

Money Talks, Civil Society Listens:

*A Qualitative Analysis of the Current
Funding Identity Crisis in Global Civil
Society*

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Thesis

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I. Introduction

In 2006 the Russian government implemented a highly controversial law aimed at monitoring, regulating and controlling foreign aid to non-governmental organizations (NGOs) in the country. Suspected of promoting revolution and terrorism, foreign NGOs were put under tight Kremlin control.¹ A 2009 report from Human Rights Watch reported that the new policy “put in jeopardy tens of millions of US dollars of grants to NGOs in Russia” and also levied heavy taxes on NGOs operating with “profits.” NGO leaders feared for the worst, assuming that foreign donors and foundations would pull away from funding NGOs in Russia. In the past, domestic donations to NGOs remained relatively low and NGOs within Russia relied heavily on foreign assistance. Years immediately preceding the 2006 law brought an increase in domestic financial support to NGOs under then-President Putin and also government coordination in distributing foreign aid to organizations. This effort combined with the 2006 law, according to the report by Human Rights Watch, “raised legitimate questions about whether the contractors would give fair consideration to certain NGOs, such as human rights' watchdogs” that are critical of the authorities, or to groups out of the government's favor. These concerns came to a head when a few of the more well known human rights' organizations were unusually not granted funding.²

Later it was reported that the 2006 law did very “little to curtail the work of NGOs in Russia.”³ In an article by Russian newspaper *Ria Novosti*, an Amnesty International leader was quoted as saying that “the 2006 law diverted us from real work for some time and made us concentrate on paperwork. But it's difficult to compare the two laws right

¹ WATCH, H. R. 2009. An Uncivil Approach to Civil Society: Continuing State Curbs on Independent NGOs and Activists in Russia. In: WATCH, H. R. (ed.).

² See *supra* note WATCH.

³ BENNETTS, M. 2012. Kremlin Rights Head Criticizes NGO Law. *Ria Novosti*.

now.”⁴ This is because the law would require NGOs involved in any political activity (which could relatively include most all NGO work) to declare themselves publicly as “foreign agents” and put them under intense government scrutiny with the threat of fines and jail time if they are non-compliant. Interestingly enough, the Russian word for “agent” also holds a negative connotation—indicating that NGOs are foreign spies. NGOs are often subject to the domestic laws and regulations in the countries in which they operate so one might ask—why the media outcry? Why is this scenario unusual?

It is not. The relationship between NGOs, donors and governments can be a tumultuous one. And as NGOs have “proliferated in number and become increasingly influential players in world politics”⁵, their relationships with the 'hand(s) that feed them' has evolved along with the complexity of global NGO networks. According to a report by authors Helmer and Deming, “the geographic extension of these NGOs is matched by their hefty budgets. According to the Chronicle of Philanthropy in fiscal year 2009...each of the four largest U.S.-based NGOs focusing on international charitable work...had a total revenue of over \$1 billion.”⁶ Yet, according to author Conradie, “many NGOs...are established, only to run out of funds in a few years with drastic implications for those closely involved with or employed by such organizations.”⁷ Conradie goes on to explain that this is most likely due to problems with financial sustainability and the influence of finance on NGOs. So as NGOs have increased in numbers and have likewise increased their budgets worldwide, the stakes have become higher for NGO stakeholders and beneficiaries. Additionally, NGOs have increasingly been seen as vessels for international donors. “The 1995...foreign aid average of 0.27% of GNP was still a sizable figure: US\$45 billion. And although the overall percentage had dropped, the proportion of those government funds that flowed through NGOs had tripled during the same period, from

⁴ See supra note BENNETTS.

⁵ REIMANN, K. D. 2006. A View from the Top: International Politics, Norms and the Worldwide Growth of NGOs. *International Studies Quarterly*, 50, 45-68.

⁶ HELMER, E. & DEMING, S. H. 2011. Non-Governmental Organizations: Anti Corruption Compliance Challenges and Risks. *International Lawyer*, 45, 597-624.

⁷ CONRADIE, H. F. 1999. Non-governmental organisations and financial sustainability. *Development Southern Africa*, 16, 291.

3.6% to 10%. Northern governments had lost their faith in Third World governments [to effectively filter foreign aid to citizens] and were now investing in NGOs. It was this expansion to 10% of \$45 billion (i.e. \$4.5 billion) that financed the golden age of NGOs.”⁸ As governments have grown as donors for civil society, so has the private sector⁹.

