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International Development NGOs: Agents of Foreign Aid or Vehicles for International Cooperation?

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What is the future for development NGOs who work internationally but are based in and governed from the industrialized world? Are they destined for redundancy as NGOs and other organizations rooted in southern societies take over their roles and replace their expertise, or will they retain a legitimate place on the world stage in the 21st century? This article looks at the changing context for international NGOs and lays out three alternative routes into the future: incremental change (which is probably unsustainable), global market brands, and international social movements. The implications of each strategy are presented, and some overall conclusions drawn. The fundamental question facing all NGOs is how to move from their current position—as agents of a foreign aid system in decline—to vehicles for international cooperation in the emerging global arena.

As a long-time student and staff member of NGOs like Oxfam and Save the Children, I am often asked what future there is for organizations like these—they call themselves international, but are governed from a single country in Europe or North America; they talk constantly about partnership, but rarely practice it in their relationships with NGOs in other parts of the world; and their nongovernmental status sits uneasily with the large grants most of them receive from official aid agencies and their unwillingness to confront deep-rooted questions of politics and power. Increasingly, questions are being raised about the impact, governance, and accountability of such organizations—in the academic literature, the news media, and among NGOs themselves—and this has led to a flurry of strategic planning exercises, restructurings, new mission statements, and the like as agencies struggle to find a viable route into the future (Edwards & Hulme, 1995; Fowler, 1997; Hulme & Edwards, 1997; Smillie, 1995; Sogge, 1996). In this article, I spell out
why this has happened, how NGOs are responding, and what challenges lie ahead. Profound changes in the global operating environment for international NGOs and a series of internal pressures are coming together to produce a new range of strategic issues. NGOs are responding to these challenges in two ways: incremental changes, which achieve more security in the short term but are probably unsustainable in the longer term; and more far-reaching reforms, which lead the organization in conflicting directions—further into the global service–providing marketplace and deeper into global social movements. The decisions NGOs make on these questions will determine their future. So what will it be—a footnote on the history of the 20th century, or a central role in shaping the 21st century?

A CHANGING GLOBAL CONTEXT

International development NGOs are being challenged by three interrelated sets of changes in the external environment: economic globalization, the reform of foreign aid, and the evolution of southern NGOs as major actors in their own right (Edwards, Hulme, & Wallace, 1999). Globalization challenges public authority to influence events and increases the relative importance of private capital flows over official aid. As states are retrenched, more space opens up for civil society actors, and the reach of market processes and values is extended ever deeper into the way we organize to meet our nonmarket responsibilities—like health, education, culture, and caring. Globalization integrates patterns of wealth creation, social exclusion, and environmental degradation around the globe, making traditional north-south, donor-recipient relationships increasingly redundant. Increasingly, NGOs will confront a patchwork quilt of poverty, inequality, and violence both within and between societies, rather than solid and geographically distinct blocs of rich and poor—a radically different picture to the one that greeted the architects of the post–World War II system in 1945. In the 21st century, social and economic change will be driven by the interplay between markets and citizen action, regulated but not controlled by states and international authorities.

In this context, the focus of political attention is turning away from foreign aid and toward a wider agenda of international cooperation designed to fit the realities of a globalizing world (Edwards, 1999b). The widespread decline in official aid budgets is one symptom of this shift, even in Japan which had previously been immune from this trend. Post cold war, there is no real political constituency for foreign aid in the industrialized world, and—although public opinion is generally sympathetic to humanitarian assistance—there is no sign that public pressure will be sufficient to reverse this trend. Governments in the industrialized countries are moving to a different understanding of development that revolves around global security, and there is increasing concern for the software of change where the traditional instruments of foreign aid are demonstrably less effective—in building capacities,
strengthening institutions, and supporting improvements in governance. The intellectual failings of the case for foreign aid are well known (there are simply insufficient examples of a positive causal relationship between aid, growth, poverty reduction, and peace), and these failings have been further exposed by international economic trends which suggest that aid will be a marginal influence over growth in all but a handful of the poorest countries—mostly in sub-Saharan Africa—which are not integrated into global trading regimes (World Bank, 1998). As aid declines, new forms of international cooperation become increasingly important in managing the costs and benefits of integrated markets—like social chapters in trading agreements or the proposed Multilateral Agreement on Investment—heralding the arrival of an international system built around negotiated rules and standards rather than subsidized resource transfers. In this system, there will be less emphasis on NGOs as deliverers of foreign aid, and more interest in their potential role as vehicles for operationalizing this broader agenda of international cooperation.

