

ARE NGOS PROMOTING DEVELOPMENT OBJECTIVES?
IN PURSUIT OF EMPIRICAL DATA

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Summary

As concerns persist over the effectiveness of official aid, and global partners seek better ways to promote development, donors have increasingly allocated funds through non-government organizations (NGOs) to sidestep the “capture” problem associated with public aid flows in poor countries and bring services directly to those who need them.

Despite this shift, surprisingly little data is available on exactly how much money is spent by NGOs in each recipient nation. This paper explores the data gap by comparing existing measures of NGO presence and presenting a new series. The exercise raises important questions about whether NGOs are effectively promoting development.

Keywords: NGOs (PVOs, CSOs), development aid, developing countries

Introduction

The emergence of NGOs as major actors on the global stage is one of the most intriguing phenomena of the early 21st century. Giant organizations like World Vision International, CARE, Catholic Relief Services or Soros International have multimillion-dollar budgets to spend on development, and are assuming a role alongside governments and multinational firms as important players and even transformers of policies and institutions in the countries where they operate (Doh and Guay, 2006, Keck and Sikkink, 1998, Lawrence *et al.*, 2002). Additionally, many of them act as a “conscience” to multinational firms and have had an impact on corporate strategy (Hess, *et al.*, 2002).

NGOs, according to the United Nations definition, are non-profit, voluntary citizens’ groups that are organized on a local, national or international level. They may be of three types: 1) advocacy NGOs, who promote before governments or in international fora the interests of groups who do not have either voice or access to do so themselves; 2) operational NGOs, that provide goods and services to needy clients; and 3) “hybrid” NGOs, which perform both of the previous functions . Generally, they are organized around specific issues (e.g., human rights, health, environmental protection), and in their areas of concern they can serve as early warning mechanisms or monitors of official agreements. According to the United Nations Development Program, by the end of the 20th century there were more than 50,000 NGOs working at the grass-roots level in developing countries, and their activities were affecting the lives of 250 million individuals. (Besley & Ghatak, 1999).

Operational and hybrid NGOs have been active in areas such as social services for decades, often in collaboration with governments or private partners. The United States has a particularly rich history of these types of partnerships (Salamon, 1987). NGOs

offer a number of distinct advantages that can enhance the provision of social services or the promotion of social needs, whether in cooperation with business or government.

They include the following (Nancy & Yontcheva, 2006 and Yaziji, 2004):

- They generally enjoy a great degree of legitimacy in the eyes of the public
- They are well attuned to public concerns, and to the needs of specific groups that might not be represented by the market or defended by the government
- Their dense, extensive networks are different from those of the typical multinational enterprise or government
- Their members and representatives have technical expertise in the issue at hand, often due to having worked in difficult settings or with underserved populations
- They are often more cost-effective than their private or public partner.

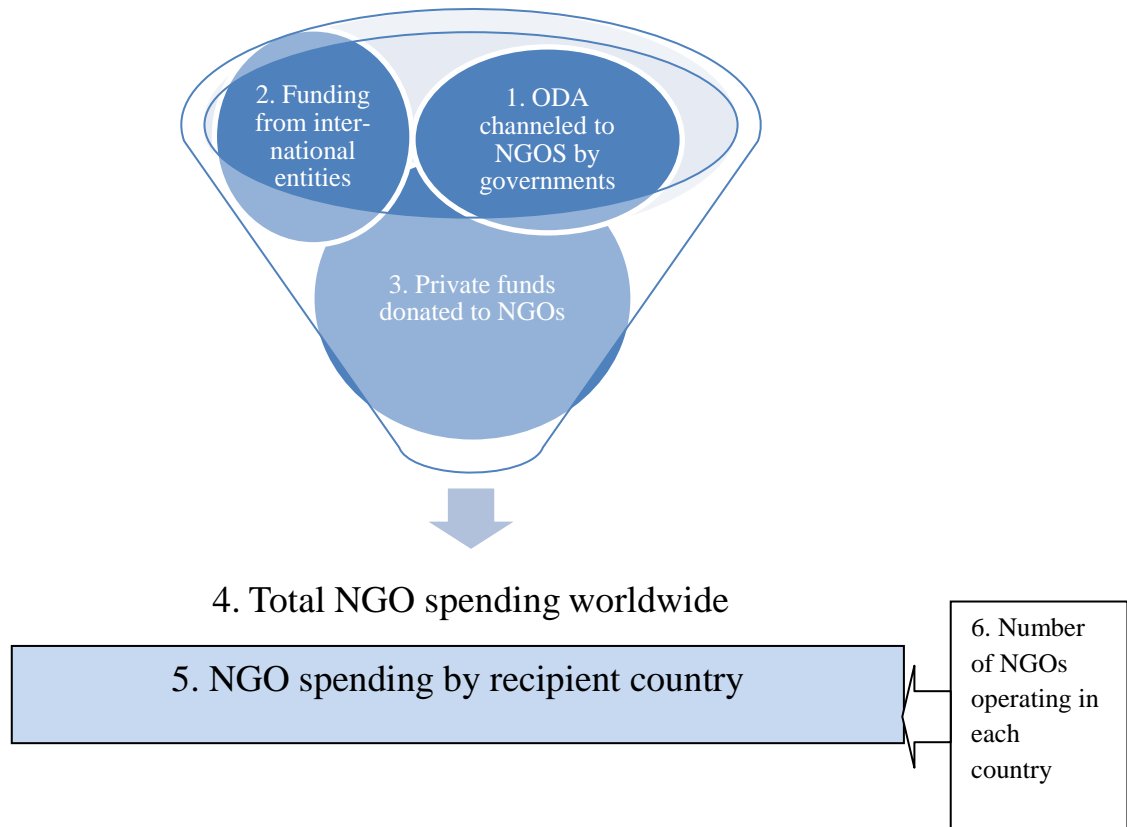
NGOs also suffer from some drawbacks, chief among them their relative immunity from transparency and accountability, their dependence on donors for funds (Kapstein, 2000) and their short-run approach to financing and planning (Davis & Etchart, 1999). Nevertheless, the strengths noted above have led governments and multilateral institutions to direct more and more funding through them. Concerns in the 1980s over government failure and the superiority of non-state actors accelerated this process (Collier 2002, Kamat 2003). The United States has sought to increasingly engage private corporations, foundations, trade associations, civil society and NGOs in the design and implementation of its development assistance (US Department of State). Other countries, concerned about the weakness or corruption of developing-country governments, are moving in the same direction (Chege, 1999, Nancy & Yontcheva, 2006).