In a 2000 article by the economist, NGOs purportedly earned \$5.5 billion from private donors alone.¹⁰ NGOs seemingly cannot live without donors and likewise, donors would certainly change gears without NGOs. As NGOs have grown in numbers, so have individual donors, foundations, government donors, etc. As demonstrated in the aforementioned Russian case study, donors often pull the purse strings instead of working cooperatively with NGOs. In an era where it is extremely important to take a critical analysis of NGOs, it could then be asked, has the proliferation of NGOs created a 'funding identity crisis' within the sector? This funding identity crisis is defined as NGOs that have been hijacked by donor priorities and biased associations (e.g. government grants that come with specific ties, international grants that come with 'Westernized'/'Northern' ideals) and are becoming ineffective at their original mission. This analysis hypothesizes that the burgeoning international NGO sector is in fact suffering from a 'funding identity' crisis, and this is for a variety of causes. The causes to be analyzed include mission creep, donor priorities and lack of overall regulation and oversight of NGO/donor relations.

As previously stated, it is extremely important to take a critical eye in this analysis. This is because NGOs are 'big business' today and manage over \$2.5 billion of global humanitarian assistance alone (not including other sectors like microfinance, etc.).¹¹ Additionally, there is minimal cohesive research completed regarding the overall

⁸ FUGERE, ROBERT. 2001. Future Directions for Development Non-Governmental Organizations. *Occasional Paper Series* 3 ed. 5.

⁹ ALDASHEV, G. & VERDIER, T. 2010. Goodwill Bazaar: NGO Competition and Giving to Development. *Journal of Development Economics*, 91, 48-63.

¹⁰ 2000. Sins of the Secular Missionaries. *The Economist*, January 27.

¹¹ FRANGONIKOLOPOULOS, C. 2005. Non-governmental organisations and humanitarian action: the need for a viable change of Praxis and Ethos. *Global Society: Journal of Interdisciplinary International Relations*, 19, 49-72.

effectiveness of NGO/donor relations. This, compiled with the fact that experts are divisive on the overall effectiveness for NGOs to create lasting change,¹² it is important to start dissecting NGOs from a critical standpoint. Some analysts have started calling the force of NGOs as the “new global superpower of consciousness”.¹³ This is a hefty title to bear, and it is crucially important to understand the financial workings and motives of such a new 'superpower.' Authors Landes, Kim and Christiansen emphasize this in their article in the *Stanford Social Innovation Review*. “There are consequences to this financial fuzziness [assuming donors and nonprofits are always cooperative]. When nonprofits and funding sources are not well matched, money doesn't flow to the areas where it will do the greatest good. Too often, the result is that promising programs are cut, curtailed, or never launched. And when dollars become tight, a chaotic fundraising scramble is all the more likely to ensue.”¹⁴ When the basic principle of most NGOs is to do more good than harm, if programs individuals rely on are regularly cut, their interests are not taken into consideration, etc. then that fundamental principle is not in effect. NGOs and donors should work more cooperatively on their service provisions in order to protect beneficiaries and shareholders.

As will be seen in this analysis, that is not always the case. Chapter one of this analysis will start with a short background of the issue at hand and identification of relevant terms. From there, Chapter two will provide an analysis of the funding identity crisis. The arguments for and against will be presented, and research supporting each argument will be provided. Chapter three will explore the funding identity crisis in more detail; the causes of the crisis will be analyzed at length. This report will conclude with a summary of the total analysis, and a conclusion will be offered, exploring where to go from here.

¹² TVEDT, T. 2002. Development NGOs: Actors in a Global Civil Society or in a New International Social System? *Voluntas: International Journal of Voluntary & Nonprofit Organizations*, 13, 363-375.

¹³ See supra note TVEDT.

¹⁴ LANDES FOSTER, W., KIM, P. & CHRISTIANSEN, B. 2009. Ten Nonprofit Funding Models. *Stanford Social Innovation Review*, 27.

II. Where to Start?

“There is no doubt that many NGOs are fully aware of the need to become financially autonomous and have tried to move beyond the traditional donor community. It is too early to say if this will be a dominant trend and whether it will eventually produce favorable results. But for now, NGOs remain overwhelmed dependent on external funding, especially international donors.”¹⁵ But how would this be feasible for NGOs in today's society? As already noted, states and private donors find NGOs to be appropriate routes for filtering aid to countries. As author Sarr reports in a 2006 article, “very often NGOs, like the states, are obliged to turn to foreign aid. However, increasingly, available funds for southern civil society organizations are dwindling because of the multitude of problems arising (wars, displaced populations, natural catastrophes, etc.).”¹⁶ Not only are NGOs generally reliant on donors (foreign and domestic alike), but due to geo-politics, funding streams often change. This will be discussed at more length later in the chapter on causes of the crisis. As Nakano notes in a 2009 article, “an NGO often relies heavily on donor intent and support. NGOs, while catering specifically to needs, must also take into consideration the desires and intent of specific donors or donor communities. Although in many cases they do not necessarily conflict, NGOs must often find a balance between the needs of and the willingness or desire of what a specific donor may want or fund or support.”¹⁷ Nakano also furthers on what has already been emphasized in this analysis—that “it is important to remember that NGOs answer to those they aid, their board of directors, the donors, and the public.”

