Donor-NGO Relations: Resource Exchange & Interdependence?

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Describe the Strategic Interdependence Between Local NGOs and Their Foreign Donors; Identify the Resources that Each Side Offers to or Demands from the Other Side; and Discuss the Organizational and Managerial Consequences for Local NGOs.

In the context of an expanding global civil society, the role of NGOs is attracting increasing attention. This essay will critically assess the notion that there exists a 'strategic interdependence' between international donors and local NGOs by analysing the resource exchange which occurs between them.

Popular analysis often argues that the donor-NGO relationship is unequal and one-sided – the 'piper calls the tune' and, if NGOs want funding, they must succumb to donor demands. However, recent thinking highlights a different story. Alnoor Ebrahim has argued that donors and NGOs are 'highly interdependent', for whilst NGOs need economic capital, donors need to be recognised as effective in their distribution of resources – this can only be achieved if they are able to demonstrate that they support successful organisations. Thus, there occurs an 'exchange of information for funds, or of symbolic capital for economic capital' (2003: 101). NGOs are able to utilise this dynamic by manipulating donor dependence on information in order to leverage resources and minimise interference. The methods they employ consist of, and result in, a number of managerial and organisational changes.

However, the essay will question whether the interactions which Ebrahim identifies amount to interdependency. Whilst the resource exchange framework is helpful in that it draws attention to a flow of resources in *both* directions, the notion of interdependency implies an equality which does not exist. With potentially negative consequences, Ebrahim's analysis overplays the extent to which NGO successes and failures impact the reputation of donors.

Checking NGO Growth: Monitoring, Reporting and Dependency

The early 1990s saw increasing import attached to issues previously left at the periphery of international politics. Simultaneously, concerns which had been politically elevated towards the end of the Cold War, such as human rights and the freedom to self-organise, remained salient for Western publics, media and policy makers. This political dynamic fostered the growth of civil societies (both local and global), providing a space and a discourse within which to contest issues neglected by governments and the Market. In this context—and with the backing of supportive governments (Reimann, 2006)—NGOs flourished, widely regarded as a democratic and effective alternative in a political and economic climate of state retrenchment.

However, as NGOs have become more prominent, they have attracted increasing criticism from diverse quarters. *NGO Watch*, an organisation established by the neo-conservative *American Enterprise Institute*, claims that NGOs' 'growing local and global role has in large part been unchecked' and has been 'coupled with sparse (or reluctant) practices of public disclosure and a spate of high-profile NGO scandals' (2008). Meanwhile, the *One World Trust* produces a 'Global Accountability Report', which compares, rates and ranks the world's most influential NGOs according to their transparency, participation and evaluation practices (c.f. Lloyd et. al. 2007). Within this critical climate donors are understandably keen to ensure that their money is well-spent; they now require NGOs (big and small) to instigate extensive monitoring and reporting procedures in return for their financial support.

Some academics and practitioners warn that this increased emphasis on accountability contributes to a dynamic of dependency between donors and the non-governmental sector. If NGOs want to receive resources (normally in the form of funding) they must meet donor requirements; in this sense, the 'piper calls the tune', potentially with damaging consequences. At the broadest level, David Chandler notes a concern that 'NGO dependency on international donors [is] so transparent' that it 'may undermine [their] legitimacy' (undated). In other words, the civil society movements which NGOs claim to represent might reject them as too 'tamed' (see Kaldor, 2003).

Furthermore, NGOs themselves highlight the onerous bureaucratic requirements implicit in upward accountability procedures (Christensen, 2004). These not only distract from the core of their work by diverting resources from the implementation of projects, but also affect the nature of the work itself:

'NGOs want information that can regularly be fed back into implementation, whereas funders are interested in the impacts of interventions over the lifetime of a project. While these two perspectives are not mutually exclusive, it is difficult for implementers to see the value added in collecting large amounts of data which have no immediate use, and it is difficult for evaluators to see why implementers tend to be narrowly focussed on short-term practical needs' (Ebrahim, 2003: 94)

Thus, 'by insisting on reporting and monitoring systems designed to meet their own information needs for demonstrating… success', donors have 'impeded learning' within NGOs (ibid: 3). Simultaneously, 'an increase in attention to product data and the regular use of this information by [donors] in assessing performance, has resulted in a recasting of success… in product terms' (ibid: 94). In deference to donor demands then, the organisational structures and aims of NGOs appear to be changing.