This burgeoning role for NGOs opens up a new potential realm of empirical work, centered on exploring how well the non-state actors, with their expanded mandate and resources, are fulfilling their role in the countries where they are active. However, any attempt to address this question runs up against the same obstacle: no good data exists on the size and scope of NGO activity in the countries where they are active. At best, researchers have only partial and extremely fragmented data on NGO activity.

This paper explores four data sets that could help gauge the size of NGO presence in developing countries and provide a way of assessing their effectiveness. Two are original to this paper, while the others have up to now been relatively obscure. None captures the entire picture of NGO activity, but a comparison among them can give an idea of how important NGOs are in the countries where they operate, where they are concentrating their efforts, and whether they appear to be pursuing development objectives in an effective way.

The data problem and existing sources

Figure 1: Sources of NGO funds and available data



The nature of the data problem is presented in Figure 1. (1.), (2.) and (3.) are sources of income for NGOs, which they spend on their activities. (4.) would represent the total sum of NGO spending. What is important to researchers is to move from (4.) to (5.), in order to determine in which specific countries those funds are being spent, so that they can test the effectiveness of NGOs in pursuing development goals.

The most accurate reflection of (5.), or the relative size of NGOs in developing countries, would be a sum of the budgets of all of the organizations operating in a recipient country. Unfortunately, this data is not available. Not all NGOs make their budgets publicly available, and when data are published, they may not break down

spending by individual recipient country. The vast number of active NGOs makes data collection especially difficult. Of the several dozen NGOs that we contacted for information, only a few provided a good breakdown on spending by recipient country, and no international register exists to our knowledge that reports how much money is spent by each of the tens of thousands of NGOs in every country where they are active.

One scholar concerned about the lack of data on NGOs, Dirk-Jean Koch, assembled a data set which is probably the most complete and representative of the ones discussed in this study (Koch, D.J. 2007). He presents the geographical breakdown of total spending in 2004-2005 by 61 of the world's largest NGOs, which were selected according to the following criteria: 1) they had budgets of more than €10m, and 2) less than 50% of the aid that they disbursed was humanitarian aid. (A list of the NGOs included in his data set is provided in table 1. Ninety-eight individual NGOs are listed, but many represent different branches of the same organization.) Koch's data set breaks down by recipient country more than \$12.5bn in NGO spending in 2005, providing an invaluable snapshot of how significant a role the world's largest development NGOs are playing in developing countries. A particular advantage of his data set is that it includes some large U.S. NGOs, which are absent from the data sets that we will present later.