¹⁵ SARR, F. 2006. *Funding of Non Governmental Organizations in Senegal: Constraints and Opportunities*. Palgrave Macmillan, 49, 108-115.

¹⁶ See *supra* note SARR.

¹⁷ NAKANO, G. M. 2009. *A Guide to NGOs for the Military*. In: LAWRY, L. & FRANDSEN, G. (eds.). *US Department of Defense: The Center for Disaster and Humanitarian Assistance Medicine*.

So who are these donors? What are the sources of NGO funding? What delineates an NGO from a donor, and so on? These questions are important starting points for the analysis, as often the terms are used interchangeably without distinction.¹⁸ In an article by T.J. Ward, NGO researcher Richard Holloway is quoted as giving the initial distinction between the terms civil society and NGOs. For the purpose of this analysis, the terms civil society NGOs and NGOs will be used interchangeably, as by the definition by Holloway it fits this analyses' purpose. "Civil society serves as a forum where the problems of the social and the natural environment can be identified and where solutions can be explored. Civil society thus provides the venue where remedies to problems can be shaped and formalized. Non-governmental organizations emerge from the dynamics of civil society." Ward furthers with a definition of NGOs from the United Nations as "any non-profit, voluntary citizens' group which is organized on a local, national or international level. Task-oriented and driven by people with a common interest, NGOs perform a variety of services and humanitarian functions, bring citizens' concerns to governments, monitor policies and encourage political participation at the community level."¹⁹ To summarize this lengthy definition, NGOs are generally non-profit organizations at many levels with peace-seeking and humanitarian missions.

Momentarily setting NGOs aside, it is necessary to paint a clear picture of donors. For the purpose of this analysis, donors include major public development aid groups, bilateral agencies, foundations and INGOs, individual donors, corporate donors, and so on.²⁰ Some primary examples of major public development aid groups include United Nations Organizations such as the World Bank, UN Development Programme (UNDP), International Labour Organization (ILO) and so forth. Bilateral agencies are mainly those that are state/government run and work internationally. These include the United States

¹⁸ WARD, T. J. 2007. THE POLITICAL ECONOMY OF NGOS AND HUMAN SECURITY. *International Journal on World Peace*, 24, 43-64.

¹⁹ See supra note WARD.

²⁰ See supra note SARR.

Agency for International Development (USAID), the Canadian International Development Agency (CIDA), the European Union and the French Cooperation. Foundations and INGOs often include such major players as the F. Ebert Foundation, the Ford Foundation, Oxfam (all branches) and the Global Fund for Women.²¹

Donors provide NGOs with a variety of funding options. These options vary in NGO responsibility, and often come with strings attached. Some donations are used for general purposes and do not have strings attached. “Many gifts to charity are not restricted. We have all dropped a quarter in the Salvation Army pot at Christmastime or a dollar or two in the collection plate at a house of worship. These gifts—with no conditions attached—go toward the general operating expenses of the charity to be used as those in charge see fit, for any purpose consistent with the charity's mission.”²² Generally however, these “unattached” gifts are limited in amount. More significant gifts often come with certain contracts, or agreements.²³ These contracts and agreements are just that—they come with distinct regulations the NGO needs to follow in order to ensure a continuing source of funding. These are often called 'cooperative agreements' and simply contracts, and government agencies are keen on utilizing this type of funding. Donors also utilize grants, which are often like contracts in that the NGO must meet certain requirements before money is granted, i.e. through an application and the meeting of minimum requirements.²⁴ Author Seddon illustrates a particular kind of grant called match funding that is popular with donors. “When a body is promised a certain amount of money on the condition that it finds an equivalent amount of money from elsewhere, we call this match funding.” Seddon provides an example to illustrate the funding.

The Russell Commission is a charity set up by the government to fund charities. The Treasury provides the core funding. It then solicits private sector funding which, in addition to the core funding, it promises to match. So the Chancellor pledged almost £50m in core funding to support the new charity, with a further £50m held in a match fund which is triggered by private sector

²¹ See supra note SARR.

²² GOODWIN, I. J. 2005. Donor Standing to Enforce Charitable Gifts: Civil Society vs. Donor Empowerment. *Vanderbilt Law Review*, 58, 1093-1163.

²³ See supra note GOODWIN.

²⁴ See supra note NAKANO.

*donations. In theory the proportion in 2006/07 would be 75 per cent government funded, with a further 25 per cent coming from private donors. In 2006/07 it was supposed to draw £10.0 million in funding from the private sector. But by March 2006, only £3.4 million had been raised, over a year after its launch.*²⁵

As previously stated, there are unattached donations and/or gifts, often given by individuals to a charity. These defined terms will assist in the analysis to follow.