For development NGOs based in the industrialized world, there is a third set of changes that are exacerbating the impact of these trends. Although aid budgets are declining everywhere (bar a small recent increase in the United Kingdom), the proportion of foreign aid allocated to NGOs is still rising (ActionAid, 1998; Organization for Economic Cooperation and Development [OECD], 1998). Increasingly, however, aid is flowing directly to NGOs in Africa, Asia, and Latin America rather than passing through traditional northern NGO intermediaries. This is the inevitable result of the development of NGO capacity in the south, but it has been accelerated by the desire of bilateral and multilateral aid agencies to decentralize their operations, and by increasing question marks about the value added by northern NGOs in the transfer of funds (Bebbington & Riddell, 1997; Development Assistance Committee [DAC], 1997). Because the use of northern intermediaries raises the transactions costs of aid delivery, why pay their overheads when the money could be channeled more cost-effectively directly to the south? For example, NGOs like the Bangladesh Rural Advancement Committee (BRAC) already have leading-edge expertise in areas like microfinance and possess a larger research capacity than all the Save the Children Funds added together. In addition, aid delivery and management are increasingly being penetrated by commercial private-sector companies and specialist nonprofit consultancies, which have the skills and critical mass to put together winning bids in competitive tendering (something that NGOs find very difficult to do). Overall, there is a much more critical atmosphere for development NGOs now than there was even 5 years ago. The widely praised multidonor evaluation of relief operations in Rwanda broke new ground in holding NGOs up for public scrutiny, and there is a steady stream of critical coverage in the mainstream press—most recently, a series of articles in the Chicago Tribune alleging malpractice in child sponsorship NGOs. Calls for more transparency and accountability are widespread, and proposals are afoot for an ombudsman to arbitrate in disputes between northern and southern NGOs in Asia—an idea that would have been unthink-
able in the much more NGO-friendly atmosphere of the past. In short, the future role and legitimacy of northern NGOs operating internationally has been called into question, and placed in the public arena as a justifiable topic for debate (Hulme & Edwards, 1997).

**INTERNAL PRESSURES**

International NGOs will be deeply affected by these trends in the external environment, but even in a more stable world they would be facing serious question marks about roles and relationships as a result of internal dilemmas. In part, these dilemmas stem from the normal life cycle of organizations that are 40 or 50 years old. Founded mostly in the afterglow of post–World War II internationalism, they have passed through a phase of fresh-faced youth (small, dynamic, and open to change and challenge) and have entered a period of midlife crisis when anxiety about the future is commonplace and bureaucratization sets in. At a deeper level, most NGOs are still confused about their identity. They have always been both market-based actors, providing services at a lower price than the commercial sector, and social actors, representing particular nonmarket values and interests in the political process. These two identities have radically different implications, and although they can be successfully contained within the same organization for a while, this becomes increasingly difficult as the agency grows and external pressure to perform effectively in each of these roles increases. A major part of the discomfort NGOs are experiencing stems from trying to be competitive in both the commercial marketplace and the political process at the same time. These are inherently problematic organizations, because they were never designed for the roles and relationships which are now demanded of them. Founded as charities to channel money from rich countries to poor countries, it is hardly surprising that NGOs find it difficult to adapt to a world of more equal partnerships and nonfinancial relationships.

To an extent, these tensions are inevitable, but international NGOs are facing other internal problems that could have been mitigated with clearer foresight and better management. Careful research over the past 5 years has cast doubt on many of the cherished assumptions about NGO comparative advantage—closeness to poor people, cost-effectiveness, high levels of innovation and flexibility, and so forth (Carroll, 1992; Fisher, 1998). Independent evaluations have questioned the scale and sustainability of NGO impacts, and pointed to accountability procedures that are both weak overall and distorted toward the needs of donors rather than partners or beneficiaries (DAC, 1997; Edwards & Hulme, 1992, 1995; Fowler, 1997). The record of international NGOs in capacity building—promoting strong and financially independent organizations in the south—is generally poor, despite the fashionable nature of this kind of work (Brown, 1998). And many so-called north-south NGO partnerships have been shown to be highly unequal and paternalistic—a
continuation of old patterns of dominance in new clothing (Fowler, 1998; Malhotra, 1996).