Koch's data set does have important drawbacks. His sample represents only a fraction of the tens of thousands of existing NGOs. The USAID website alone lists 671 registered U.S. and international NGOs¹ with total spending of almost \$27bn in 2007; and the top "vendors" (NGOs receiving USAID funding) were allotted a total of \$4.9bn in that same year by the U.S. government². Additionally, large donor countries such as Denmark, Finland, Ireland, Italy, Japan, New Zealand and Spain are not represented

¹ USAID calls them PVOs (Private Volunteer Organizations). Source: <http://www.pvo.net/usaaid/index.html>

² Last date for which final data are available. Source: USAID.

among the NGOs in Koch's sample, in some cases because their large NGOs were contacted but did not provide a recipient-country breakdown of their budgets. Above all, the data set represents a single year of NGO spending, which makes it impossible to evaluate the consistence or variability of NGO activity over time.

Table 1: Koch data on NGO spending: NGOs included in data set

Name of NGO	Country	Budget (€mn)
Oxfam Australia	Australia	38
World Vision Australia	Australia	222
Koordinierungsstelle	Austria	76
Broederlijk Delen	Belgium	15
Oxfam Belgie	Belgium	18
Vredeseilanden	Belgium	11
Care Canada	Canada	80
Organisation Catholique Canadienne Pour Le Developpement Et La Paix (Occdp)	Canada	16
World Vision Canada	Canada	279
Care France	France	15
Handicap International	France	73
Brot Fur Die Welt	Germany	99
Eed (Eze Is Onderdeel Van Eed: Evangelischer Entwicklungsdienst)	Germany	142
Friedrich Ebert Stiftung	Germany	61
German Agro Action / Deutsche Welthungerhilfe	Germany	104
Kindernothilfe	Germany	54
Konrad Adenauer Stiftung	Germany	50
Misereor	Germany	151
Concern Worldwide	Ireland	128
Goal	Ireland	51
Trocaire	Ireland	83
Cordaid	Netherlands	175
Hivos	Netherlands	66
Icco	Netherlands	128
Oxfam Novib	Netherlands	148
Snv	Netherlands	91
Terre Des Hommes NI	Netherlands	18
Woord En Daad	Netherlands	18
Care Norway	Norway	11
Norwegian Church Aid	Norway	59
Norwegian People's Aid	Norway	90
Redd Barna (Save The Children)	Norway	61
Church Of Sweden Aid	Sweden	22
Diakonia	Sweden	30
Rädda Barnen (Save The Children)	Sweden	57
Caritas Switzerland	Switzerland	62
Swiss Catholic Lenten Fund	Switzerland	12
Swissaid	Switzerland	18

Table 1 (cont)

Name of NGO	Country	Budget (€mn)
Swisscontact	Switzerland	24
Terre Des Hommes Switzerland	Switzerland	18
Catholic Agency For Overseas Development (Cafod)	United Kingdom	68
Christian Aid	United Kingdom	115
International Planned Parenthood Federation (Ippf)	United Kingdom	76
Marie Stopes International	United Kingdom	72
Plan International	United Kingdom	489
Voluntary Services Overseas	United Kingdom	52
Wateraid	United Kingdom	31
Adra	USA	145
Care Usa	USA	421
Christian Children's Fund	USA	91
Ford Foundation	USA	414
Kellogg Foundation	USA	23
Mac Arthur Foundation	USA	166
Mercy Corps	USA	115
Oxfam Usa	USA	25
Population Services International (Psi)	USA	176
Rockefeller Foundation	USA	144
Save The Children Usa	USA	265
Soros International Foundations	USA	400
World Vision Usa	USA	748

Source: Koch 2007.

Koch, therefore, captures a fraction of (5.) and a single year with his data set. What other sources of information could be used to approximate NGO spending by recipient country? To try to get a better picture of (5.), one approach would be to try to estimate the size of (1.), (2.) and/or (3.) by recipient country. Most funding for NGOs appears to come from private sources, or (3.) above. The NGO registry maintained by USAID shows that, for the organizations registered with USAID, 56% of the funding for non-US NGOs and 76% for US NGOs comes from private sources (see table 2). Unfortunately, no estimates are available for (3.) However, there are official estimates of the size of (1.) by recipient country, which gives some valuable insight into where at least the publicly-funded portion of NGO spending is directed.

Table 2: Sources of funding for NGOs (PVOs) listed on the USAID website

	U.S. government	Foreign government	Host country	International agencies	Private sources (Remainder)
U.S. NGOs	16.5%	11% (no breakdown)			72.5%
Foreign NGOs	3.6%	11.9%	12.6%	15.9%	56%

Source: USAID at <http://www.pvo.net/usaaid/ipvocount.asp>. Own calculations.