III. Current State of Affairs

In this chapter, arguments for and against the existence of a funding driven identity crisis will be presented. It is crucial to explore both sides to the argument, to illustrate the complexity of the issue. First, the arguments that there is not a funding driven identity will be presented. Author Conradie states in an article that “the main sources of NGO funding are the government, the private-sector, development funding agencies, as well as foreign governments, companies and agencies. It is recommended that sources of funding or income be diverse and multiple to avoid dependency on a single funder.”²⁶ Conradie argues that NGOs have a stable relationship with donors, and they must not become too reliant on a single donor. It could be argued that this prevents any sort of funding driven identity crisis, because NGOs are forced to compete and diversify. “There is a correlation between mixed funding and sustainability: the more mixed an organization's funding streams, the more durable it will be. If funding from any one source accounts for only a limited proportion of an organization's income, then loss of that particular funding stream may only result in the loss of a specific service or activity. Conversely, if an organization depends on a single funder for a substantial majority of its income, then that organization will be vulnerable since the withdrawal of funding could devastate it.”²⁷ In that statement, Seddon argues that it is necessary for NGOs to diversify in order to protect the entirety of

²⁵ SEDDON, N. 2007. *Who Cares? How State Funding and Political Activism Change Charity*, London, UK, Civitas (The Institute for the Study of Civil Society).

²⁶ See supra note CONRADIE.

²⁷ See supra note SEDDON.

the organization. Author Nunnenkamp emphasizes this sentiment as well, stating that “the efficiency of NGOs is likely to depend on the relative importance of different sources of NGO funding.”²⁸ These sentiments indicate that NGOs reaching out to as many donors as possible for programs is essential. The argument however lacks the consequences of what such diversification and competitive fundraising does to the NGO sector.

Author Henderson illustrates this in an article on Western Aid and NGOs in Russia. “Smith's (1990) study of foreign assistance to Latin American NGOs concluded that groups tend to reflect the agenda and moral concerns of the donor. Ottaway and Chung (1999) noted that Western assistance tends to fund projects that are financially unsustainable after the funding ends and, as a result, makes no lasting contribution to long-term development when aid inevitably dries up.”²⁹ So, not only are NGOs assuming ideals that might not be aligned with local ideals but they are also diversifying because their funders tend to ignore the long term and focus on short term goals. This is expanded upon in a text, *Third Sector Policy at the Crossroads*, an increasingly pervasive element of this environment in many countries are 'new public management' imperatives (Hood, 1991), involving tight budgeting and competitive bidding and contracting regimes. These emphases are evolving in the context of a general retreat of the state from service provision and welfare responsibility. As a result, many nonprofit organizations are feeling less secure about their role in society at the very time when they have come to occupy a more important role, particularly in service provision.³⁰

The diversification and competitive fundraising tactics within the NGO sector leaves organizations with tight budgets and overly competitive operations. Theorists argue that this also leads NGOs to becoming more efficient and professional, yet many

²⁸ NUNNENKAMP, P. & OHLER, H. 2012. Funding, Competition and the Efficiency of NGOs: An Empirical Analysis of Non-Charitable Expenditure of US NGOs Engaged in Foreign Aid. *KYKLOS*, 65, 8-110

²⁹ HENDERSON, S. L. 2002. Selling Civil Society: Western Aid and the Nongovernmental Organizational Sector in Russia. *Comparative Political Studies*, 35, 139.

³⁰ 2001. *Third Sector Policy at the Crossroads: An International Non-profit Analysis*, Routledge.

times that leaves out the very grassroots, smaller NGOs.³¹ As donors tend to prefer the more professionalized, bureaucratic NGOs, this 'competition' eliminates an often crucial part of civil society.³² With this fierce competition, many NGOs worldwide have had to “reduce services despite expanding demands, operate more efficiently, or find alternative sources of support.”³³ Operating more efficiently, i.e. hiring more staff, is difficult to do without funding. The relationship between donors and NGOs is currently not cooperative, and because of this NGOs are suffering from a funding driven identity crisis. Third Sector Policy at the Crossroads breaks down how the author perceives the current crises in NGO/donor relations:

1. *“A fiscal crises, which reflects continued government financial retrenchment and the tight purse of new public management*
2. *An economic crises, as market organizations infiltrate fields in which third sector organizations have traditionally been insulated from competition*
3. *A crisis of effectiveness, resulting inter alia from an apparent inability or unwillingness to demonstrate their impact in tackling social problems; and*
4. *A crisis of legitimacy, reflecting particularly prevailing misunderstandings about the sector's resource base and the character which third sector organizations have themselves misguidedly reinforced.”*

From these listed crises in civil society, it can be drawn that the sector is in fact suffering from a funding driven identity crisis, and the next chapter will discuss the factors of this crisis at length.

IV. Factors of Identity Crisis

1. Mission Creep

One of the first factors of the funding driven identity crisis that NGOs are currently experiencing is mission creep. Goodwin states in an article that “in selecting from fundraising options, a critical challenge for managers is how to avoid funding sources or

³¹ See supra note SEDDON.