Because NGOs have underinvested in learning and research they have had little influence over mainstream thinking, though the microcredit movement has bucked this trend and international NGOs can claim some influence over official aid policy in areas such as popular participation and gender. Generally, however, they have been followers and not leaders in the great political and intellectual movements of the past 20 years. In contrast to the environmental or women’s movements, development NGOs have not been able to forge the global alliances and constituencies required to place their issues on the political agenda. Indeed, they find it increasingly difficult to cooperate even with each other (never mind other groups in civil society), because the marketplace in which they operate is increasingly competitive—private income has reached a plateau in most industrialized countries and government grants are being switched to other institutions. In this context, the institutional imperatives of growth, size, and market share tend to outweigh the developmental imperatives of partnership and cooperation, especially in winning contracts for the provision of humanitarian assistance, which are central to the continued survival of most international NGOs in their current form (Edwards, 1996). These contracts pay for the infrastructure of the organization as a whole, but reduce the amount of room for maneuver in the agency’s strategic choices. NGOs tend to import the philosophy of the market uncritically, treating development as a commodity, measuring market share as success, and equating being professional in their work with being businesslike. Many seem to have forgotten that they have much to teach the corporate sector as value-based organizations in and of themselves.

This list could be extended further—there is no shortage of criticism these days about NGOs and their work—but the point they all make is the same: international NGOs have been found wanting in key areas of their work and their relationships with others.

**STRATEGIC ISSUES**

The coming together of a changing context with these internal weaknesses has produced a range of strategic challenges for international NGOs. Some of these challenges concern the need for new roles in a world of economic globalization and declining foreign aid, and others revolve around the need for different relationships between institutions in different parts of that changing world.

- Globalization makes it imperative for NGOs to influence the shape and pattern of economic growth, by mainstreaming the social virtues into market processes—trust, cooperation, equity, and preservation of the environment. Few are prepared for this task on the scale that will be re-
quired. They are stuck in project-delivery mode, and beyond a few small-scale contacts with corporations they have little idea about how to reshape the costs and benefits of integrated markets (Zadek, 1998).

- The emergence of rules-based international cooperation (like the World Trade Organization or the Kyoto Declaration on Global Warming) opens up new avenues for NGOs to be involved in negotiating and monitoring international standards and regulations in more pluralistic systems of governance (Archibugi & Held, 1995; Held, 1995). Some NGOs are gaining valuable experience in this field, but because they do not formally represent a constituency they face question marks over the legitimacy of any expanded role in this area. Few are membership organizations and even fewer have genuinely international systems of governance and accountability (Edwards & Hulme, 1995).

- International cooperation requires a domestic constituency in the industrialized world to support global regimes and their application: pollution targets, for example, imply that consumers in the north will eventually reduce their energy use. International NGOs have always talked of the need to build constituencies, but have focused on foreign aid instead of lifestyle change and problems in the Third World rather than responsibilities at home. In any case, most are actually disinvesting in this task by cutting back their development education budgets (Foy & Helmich, 1996).

- Constituency building means creating an agenda for concern using diffuse channels over the long term, but NGOs tend to concentrate on narrow policy lobbying within the international aid system on issues of current but passing concern (more and better aid, critiques of the World Bank, etc.). These things are important, but they are too detached from ordinary people’s experience to be of much use in building public support for international cooperation. In any case, the rapid and unpredictable nature of change in the modern world implies a different sort of advocacy—with less emphasis on converting people to a preset point of view, and more stress on engaging with them in a joint search for answers to questions over which no NGO has a monopoly of wisdom—how to secure sustainable development, for example, or how to interpret universal rights in the context of diverse cultures and contexts.

- To be effective in these tasks, NGOs must be good civic actors themselves. Otherwise, they will be unable to encourage trust, cooperation, and accountability in others—whether businesses or international institutions. These are rarely the defining characteristics of the present NGO sector. NGOs cannot fulfill any of their new roles unless they agree to work together, both with other NGOs in other parts of the world and with other allies in civil society. They need to integrate themselves into wider civil society coalitions and cross-sectoral alliances that can reach further into the economic and political arena. Yet rising competition sets
them further apart, and there are few examples of genuine global alliances in which the large, aid-dependent international NGOs are active. Those that do exist—around the North American Free Trade Agreement (NAFTA), for example—tend to eschew financial relationships between members because of the distortions that money introduces into the dynamics of the alliance (Gaventa, 1998).