A group of developed countries reports every year to the OECD how much government aid they give to NGOs ((1.) in Figure 1). The OECD tracks this data in its development database at OECD.Stat, which breaks total official development aid down into specific uses (food aid, humanitarian aid, technical assistance, debt relief, etc.) and institutions (multilateral agencies, LDC governments). One line registers Aid to NGOs, and most donor countries report a global figure on this line. Based on this source, Ireland, the United States, New Zealand, Australia, Sweden and Portugal were the donors that channeled most money through NGOs as a proportion of total official development aid in 2000-2008. The 23 countries in the Development Assistance Committee (DAC) sent about 10% of their ODA through NGOs in the 2000-2008 period. In 2008, the sum of net disbursements as support to NGOs was \$2.5bn for the donor countries listed in this paper. If contributions to international private organizations and to PPPs from those countries were included, the figure would be more than \$3.16bn.

The OECD.Stat source, however, does not indicate how the money is distributed among recipient countries. But the OECD maintains another data set called Gross Outflows to NGOs which is not reported on OECD.Stat, and this does break down geographically the government funds allocated to NGOs by a group of reporting countries. This data set has many missing years and countries, as can be seen in table 3. Of the 23 members of DAC, only 11 report in this OECD data set how much aid they channel through

NGOs by recipient country³. Some of these omissions are particularly serious, especially the missing data for the United States, which accounts for the largest proportion of the world's official development aid and which is especially reliant on NGOs to distribute part of that aid. France is another large donor who provides no data. Hence the picture of how at least the government-funded proportion of NGO spending is distributed among recipient countries is quite incomplete.

Nevertheless, some of the missing data can be filled in from other sources. Some donor countries report on their national websites how much official development assistance they use to fund NGO activities, by recipient country. Those countries are Canada⁴, Norway⁵, the United Kingdom⁶ and Spain⁷. We took the available OECD data and summed it with country-level data where it was reported on national websites, to create a new data set on official development aid flowing through NGOs by recipient country, for all or part of the 2000-2008 period. This is probably the best estimate available at the present time of (1.) in Figure 1, covering most of the last decade.

There is yet another public actor who is an important donor to NGOs, and that is the European Commission of the European Union. The European Commission has a long

³ These countries, with full or partial data since 2000, are Austria, Belgium, Denmark, Germany, Greece, Italy, Japan, Luxembourg, the Netherlands, Portugal, Sweden and Switzerland.

⁴ <http://www.acdi-cida.gc.ca/acdi-cida/acdi-cida.nsf/eng/JUD-4128122-G4W>

⁵ <http://www.regjeringen.no/en/search.html?querystring=&navigators=dccategoryidtaxonomy.S,EPI9349/EPI10419,S.Tema+ID+Taxonomy.S,EPI9349/EPI10419&offset=0&sortby=dcdate&filters=%2bshowforlanguages.en.,%3C%3Eddate,min,2010-05-20T18:14:28Z.,%2bdctypestatus.gyldig.,%2bdctypename,!underside&hits=20&lang=en&solution=gov&searchview=governmentensppublished&id=86008>

⁶ <http://www.dfid.gov.uk/About-DFID/Finance-and-performance/Aid-Statistics/Statistics-on-International-Development-2009/Tables-index/>
(Tables 14.1 to 14.5)

⁷ http://www.maec.es/es/MenuPpal/CooperacionInternacional/EstadisticasAOD/Paginas/estadisticas_ayudaoficialdesarrollo.aspx

tradition of channeling aid to and through NGOs which present projects for financing in developing countries. Information on the amount of aid that it provides is broken down by recipient country in line B 6-7000 of the Commission budget. This data set was used by Nancy & Yontcheva (2006) in an empirical paper that attempted to evaluate the impact of NGO activity on developing countries. While EC aid represents only a small proportion of the overall spending of NGOs in developing countries (less than 3% of total government funding and probably less than half that proportion of total NGO spending), it is still useful to see how this fraction of aid contributes to the geographical distribution of NGO spending.

The sum of OECD, EU and national government sources, which we present in this paper, may be the most complete data set available on NGO spending by recipient country, and is a good approximation to (1.) in the figure above. To give an idea of the dimensions, the government funding of NGOs reported by our sources in 2008 totaled \$19.2bn, an amount larger than Koch's figure for 2005 and many times larger than the sum given on OECD.Stat for DAC donors in 2008. Though it is impossible to calculate what proportion of NGO budgets this funding represents, the USAID source cited above indicates that 27-44% of the budgets of the U.S. and international NGOs registered with them comes from public funds. If government funding were 35% of NGO budgets, for instance, their spending in the world would have exceeded \$54bn in 2008. Our sources and the years included in the data set are given in table 3; and table 4 shows the breakdown of NGO funding by donor country.