³² SPIRES, A. J. 2011. Organizational Homophily in International Grantmaking: US-Based Foundations and their Grantees in China. *Journal of Civil Society*, 7, 305-331.

³³ See supra note 2001.

modalities that lead to 'mission creep', compromise values and lead to co-optation.³⁴

Mission creep, the phenomenon by which an NGO either knowingly or unknowingly compromises their original mission by taking on programs and projects not in line with their mission, is often perpetuated by donors. As previously noted in this analysis when funding gets tight, NGOs “scramble” for available funds. “The danger is that, in an environment where funding is difficult to come by, voluntary and community organizations become too focused on chasing the funding, without giving enough consideration as to whether or not the funding is appropriate. It is easy to say, and difficult to do, but if voluntary and charitable organizations want to preserve their integrity and independence, then they need to be prepared to walk away from funding or partnerships that do not help to meet their core purposes. There is no need for them to end up dancing to someone else's tune.”³⁵ That however, is exactly what happens. The concept of donors leading priorities will be explained in more detail in the next section, but a combination of donor priorities and competitive fundraising oft leads NGO's missions creeping.

“Fundraising represents a 'potential source of inefficiency' (Aldashev and Verdier, 2010). NGOs under fierce pressure to attract donations may engage in “excessive” fundraising and shift an increasing amount of time and effort 'from finding solutions and helping needy recipients to pleasing their donors and winning television coverage' (The Economist, January 27 2000).”³⁶ If NGOs are shifting their time, energy and efforts more towards fundraising, are they still completing their original mission? Authors Nunnenkamp, Ohler, Aldashev and Verdier argue not. “NGO expenses in the form of fundraising and perquisite consumption tend to be complements. Fundraising activity reduces the time left for managing and supervising charitable operations. Less operational effort impairs the productivity of funds spent on projects. This implies that the

³⁴ See supra note GOODWIN.

³⁵ See supra note SEDDON.

³⁶ See supra note NUNNENKAMP.

opportunity costs of perquisite consumption decline, strengthening the NGO's incentives to divert further funds away from charitable operations.”³⁷ While it is recognized that fundraising is a necessary part of the functioning of the NGO sector,³⁸ theorists have also noted the effect of fundraising competition between NGOs. Not only does this competition tend to drive smaller NGOs 'out of business', but it also divides NGOs within the sector partnering NGOs with donors instead of other NGOs.³⁹ “Some researchers have highlighted the issue of inter-NGO competition and its effects on information-sharing across organizational boundaries, as a further major constraint on innovative activity. While theoretically, “nonprofit NGOs can freely share information without concern to protect profits” (Meyer, 1997), the effect of competition for donor funds on the exchanges of information has nevertheless been observed by some authors: “Although the NGOs talk a great deal about exchange of information and experiences and coordination, their actions show a certain amount of ambiguity to this, especially amongst identical organizations” (Kerkhoven, 1992)”⁴⁰ Many NGOs are in the midst of a funding driven identity crisis because of this staunch fundraising competition, leading to mission creep and a lack of innovation.

Another factor at play in perpetuating mission creep in NGOs are donor priorities themselves. As previously stated this factor will be discussed at length in the next section however, donor priorities are often the causes of mission creep within NGOs. In a case study on Chinese NGOs, author Spires offers insight into this problem.

Despite sharing this seemingly 'global' understanding of LGBT identity, some Chinese gay rights groups have faced great difficulty in obtaining funding from foreign grantmakers. Mr. S., the well educated and extremely well-spoken founder of a large grassroots gay rights organization in Guangdong sees his group at a real disadvantage because they do not focus only on education and awareness about HIV-AIDS: 'I don't think there's any organization in China that can survive only as a tongzhi organization. They have to also be doing HIV-AIDS work, otherwise they won't be able to get funding from outside sources and would have to rely completely on their own resources.' His own group, which has grown from an internet-based organization to a group with real-space

³⁷ See supra note NUNNENKAMP.

³⁸ ALDASHEV, G. & VERDIER, T. 2010. Goodwill Bazaar: NGO Competition and Giving to Development. *Journal of Development Economics*, 91, 48-63.

³⁹ ORJUELA, C. 2005. Dilemmas of Civil Society. *Peace and Democracy in South Asia*, 1, 1-12.

⁴⁰ FYVIE, C. & AGER, A. 1999. NGOs and Innovation: Organizational Characteristics and Constraints in Development Assistance Work in The Gambia. *World Development*, 27, 1383- 1395.