A popular conclusion, therefore, is that the donor-NGO relationship is unequal and one-sided: NGOs are seen as dependent on their donors and are regarded as having little choice but to submit to donor requirements if they wish to receive resources. However, this only tells half of the story. Whilst monitoring and reporting requirements undoubtedly affect the organisational and managerial structure of NGOs, this occurs within the context of a more complex relationship than is often acknowledged.

Operating in a Context of Interdependency: Managerial and Organisational Consequences

Despite the emphasis placed on the flow of resources from donors to NGOs, Ebrahim argues that the relationship is actually characterised by 'resource exchange'; more specifically, 'the exchange of information for funds, or of symbolic capital for economic capital' (2003: 101). Donors are interested in the impacts of projects because they wish to be (recognised as) effective in their distribution of resources: they *want* (and, Ebrahim claims, *need*) to be supporting successful organisations. Thus, 'the reputations of funders are dependent on positive assessments… of NGO work' (ibid: 155). Through a number of strategies—which consist of, and result in, organisational and managerial adaptations—NGOs seek to draw on the dynamic of interdependence in order to gain leverage and *in* dependence. These strategies include the selective forwarding of information, the decoupling of formal structures from key activities, professionalisation and the 'sealing off' of 'core technologies'.

Donors require information from NGOs to 'prove' that money is being effectively spent. However, NGOs choose the information they forward selectively in an effort to leverage funding from donors and limit the potential for external interference. For example, there is a tendency to avoid 'process data' which are 'not easily categorised in terms of success or failure' and instead adhere to donor demands for (positive) 'product data'. This enables NGOs 'to demonstrate successes without having to reveal details of the processes through which those successes are achieved' (ibid: 98-99). Prendergast warns that such an approach buries 'nuances' and provides a crude 'measure of success' (1996: 3). In this way, NGOs are able to prompt donations without having to expose their activities to rigorous external inspection.

There is also a decoupling of formal reporting and monitoring structures from key activities; NGOs have been observed to collect data for symbolic reasons simply to satisfy donors. As such, the information which is forwarded to donors is not necessarily applied to the projects on the ground and 'may not have a direct bearing on [NGOs] primary activities or decisions' (Ebrahim, 2003: 96). It is sometimes unclear whether this is a deliberate strategy, intentionally designed to separate information from decisions, or whether NGOs are 'simply too busy with other tasks to actually use the information generated' (ibid: 93). Nonetheless, data appears to be primarily aimed at donors. Thus, NGOs adapt their organisational structure in order to convey the *impression* that they carefully monitor the effectiveness of their projects. Providing this 'symbolic capital' to donors leverages funds, whilst the NGOs themselves are not compelled to feed the information back into their practices and are therefore able to maintain operational independence.

A further method employed to minimise donor influence is through professionalisation. Ebrahim writes that 'at first glance these changes in personnel recruitment may be interpreted simply in terms of acquiescence to [donor] pressures'. However, by enhancing the legitimacy of NGOs, 'experts' limit the potential for donor interference:

'…they act as spokespersons in defence of their organisations… [and serve] to smooth communication between [NGOs] and funders. These professionals share with funders a common development language – terms such as participation, sustainability, cost-benefit analysis, impacts, indicators, and so on. Thus, the professionals are able to communicate their activities in terms acceptable to funders. By justifying their work in terms of dominant currency, the NGOs are able to deter probes into their work' (2003: 99)

Employing 'experts' therefore not only confers legitimacy on NGOs, but also allows them to tailor the information they provide donors in order to ensure maximum leverage.

Finally, NGOs seek to seal off their 'core technologies' from donor influence. In other words, they attempt to insulate 'the activities and procedures that form the central task of [their] organisation' (ibid: 95). Ultimately, the aim might even be total independence; for example, one manager boasts that he has 'transformed a donor-dependent NGO' into one that is 'completely financially self-sufficient' (Everatt, 2008). In a similar vein, *MANGO* (Management Accounting for Non-Governmental Organisations) argues that NGOs could 'meet operating overheads (rent, staff salaries, maintenance costs, utility bills, etc.) through fundraising activities, and finance programme costs through conventional donor sources' (2005). As such, the NGO itself would be sustainable (in the short term at least), even if donor funding for individual projects was withdrawn. 'In this way an NGO can more fully integrate itself into its local community, *maintaining control* over its long-term operational and strategic development' (MANGO, 2005 emphasis mine). It is not entirely cynical to argue that for many—if not all—NGOs, existence represents the ultimate 'core technology'.