Table 3: Countries reporting the official development aid that they channel through NGOs by recipient country

Country	Period for which data on ODA channeled through NGOs is available by recipient country	Source
Austria	2000-2008	OECD
Belgium	2004-2008	OECD
Canada	2004-2008 ⁸	Canadian International Development Agency
Denmark	2000-2001, 2004-2008	OECD
EU Commission	2004-2006	Commission budget
Germany	2005-2008	OECD
Greece	2002-2008	OECD
Italy	2000, 2001, 2003, 2006-2008	OECD
Luxembourg	2008	OECD
Netherlands	2006-2008	OECD
New Zealand	2004-2008	OECD
Norway ⁹	2005-2006	Ministry of Foreign Affairs
Portugal	2001-2008	OECD
Spain ¹⁰	2000-2008	Ministry of Foreign

⁸ Figures from 2000 to 2006

2000, 2001, and 2002 - Amounts used were classified under "NGOs and Others"

2003 and 2004 - Amounts used were classified under "Voluntary Sector and Others"

2005 and 2006 - Amounts used were classified under "Voluntary Sector and Special Projects"

2007 and 2008 - No figures; NGO breakdown not made explicit in the report

⁹ Figures from 2005 to 2006. Figures used are the sum of the aid given to the following (as applicable): Norwegian NGOs, Local NGOs, Regional NGOs, and International NGOs.

¹⁰ Figures from 2002 to 2008 under headings ONG and ONGD, Foreign Ministry.

http://www.maec.es/es/MenuPpal/CooperacionInternacional/EstadisticasAOD/Paginas/estadisticas_ayudaoficialdesarrollo.aspx

		Affairs and Cooperation
Sweden	2000-2008	OECD
Switzerland	2000-2008	OECD
United Kingdom	2004-2008	Department for International Development

Australia, Canada, Finland, Ireland, Japan, Netherlands and the United States provide figures on government funding of NGOs without a geographical breakdown for part of this period.

Table 4: Funding of NGOs by DAC countries, 2000-2008 average

Donor country	NGO funding as % net ODA	NGO funding as % donor GDP	NGO funding as % all DAC countries
Australia	33.5*	0.10	2.7*
Austria	10.4	0.03	0.5
Belgium	11.3	0.08	1.7
Canada	25.8	0.08	4.5
Denmark	4.8	0.05	0.8
European Commission	na	na	2.8
Finland	2.9	0.09	0.1
Germany	5.6	0.03	8.0
Greece	1.5	0.01	0.04
Ireland	17.7	0.33	0.5
Italy	2.7	0.01	1.5
Japan	2	0.01	2.9
Luxembourg	4	0.05	0.1
Netherlands	15.3	0.14	5.2
New Zealand	23.9	0.10	0.3
Norway	10.7	0.10	1.7
Portugal	1.6	0.07	0.04
Spain	12.5	0.04	2.1
Sweden	5.8	0.30	1.0
Switzerland	23.6	0.09	1.8
United Kingdom	9.5	0.03	4.1
United States	41.9	0.08	57.6

*Data provided only for 2004.

Our data set shows substantial variability, with strong growth rates (up to 100%) in some years but declines in others (2002 and 2007). This is partly due to gaps in the data set --there are years when major donors do not report data, as table 3 indicates--; but also because certain international events cause an outpouring of ODA through NGOs. In 2005, for instance, the aid that some governments channeled through NGOs doubled, probably in response to the tsunami in the Indian Ocean at the end of 2004. Liberia, Timor-Leste and Burundi also showed high levels of funding, probably due to the political occurrences in 2004-2006. The Haiti earthquake could be expected to cause a similar peak in NGO spending for 2009 once figures are made available. Thus a first conclusion can be ventured about NGO funding and spending: it may be highly variable over time, which is an obstacle to long-term planning.

An initial look at this data set also yields some interesting insights about NGO spending in developing countries. In comparison with official development aid (ODA), NGO spending is much smaller as a per cent of recipient GDP, which comes as no surprise. The correlation between the geographical allocation of spending according to the two data sets is 0.52, indicating that governments and government-supported NGOs are making similar but certainly not identical decisions on the distribution of funds.

When NGO funding is broken down by region for the 2000-2008 period, Asia emerges as the largest recipient by far, with nearly half of the total of government-funded NGO spending. Africa comes next, with about 30%, and developing countries in other regions of the world show much smaller proportions (see table 5).

Table 5: Government-funded NGO spending by continents, 2000-2008 averages

Region	Per cent of total spending
Africa	30.6
Asia (West, SE, South, Central and East)	46.6
Europe	2.9
North, Central America	9.1
Oceania	0.4
South America	10.6

Percentages are calculated over total NGO funding specified by region for countries that report a regional breakdown; figures on funding that indicate only “developing countries general” are excluded from the total.

When the different series are compared with the characteristics of recipient countries, some contrasts emerge which initially suggest both positive and negative implications for the role of NGOs in development aid worldwide. Both ODA and government-funded NGO spending are negatively correlated with the GDP per capita in PPPs of the recipient country, which is a desirable result: more aid flows to the poorest countries. However, the negative correlation is much stronger for ODA (-0.41) than for NGO funding (-0.28). This shows that official aid is more highly concentrated in the countries with the greatest economic needs, to a greater extent than at least the officially-funded portion of NGO spending.