*activities, now emphasizes HIV-AIDS education, but he does not believe that this should be their sole purpose: 'If we could have foundation support, it would be great. I've tried, but they want to do something with a clear [single] goal. But our goals are multiple, not only health and not only equal rights, so, how do you say it? I guess you'd say every time I've tried to ask foundations for money it always seems like our goals and their goals don't quite match up.'*⁴¹

This seems a bit backwards. A small, grassroots organization working directly with the community would seemingly know more about their community's needs than the donors which Spires previously elaborated are US-based. More often than not however, this is the problem. In order to attract funding and keep up with the competition, NGOs must take on goals that are not aligned with their own. Author Parks emphasizes this by stating that,

*...there is growing evidence that the shifting priorities of international donor funding undermine the credibility and effectiveness of the very advocacy NGOs that they are trying to strengthen. As priorities move to new areas, the power relations between donors and their NGO grantees become increasingly asymmetric. Without alternative funding sources, most NGOs will be forced to change their activities and objectives to suit donor priorities, in an attempt to attract new funding. As a result, these NGOs will gradually lose their autonomy from donors. Within the domestic political environment, this trend exacerbates perceptions that the NGOs are representing donor interests above national interests, seriously damaging their credibility and effectiveness.'*⁴²

From this it can be seen that mission creep is in part caused by non-matching donor and NGO priorities, and a top-down approach from the donors in relating to the NGOs. From here, this particular issue will be discussed at length.

2. Donor Priorities

Donor priorities affect the funding driven identity crisis on several levels. As previously mentioned, NGOs receive funding from individual private donors, foundations, inter governmental organizations, governments and so on. Each type of donor generally has their own priorities which they knowingly and unknowingly allow to guide their funding of NGOs. As in the initial case example of the Russian 2006 NGO regulation, NGOs and donors alike are also often impacted by geo-political issues out of the control

⁴¹See supra note SPIRES.

⁴²PARKS, T. 2008. The rise and fall of donor funding for advocacy NGOs: understanding the impact. *Development in Practice*, 18, 213-222.

of the donors. These donors that are allowing their priorities guide NGO action do so in several ways to be discussed at greater length in this section. These ways include funding specific, often “hot topic” areas of civil society, allowing national foreign policy and geo-politics to guide foreign aid assistance, and encouraging NGOs to support donor interests over national interests.

As in the world of corporate advertising and marketing, the “hottest” product sells; these products are those that are emotionally gripping, have colorful campaigns, are splashed all over the media and so forth. Theorist Frangonikolopoulos notes that aid for humanitarian work is often “decided and delivered” in accordance with donor agendas that are more “high profile” and are within the public spotlight. It is then furthered that “crises seem to be either extremely high-profile or basically neglected, with little in between.”⁴³ This is particularly precarious for NGOs, as the minute the trend passes so do the donors. In March 2012 global NGO Invisible Children launched their explosive social media Kony 2012 campaign, urging individual donors and activists to get involved. The campaign received a significant amount of initial individual donors while the 'hype' lasted however, when it came time for the pinnacle of their campaign to take place their significant number of individual donors had moved on.⁴⁴ An interesting transition to the next topic was illustrated in the 2003 US invasion of Iraq. “The peak of donor funding for humanitarian assistance in Iraq reached \$3.4 billion in 2003. By contrast only 9% of that yearly funding (316 million dollars) was allotted for 2008 signaling an overall drop in funding for humanitarian efforts in Iraq.”⁴⁵ In 2003, public opinion for US intervention in Iraq reached its zenith, and reached an all-time low in 2008.⁴⁶ “Moreover every year since then the same pattern of steady funding drops has continued across funding fields in Iraq

⁴³ See supra note FRANGONIKOLOPOULOS.

⁴⁴ WEAKEY, K. 2012. INVISIBLE CHILDREN: FROM VIRAL TO FLOP. *Civil Society*, 24 April 2012. Available from: www.civilsociety.co.uk. Retrieved 30 May 2012.

⁴⁵ IRAQ, N. 2010. *Local NGOs Funding Dilemma* [Online]. Amman, Jordan: NCCI. Available: http://www.ncciraq.org/index.php?option=com_content&view=article&id=365&lang=en [Accessed 28 May 2012].

⁴⁶ PEW RESEARCH CENTER 2008 *Public Attitudes Toward the War in Iraq: 2003-2008*. (online report). Pew Research Center, Washington DC. Available from: www.pewresearch.org. Retrieved 04/07/12.

(with yearly funding at 3% of the 2003 high in 2011)....”⁴⁷ When NGO funding relies on the public opinion of donors, funding streams can be precarious.