Thus, thinkers such as Ebrahim assert that the relationship between NGOs and donors is one of *inter*dependency based on resource exchange. Within this context, NGOs utilise and manipulate donor dependence on information in order to leverage resources and minimise interference. These strategies consist of, and result in, a number of managerial and organisational adaptations including changes in funding strategies (notably the sealing off of 'core technologies'), professionalisation, the decoupling of formal structures from key activities and an emphasis on the collection of product data. Simultaneously, these efforts to resist donor control accentuate existing tensions in the donor-NGO relationship by embracing and reinforcing the 'capital-for-information' exchange mechanism (2003: 156).

Interdependence or Interaction? A Dearth of Resources, a Wealth of NGOs

The notion that NGOs and donors are 'interdependent' has been enthusiastically adopted by many academics, practitioners and policy-makers (c.f. Berlinger, 2005). Specifically, the concept of a resource exchange provides a helpful analytical framework in the sense that it explicitly identifies a two way transfer of resources, highlighting the (oft neglected) flow of information from NGOs to donors. In so doing it draws attention to the ways in which NGOs manipulate the information they release, and the organisational and managerial consequences which this has. However, whilst there is undoubtedly a value in highlighting the complex relationship that exists between the two actors, one might question whether it amounts to interdependency. To what extent are the reputations of donors 'dependent on positive assessments… of NGO work'? (Ebrahimson, 2003: 155).

According to the *Union of International Associations* (2000), between 1958 and 2000, the number of international NGOs increased by 460 percent. If one includes local organisations it becomes 'impossible to measure', but numbers are 'almost certainly in the millions'. Mathews points towards a few of the organisations which donors might wish to fund; they include 'neighbourhood, professional service, and advocacy groups, both secular and church-based, promoting every conceivable cause' (Mathews, 1997: 53). Whilst some international NGOs are comparatively rich— Ibraham Fall, former head of the UN Centre for Human Rights, complained that 'we have less money than Amnesty International' (ibid)—the same cannot be said of the majority, which operate on a local scale. The difficulty which many smaller NGOs face in winning resources from international donors is reflected in the thousands of workshops which take place each year, teaching local NGOs how to apply (or compete) effectively for international funds (c.f. MEPI, 2005)

Whilst it is certainly the case that there are incentives for donors to be recognised as supporters of successful NGOs, they have an enormous (and growing) market of organisations to choose from. In an environment characterised by its 'complexities and ambiguities', where 'success' is often (at least in-part) subjectively defined, it should not be difficult for donors to champion the 'successes' of alternative NGO to ensure their 'symbolic capital'. Furthermore, NGOs—unlike recipients of humanitarian aid—are *expected* to be effective; they are receiving money to do a job. The responsibility for failure (which might negatively affect symbolic capital) is therefore focused on the NGO itself: when the policies of a local or international NGO are ineffective, or even harmful, few people seek to hold donors accountable. In contrast, the reputations of the NGOs themselves might be severely damaged (Thekaekara, 2005).

In sum, there is an increasing wealth of NGOs for donors to support, but a finite amount of money with which to support them. As Ebrahim has identified, information is easily manipulated and as such, NGOs must compete with each other for the attention of donors; 'successful' projects are by no means self-evident. Simultaneously, donors are able to glean 'symbolic capital' even from those projects which are not necessarily 'successful' and their reputation is unlikely to be seriously harmed by NGO failures. Thus, whilst the donor-NGO relationship is far from one-sided, it remains unequal; recent arguments advocating a notion of interdependency overplay the extent to which NGO successes and failures impact donors.

Conclusion and Implications

This essay has critically analysed the complex relationship which exists between international donors and local NGOs. Drawing on the work of Alnoor Ebrahim, it has highlighted the exchange of information for economic capital and the managerial and organisational consequences which this dynamic has. In their effort to leverage resources and ensure independence, NGOs seal off their 'core technologies', engage in professionalisation, decouple formal structures from key activities and adhere to (and manipulate) an emphasis on the collection of product data.

However, the essay questions whether interdependence really exists between the two actors, arguing that Ebrahim overplays the extent to which donors are dependent on NGO successes and failures. The resource exchange framework is helpful in that it draws attention to a flow of resources in *both* directions and acknowledges NGO agency, but the notion of interdependency distracts from the power which donors continue to hold over local NGOs. As such the framework risks entrenching existing inequalities; for whilst the relationship between international donors and local NGOs is not one-sided, it remains imbalanced.

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