Another concern about NGOs' role arises when funds are compared with control of corruption in the recipient country, as measured by the World Governance Indicators (Kauffman, et al: 2009). Official development aid has a negative correlation with control of corruption in the receiving country (-0.16), meaning that more official aid tends to flow to more corrupt environments. There is a slightly larger negative correlation between corruption control and NGO funding (-0.19). This shows that neither official aid nor government funds to NGOs are shunning corrupt environments. NGOs, in fact, appear to be selecting slightly less carefully among recipient countries; at least the portion of their funds which comes from governments is more highly

concentrated in countries whose governments are more corrupt. This small difference, if it were confirmed by overall spending figures, would weakly confirm the role of NGOs as a conduit that enables donors to bypass corrupt host governments. (See table 6 for correlations among these indicators.)

Table 6: Correlation matrix for ODA, NGO funding, GDP per capita and Control of corruption, 2000-2008 average

	ODA (% recipient GDP)	NGO funding (% recipient GDP)	GDP per capita (\$US PPP)	Control of corruption (WGI)
ODA (% recipient GDP)	1	0.52	-0.41	-0.16
NGO funding (% recipient GDP)	0.52	1	-0.28	-0.19
GDP per capita (\$US PPP)	-0.41	-0.28	1	0.44
Control of corruption (WGI)	-0.16	-0.19	0.44	1

Source: World Development Indicators, World Governance Indicators and OECD. Own calculations.

When the experiment is repeated by geographical region, a variety of results emerge. Africa is the region where the correlation between NGO funding and official aid figures is highest (.89), which demonstrates that NGO and government priorities converge in that region. It also shows a tiny but positive correlation between government funding and corruption control, which has two possible readings. One could be good news: NGOs may be “rewarding” good governments with their presence in Africa while shunning corrupt governments. The other is less positive: they may not be fulfilling their role as an alternative conduit to ODA in countries in the region where governance is poor. The region of the world where NGO funding is most negatively correlated with

corruption control –or, in other words, most strongly associated with corrupt environments— is in Central and North America; and the continent where NGO funding is more focused on poverty is South America. The correlations between these indicators in the individual regions are presented in table 7.

Table 7: Correlations between NGO funding as % recipient-country GDP and regional indicators, 2000-2008

	GDP per capita in \$US, PPPs	Control of corruption (WGI)	ODA (% recipient GDP)
Africa	-.08	.01	.89
Asia	-.21	-.12	.23
Europe	-.38	-.33	.58
Central, North America	-.15	-.43	.72
Oceania	-.16	.01	.08
South America	-.42	-.29	.31

Source: World Development Indicators, World Governance Indicators and OECD. Own calculations.

On a recipient-country level, the NGO data set shows some interesting patterns. Average NGO funding per recipient country for the period was 0.19% of GDP. The top four recipients, where government funds channeled through NGOs were more than 1% of host GDP, are all African. They are led by Guinea-Bissau and Liberia, who also receive very high volumes of official development aid. Among the top 15 recipients, 12 are African, two (Afghanistan and Vietnam) are Asian, and Nicaragua, the fifth largest, is the only Latin American country in the group. Iraq is a country that shows high levels of government funding of NGOs, especially since the war began and even though U.S. and UK figures are left out of the data set (because they are not broken down by recipient country). However, since reliable estimates of GDP are not available for Iraq since the war began, it is impossible to calculate its NGO/GDP ratio to compare it with other countries. Practitioners working in Iraq give anecdotal evidence of the large size

of US aid funds channeled through NGOs there, though they cannot provide figures. Afghanistan also shows very high levels of government funding of NGOs, as noted above. These two cases underline the need for greater transparency in NGO spending figures, and raise the question of how NGOs might be “captured” by donor governments for foreign-policy objectives. A list of the top recipients of NGO funding is included in table 8.

Table 8: Main recipient countries of government funding for NGOs

Recipient country	NGO funding as % recipient GDP	Official development aid as % recipient GDP
Guinea-Bissau	1.81%	34.62%
Liberia	1.54%	60.96%
Burundi	1.30%	38.05%
Timor-Leste	1.28%	42.37%
Nicaragua	0.88%	1.78%
Sao Tome and Principe	0.81%	24.11%
Congo. Dem. Rep.	0.76%	26.68%
Vietnam	0.73%	3.99%
Afghanistan	0.71%	34.77%
Eritrea	0.71%	28.92%
Mozambique	0.68%	26.72%
Gambia. The	0.66%	14.69%
Sierra Leone	0.66%	32.50%
Malawi	0.60%	21.10%
Rwanda	0.60%	21.08%

Source: ODA and GDP figures from World Bank; NGO figures own calculations.