Likewise, when NGO funding relies on donors allowing national foreign policy and geo-politics to guide foreign aid assistance, funding streams as well as agency missions are at stake for NGOs. Frangonikolopoulos illustrates this sentiment by stating that “all of this [global on-goings] has forced governments and international organizations to revise their norms, as well as the finances that they are willing to inject into humanitarian activities. Most governments, however, are increasingly using aid as a strategic tool to fulfill political objectives. Humanitarian aid is becoming an integral part of governments' comprehensive strategy to transform conflicts, decrease violence and set the stage for liberal development.”⁴⁸ As previously noted, NGOs have increasingly been used more to promote foreign policy through government contracts and agreements. Author Horn expands on this by stating that “funding represents the conscious use of NGOs as tools of foreign policy making—in effect, funding NGOs in order to influence attitudes and values 'on the ground' in the hopes of creating greater pro-American or pro-European spaces.”⁴⁹ Many theorists expand upon this sentiment, that donor priorities are influenced by national foreign policies and issues of geo-political nature.⁵⁰

*... geo-political considerations and the evolution of development thinking have been the two most important factors in determining aid doctrine since the 1940s....Funding for certain issue areas—such as health, education, economic growth, governance, democratisation, and human rights can change dramatically as thinking evolves. For example, the wave of democratic transitions in the late 1980s and early 1990s brought a surge in funding for democratisation and governance programmes (Carothers 2000:4). As donor strategies change, donors will occasionally shift funding from one type of beneficiary to another. Volatility in bilateral donor priorities is also driven by political developments in their home countries. In most cases, bilateral foreign-assistance allocations are determined each year by domestic political processes.*⁵¹

Parks goes on to cite the 2001-2006 Republican-headed US congress. During this period, the administration and congress restructured aid assistance to fit political goals.

⁴⁷ See supra note IRAQ.

⁴⁸ See supra note FRANGONIKOLOPOULOS.

⁴⁹ HORN, D. M. 2008. Setting the Agenda. *International Feminist Journal of Politics*, 10, 59-77.

⁵⁰ See supra note PARKS

⁵¹ See supra note PARKS.

While governments have no problem using NGOs as vessels for foreign policy through foreign aid, they seem to have a difficulty with allowing NGOs to decide what is relevant to the local communities and beneficiaries....Recent support in the past two decades by foundations of advocacy NGOs operating transnationally or in foreign countries, thus, is an international extension of a pattern of postwar American politics of elite-sponsored citizen activism at the national level”

Governments are not the only donors guilty of this, however. “Foundations have been a particularly important source of funding for advocacy NGOs, especially where many advocacy NGOs are hesitant to accept funding from the state...Recent support in the past two decades by foundations of advocacy NGOs operating transnationally or in foreign countries, thus, is an international extension of a pattern of postwar American politics of elite-sponsored citizen activism at the national level.”⁵² Foundations are a crucial aspect of NGO function and funding, yet it is often more than a part of NGO missions that foundations take up. “The donors are not merely after control, but work also with the ambitions to 'do good', satisfy tax payers at home, spend their allocated money, gain international prominence and shares of the aid market, e.g. by claiming expertise in an area, and by being first in a new field, and enhance the aid industry, and thus secure and expand employment and advancement opportunities.”⁵³ Where in that statement by author Orjuella does it say “to actively provide funding for NGOs to work on community and local needs?” Unfortunately it doesn't. Orjuella expands on this by stating that “the recipient states, on the other hand, are interested in foreign aid as a way to fund or support their programmes, to increase wealth (personal or for the people at large), and legitimacy....the numerous and shifting interests that govern the relations between these different actors can provide openings for a renegotiation of the rules of the

⁵²See supra note REIMANN.

⁵³See supra note ORJUELLA.

donor-recipient relations.”⁵⁴ There is certainly room for this type of renegotiation. If NGOs are expected to follow certain regulations, why are donors not held to this same accountability? If donors are working to find prominence and/or establish expertise in a field, where does that leave room for promoting global governance? The next section on oversight and regulation will discuss this more at length.

3. Oversight and Regulation

“Given their growing dependence on governmental funding and the absence of mechanisms holding them to account, NGOs are characterized as “governments' puppets” and “big businesses” that thrive on humanitarian crises, which are located on top of the strategic agenda of their donors and the media.”⁵⁵ As Frangonikolopoulos noted, NGOs are increasingly relied upon by governments (and other donors) to provide services, and there is a shocking lack of oversight and regulation holding everyone to account. Granted each donor and government will have their own rules and regulations holding NGOs to account,⁵⁶ but who is holding the system accountable? Who (or what) is monitoring for inappropriate donor/NGO relations? Some inter-governmental organizations and NGOs have set themselves up to fill this gap, but have they done this without bias? On this, Reimann cites the International Center for Not-for Profit Law (ICNL) which was designed to “facilitate and support the development of civil society and freedom of association on a global basis.”⁵⁷ Reimann also notes however that the agency works closely with bilateral and multilateral agencies and Western donors. Theorist Seddon also comments on this issue, stating “at the very least, we should be wary of what is happening in the USA, where it has been reported that there have been concerted efforts by the government to

⁵⁴ See supra note ORJUELLA.

⁵⁵ See supra note FRANGONIKOLOPOULOS.

⁵⁶ See supra note HELMER.

