argue that some NGOs or growing NGO networks are big enough that they are not accountable to anyone but themselves and the causes they purport to serve. Some northern NGOs are held accountable by public and media, so an ebb and flow of donations is likely..

Good management must address issues of funding accountability, as well as criticisms that there is no accountability. According to several analysts, northern NGOs are lacking in their performance because they lack accountability. There is a need to look at both functional accountability (accounting for resource use, immediate impacts) and strategic accountability (accounting for the impacts an NGO's actions have on other organizations and the wider environment). International NGOs should also be accountable within the NGO system, as initiatives such as Sphere and the Humanitarian Accountability Project underscore. This kind of intra-organizational cross-checking can only serve to help establish standards and work towards a viable monitoring and evaluation system. The accountability of NGOs to beneficiaries themselves, an overdue but problematic subject, is increasingly on the table.

Along with the growth in size and importance has come an increased demand for NGO transparency. This demand is still framed primarily in terms of finances but it is also becoming louder in terms of political agendas and influence as well. Governments and populations in developing countries are demanding to know where particular NGOs get their monies from and sometimes questioning the political motivations of their actions. Southern NGOs working with northern counterparts are increasingly under pressure from northern

donor governments and NGOs to provide greater financial transparency while under pressure from their own societies to provide greater political transparency.

For example, aid organizations in Afghanistan over the last many years have had to face both sets of pressures, with the pressure from below more critical. The old challenge for them was to convince northern partners that they were true to the values of the donor NGOs. The new challenge is more often to demonstrate that they and their values are rooted in their own societies and not in the desires of outside actors, government or NGO donors. This requires them not only to spend more effort in rooting their work and talking to their own societies but also to expend serious energy in negotiating with their donor NGOs to make the agendas of the northern NGOs more relevant to the societies where work is being done.

Concluding considerations

As humanitarian organizations prepare for the future, they will need to make some basic judgments about the probable evolution of the humanitarian landscape, including the increasingly competitive humanitarian sector and the fabric of political, institutional, financial, and programmatic relationships with multiple actors, northern and southern, governmental and non-governmental. Each of these changes has relevance for individual NGOs and/or the NGO community as a whole.

To the extent that terrorism remains an overriding preoccupation of the major governmental providers of assistance, humanitarian space is likely to become, if anything, more constricted. Either you are part of the help or you are not, government officials will doubtless say to humanitarian groups. NGOs will be hard-pressed, to the extent that they try, to use the humanitarian imperative to temper anti-terrorist policies and to establish independent humanitarian space. While multilateral structures may buffer humanitarian action from some of the more direct manipulation, they, too, are anything but immune from politicization.

Military actors are likely to become increasingly regular fixtures of high-profile emergencies. Such is the case even though doctrinal evolution may hedge involvement by the military in the humanitarian sphere. From the NGO side, a more disciplined approach to collaboration on the part of NGOs is developing as NGOs, both individually and corporately, clarify their terms of engagement with military forces. While international and/or national military or peacekeeping forces clearly have some comparative advantages over NGOs, it is unlikely that a more level playing field will emerge in which those advantages are reflected by government decision-makers.

High-profile emergencies politicize the space in which humanitarian action takes place. NGOs may thus opt to avoid engaging in such theaters specifically for that reason, choosing lower profile settings in which to work. However, there are opportunity costs to agencies that “sit out” a given crisis, and “forgotten emergencies” are not without political risks of their own. Based on recent experience, it is difficult to envision NGOs, as a matter of humanitarian principle, giving precedence to crises less in the international limelight.

Each of the major sources of funds for humanitarian work, too, has its costs and benefits. These need review as part of a thoughtful, long-term strategy by and for NGOs. Such a review might help restore integrity to the “non” in non-governmental. It would also have a bearing on whether U.S. NGOs continue largely to follow the American flag or take a more needs-based approach to country allocations.

NGOs based in the United States, the United Kingdom, and other developed countries often refer to themselves as “international,” reflecting the many nations in which they operate. In fact, NGOs in crisis countries are, by virtue of the multiple funding sources and outside partners with which they interface, equally “international” themselves. Transnational NGOs – that is, members of international NGO families – have particular advantages that need to be taken into account.

Even though most donors do not make grants based on a review of the comparative cost-effectiveness of individual agencies or kinds of agencies, NGOs should participate in, and perhaps fund, studies that demonstrate the effectiveness of their work in relation to non-humanitarian competitors such as commercial contractors and military forces.

Resource mobilization involves prior questions of a given NGO's focus (e.g., relief, reconstruction, development, or some combination) and competence (sectoral, geographical, etc.). The recent trend for some agencies to take on chores within "the new humanitarianism" (human rights, conflict prevention, conflict resolution, peacebuilding, advocacy) also merits review. To what extent are comprehensive programs more successful than narrower efforts?

NGOs are now more aware than during earlier periods of the importance of coordination – the more so as the interlocking nature of problems and the limits to what a given agency can effectively tackle become more apparent. Yet despite numerous studies, conferences, and discussions, the coordination conundrum shows no sign of resolution. Thus there may be a case for joint action by like-minded NGOs, avoiding the frustrations associated with the failure of broader NGO community-wide action to materialize.

The future of NGO action, however, may not turn on answers to questions of coordination or agency portfolio but instead be more fluid and unpredictable. Recent analyses have highlighted the political economy of humanitarian action, including the vested interests represented by humanitarian institutions, staff, and programs and the corrosive influence of commercial and political intrusions into serious humanitarian work. The northern/western humanitarian apparatus is likely to face competition as well from native-grown civil society organizations: Somali-type private religious groups, Hamas-esque social service organizations, diaspora-led voluntary service agencies, ethnic federations, professional groups, and the like.

From this wider perspective, the pace of social change may outrun the capacity of established NGOs to adapt. Laying the groundwork for a viable future for the NGO subsector may thus prove to be a race against the clock.