In an attempt to provide yet another perspective on where NGOs are most involved in developing countries, we compiled a simple count variable of the number of NGOs operating in our sample countries in the 2000-2005 period. The number of NGOs operating in each country can be found in the Directory of Development Organizations, published by a non-profit organization in the Netherlands to facilitate “international cooperation and knowledge sharing in development work, both among civil society organizations, research institutions, governments and the private sector.” The directory lists more than 65,000 development organizations in 228 countries, divided into six

geographical regions (Africa, Asia and the Middle East, Europe, Latin America and the Caribbean, North America, and Oceania) and nine functional classifications: (1) international organizations; (2) government institutions; (3) private sector support organizations (including fair trade); (4) finance institutions; (5) training and research centers; (6) civil society organizations; (7) development consulting firms (including references to job opportunities and vacancy announcements); (8) information providers (development newsletters/journals); and, (9) grant makers. It does not provide any information on the volume of their spending in each country. The Directory of Development Organizations has been compiled since 1997 and has been available online since 2000¹¹.

Any count variable gives only a very partial picture of NGO involvement, since the institutions counted could be very large or very small. We found, in fact, that the correlation between the country-wide presence of NGOs indicated by this count variable and our government NGO funding variable was very low.

Comparing available data for 2005

A comparison of our figures giving the combined EC and national government funding of NGOs with the Koch data set on NGO spending, for the single year when both are available (2005), gives an idea of how comprehensive a picture our new data set provides of NGO activity in developing countries, and how much work remains to complete the picture. Once aid to NGOs operating in the developed world is excluded from the Koch data set, and non-DAC donors are removed¹², his total figure for NGO spending in 2005 is \$5bn. The data set we have compiled shows total government and

¹¹ It can be accessed at <http://www.devdir.org/index.html>.

¹² His sample includes spending in some developed countries (Australia, Bahamas, Germany, Virgin Islands; even Hawaii!) equivalent to 12% of the total), and by non-DAC NGOs (South Africa).

EC funding of NGOs summing \$3.24bn in the same year. As a percent of recipient GDP, Koch's NGO spending figures show an average of 0.58%, compared with 0.31% for our figures and 7.68% for official development aid. The differences are plausible and are due to missing NGOs on the one hand and the magnitude of private funding, on the other. A comparison of the breakdown by donor country is given in table 9.

Table 9: Comparison of OECD vs Koch data on NGO spending, by home/donor country

Donor countries	Koch data (total NGO spending by largest NGOs in each recipient country) for 2005		NGO funding as % recipient GDP for 2005
	Number of NGOs in sample	Funds as % total	Funds as % total
Australia	2	3.4	4.9*
Austria	1	1.4	1.0
Belgium	3	0.5	1.8
Canada	3	4.4	6.8
France	2	1.4	0.9
Germany	7	10.8	9.1**
Ireland	3	4.6	7.5
Netherlands	7	9.2	1.1
Norway	4	4.0	Na
Sweden	3	1.3	1.67*
Switzerland	5	2.6	3.64
United Kingdom	7	10.5	8.2
United States	13	43.2	67.6
Other	1	2.6	

*For these countries, the proportion given is for 2004, since no figures for these countries were provided in 2005. Hence the total will not be equal to 100%.

**For Germany, the proportion given is for 2006 data, since no figures were provided in 2004 or 2005.

When the different sets are ranked by the size of spending or funding in recipient countries, interesting contrasts emerge which may point up some of the pitfalls of using NGOs for development aid. The Koch data set shows that once private sources of funds are accounted for, the top recipients are indeed the poorest countries (all but one are African). In contrast, the top 10 countries receiving government funds through NGOs

included two which could have political or foreign policy implications: Afghanistan and Nicaragua. The contrast could indicate that private donors help offset government biases toward certain politically-motivated funding decisions (see table 10 for country rankings).

Table 10: Top recipients of NGO funds using different data sets, 2005 only

	Top 10 recipients, \$ received	Top 10 recipients, % total	Top 10 recipients, avg. % recipient GDP	To 10 recipient countries (as % host GDP, or as % total NGOs for count variable)
NGO spending as % recipient GDP (Koch)	\$1.7bn	34%	3.45%	Timor-Leste, Liberia, Zimbabwe, Burundi, Malawi, Sierra Leone, Guinea, Haiti, Rwanda, Lesotho
NGO funding, % recipient GDP	\$1.5bn	47.6%	0.92%	Guinea-Bissau, Burundi, Eritrea, Timor-Leste, Liberia, Sao Tomé and Príncipe, Malawi, Afghanistan, Zimbabwe, Nicaragua
Number of NGOs operating in host country (count variable)	3950 NGOs	52%	395 NGOs	India, Kenya, Uganda, Bangladesh, Nigeria, Cambodia, Mali, Senegal, Ethiopia, Indonesia

Source: Koch, D.J. (2007), OECD, Directory of Development Organizations, World Development Indicators. Own calculations.