⁵⁷ See supra note REIMANN.

fund organizations that support it and withdraw funding from those that do not.” Seddon cites a 2003 event where a US branch of the Red Cross “attempted to influence the policy positions of the UK Red Cross that were critical of US government policy.”⁵⁸ If government agencies are working to manipulate funding, how can they also be expected to hold donors and NGOs to acceptable relationship standards?

At this point, it probably seems that donors are the aggressive parties and NGOs are the innocents, only trying to keep up. It is crucial to point out however, that when it comes to funding, NGOs can be just as conflicted. In Ward's 2007 article on NGOs, NGO expert Richard Holloway is quoted as saying “the NGO sector, which we expect to have high moral values, and to occupy the moral high ground, has started to have increasing numbers of crooks, charlatans and imposters within its ranks. The amount of funds that have been received by NGOs in the last ten years has increased exponentially, and they are both much more high profile as a sector and individually than they ever were before.”

⁵⁹ So, as funds have increased for global NGOs, corruption has perverted some of the sector and has been contributing towards the funding-driven identity crisis within the sector today. On the opposite side of the coin, concerns have been raised about the “effectiveness and accountability of nonprofit organizations, and about what some see as the over-professionalization and bureaucratization of the sector.”⁶⁰ This inevitably leaves the smaller charities behind, who are unable to keep up with such a movement and are more fitted in working at the grassroots, community level. Theorists have condoned such a “top down approach that ignores the advantages of involving locally run community projects.”⁶¹ The NGO sector has expanded and grown in both size and funding, and is in dire need of some regulations and standards to protect large and small NGOs from exclusion and corruption.

⁵⁸ See supra note SEDDON.

⁵⁹ See supra note WARD.

⁶⁰ See supra note 2001.

⁶¹ See supra note SEDDON.

V. Review of Research

This analysis started with a brief summary of the current funding identity crisis within the NGO sector. It was elaborated that there is currently a crisis of this sort in the sector through an exploration of both arguments (i.e. there is no crisis, there is a crisis). From there, the factors of the crisis were explored at length. The analysis first explored the issue of NGO mission creep, and how overly competitive fundraising and donor priorities are causing mission creep within NGOs. Donor priorities were explored in more detail, and the conditions allowing for donor priorities leading NGOs were explored (including funding specific, often “hot topic” areas of civil society, allowing national foreign policy and geo-politics to guide foreign aid assistance, and encouraging NGOs to support donor interests over national interests.) The last factor of the identity crisis identified was the lack of oversight and appropriate regulation. The analysis has concluded that the NGO sector is currently in the midst of a funding-driven identity crisis due to multiple factors. It could then be asked, where to go from here? How are NGOs to recover from this crisis, and prevent future crises? The next section will offer general solutions and conclude the analysis.

VI. Conclusion

“NGOs would not be able to survive without material resources. While private donations from individuals have been an important source of funding for many nonprofit groups, scholars of the nonprofit sector have found that grants and subsidies from the state, foundations, and other elite institutions have played an essential and critical role in

the development of the nonprofit and voluntary sector.”⁶² This statement is certainly not incorrect. It should be noted that NGO growth has been helped in part by the establishment of these private foundations and government organizations.⁶³ “The former Soviet Union is a region where...indeed, almost all post-Soviet countries have seen an explosive growth in the number of nongovernmental organizations since the early 1990s. However, this case also makes clear that the rise of the post-Soviet nonprofit sector has been driven almost exclusively by Western donors—with the most prominent role played by American foreign aid and philanthropic foundations, which operationalized the promotion of civil society as the promotion of NGOs.”⁶⁴ So the relationships between donors and NGOs can be successful, but how can it be successful across the board and prevent the current and future crises?

“Sections of the humanitarian NGO community, led by Oxfam and other British organizations, wish to see a tighter, more rule-based community emerge, where codes have teeth and NGOs are held to performance standards and made fully accountable for their programmes.”⁶⁵ Currently, many NGOs recognize the need for stronger regulation of NGO and donor activities. Of course, small as well as the large NGOs would need to work together in drafting these regulations, along with government agencies and donors alike. Donors and NGOs would need to realize that a partnership is necessary for success, and the top-down structure in the donor/NGO relationship should be eliminated. It is pretentious for foundations to generally act the expert and ignore the opinions of on the ground organizations. Likewise, emphasis should be placed on more inter-NGO cooperation, and global regulation and oversight of the civil society financial market should be instigated. If money is talking, then the whole of civil society needs to listen to ensure effective use of the billions of dollars in the NGO sector.

⁶² See *supra* note REIMANN.

⁶³ See *supra* note REIMANN.

⁶⁴ 2009. *Globalization, Philanthropy, and Civil Society: Projecting Institutional Logics Abroad*, Indiana University Press.

⁶⁵ STODDARD, A. 2009. *Humanitarian NGOs: Challenges and Trends*.

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