Both the Koch data set and our sums of government funding to NGOs confirm that NGOs are more active than official aid in corrupt environments: in 2005 they tended to be more present in countries where corruption is less effectively controlled. The difference is substantial and could again confirm that NGOs are acting as a substitute conduit for aid in corrupt countries. In contrast, the correlations with GDP per capita

are very similar for the three data sets in 2005 and are negative in every case. A correlation matrix is provided in table 11.

Table 11: Correlation matrix for three data sets, 2005

	ODA, % recipient GDP	NGO funding, % recipient GDP	NGO spending as % recipient GDP (Koch)	GDP per capita in \$US and PPPs	Control of corruption (WGI)
ODA, % recipient GDP	1	.63	.61	-.47	-.13
NGO funding, % recipient GDP	.63	1	.74	-.46	-.27
NGO spending as % recipient GDP (Koch)	.61	.74	1	-.43	-.26
GDP per capita in \$US and PPPs	-.47	-.46	-.43	1	.45
Control of corruption (WGI)	-.13	-.26	-.27	.45	1

Source: ODA and GDP figures from World Bank corruption from World Governance Indicators; OECD and own calculations.

Discussion and conclusions

The objective of this paper has been to cast more light on the extent and dimensions of NGO activity in the developing world by exploring the characteristics and limitations of existing indicators and offering a new data set for researchers. In the process, certain concerns have arisen about where NGOs are concentrating their activities.

It appears that governments are selecting to a certain degree among countries as a function of their political or strategic priorities when they finance NGOs. It is possible that private donations are able to offset this government-induced bias in NGO activity.

The comparison of NGO spending data with government financing of NGOs in 2005 (the only year that they can be compared) gives some sign that this is occurring. Nevertheless, if government funding bulks large in NGO budgets, as it appears to do, government priorities could become the major factor in NGO decisions on where to operate. Normally this could be an acceptable situation, but when war or other conflicts emerge, government decisions might divert funding from areas where the need is greater.

It is also unclear that NGOs are taking a powerful role as an alternate conduit for government aid funds in corrupt countries. In Africa, where concerns over governance are voiced most loudly, government funding of NGOs was actually (very slightly) positively correlated with corruption control. In the developing world as a whole, correlation figures do not confirm that NGOs are either shunning corrupt environments or strongly concentrating their activities in these countries so that they can serve as an alternate conduit for official aid.

Our data even show that NGO funding is less concentrated in the world's poorest countries than official development aid funds for the 2000-2008 period overall. The difference is not enormous and could be offset by the private donations that are omitted from our data set, but it does give cause for concern.

All of these observations raise objections to the arguments for the significant NGO presence on the world stage and their legitimacy as alternative actors in the pursuit of development objectives. The data limitations of this study make any conclusions very preliminary. If, however, they were confirmed by fuller data that included private funding over a series of years, they could call into question the special vocation of NGOs as alternative vehicles for development aid. As it is, the questions raised by this

exercise underline the need for much better reporting so that the role of NGOs can be evaluated in a more comprehensive way.

Much remains to be done to assemble a good representative data set on NGO spending by recipient country, and the task is daunting. For researchers to collect spending information on each individual development NGO is almost unthinkable. Even putting together data from government donors has involved months of legwork. Placing the burden on NGOs to report their spending by recipient country would add layers to their administrative tasks and divert resources from their real objectives. Yet it does appear that NGOs themselves are the best equipped to provide the data that is needed.

In the interest of transparency, the task of receiving and processing NGO spending data by recipient country might best be left to an international agency such as the United Nations, which already registers NGOs. Alternatively, a non-profit organization such as the Directory of Development Organizations might add spending data to its array of information on global NGOs. This information should include an estimate of how much of the budgets overall go to administrative spending, to arrive at a more accurate figure for NGO activity in developing countries. If this data were to become available, academics would still have to wait several years before they could address two key questions about NGOs, which are how variable or consistent their spending in recipient countries is over time, and whether they can engage in long-term planning in order to pursue their objectives over a greater time horizon.

If NGOs are to continue as key international actors in the pursuit of development in the world's poorest countries, governments and scholars alike need to have the necessary information to evaluate the effectiveness of the billions of dollars that are being donated to NGOs every year. The need for good spending data by NGOs is not simply an

intellectual curiosity; it is an urgent need at a time when official aid is declining and development dollars need to be allocated in the most effective way.

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