These questions pose huge challenges for international NGOs, and not surprisingly, many organizations tend to see them as a threat. Yet they also provide an opportunity for NGOs to reposition themselves as relevant institutions for the next century. For example, they provide a framework to move away from unequal north-south relationships, toward genuine multinational partnerships and alliances; a chance to engage with the forces that really will make a difference, instead of being marginalized as “ladies in the global soup kitchen” (Fowler, 1997); and a rationale for a coherent and exciting mission instead of an increasingly fractious and grasping foreign aid lobby. If NGOs are prepared to put their house in order and to be creative and courageous about the future, they can use these challenges as a platform on which to build a new set of roles and relationships, answering their critics in the process and demonstrating that they have the right to be treated as key players in an emerging global civil society. The question is, will they?

WAYS FORWARD

INCREMENTAL CHANGE

A number of reactions are already visible among international NGOs as they struggle to come to terms with their internal problems and a changing external context. The most common reaction is incremental change—or tinkering around the edges of current practice—to address some of the most pressing issues while not destabilizing the organization as a whole. Examples of this response include codes of conduct to strengthen accountability, more involvement of partners in evaluation and policy debates, and increased investment in institutional learning. For NGO managers these strategies make obvious sense, but they may be too little, too late. The context for international NGOs is changing very quickly, and probably quicker than most can react. As Chris Roche of OXFAM-Great Britain has said, “We can’t change a supertanker into a whitewater raft.” When there are thousands of jobs and millions of dollars at stake, change will be slow, if it comes at all.

Second, the potential for competition from the commercial sector, and from NGOs in the south, may be even greater than currently appears. All bilateral and multilateral donor agencies are committed in principle to shifting resources away from northern NGOs and into these other institutions. Not
many have done so yet (they still need CARE and the others to deliver foreign aid), but as and when they do, the impact will be dramatic. In any case, the potential for reform in many industrialized countries will quickly come up against what is possible within the limits of charity or nonprofit legislation (especially in the United Kingdom and United States, where the law is highly restrictive). If they really want to change, northern NGOs may have to accept the loss of their current status, and become a wholly different sort of institution able to adopt a more flexible range of roles in the commercial and political spheres. Finally, incremental change will produce a patchwork quilt of activities and competences among generalist NGOs constantly chasing grants and contracts, but this is unlikely to be attractive to most donors and it will certainly be ineffective in leveraging change where it matters most. For the large, unwieldy, generalist NGOs who are heavily dependent on official aid, the future looks bleak.

GLOBAL MARKETING

The alternative to incremental change is to accept the logic of more fundamental change now, so that the necessary reforms can be phased in over the medium-term—with less pain and more gain for the organization and its staff. However, it is already possible to discern two very different directions for international NGOs who want to embark on a more far-reaching change process of this kind. The first is more aggressive global marketing of the NGO’s own brand, in which the agency becomes an openly market-oriented institution intent on building its own position vis-à-vis competitors. Separate franchises or business units are spun off under the broad umbrella of the global brand, some of which may be charities and others not—OXFAM research consultants (to take a hypothetical example), or CARE-Emergency Incorporated. Finding agencies in southern countries to act as franchisees is an essential part of creating a genuine global reach in this strategy—just as McDonald’s must open restaurants in Bogota and Bangkok if it is to retain its dominant position in the global marketplace. Their products may be tailored to the local market, but all the business units share a common name and subscribe to a central set of quality standards.

In this scenario, the NGO searches constantly for new business (usually in the form of aid-funded contracts for the provision of humanitarian assistance and project implementation) and new sources of fund-raising, starting with markets—like Brazil or India—which seem to hold out more promise of success because they have a burgeoning middle class. Impact is measured in terms of size and deliverables, such as numbers of beneficiaries or sponsors. Legitimacy is based on transparency in achieving results, and legal compliance in each of the markets in which the NGO operates. The focus of attention—as in any market institution—is the organization and its affiliates, not the capacity of other organizations outside the network. These agencies may
invest in learning and lobbying, but this is driven as much by the search for profile and competitive edge as by a spirit of cooperation.

Is this a viable route into the future for international NGOs? It can certainly create a clearer focus for the organization and a real bottom line against which decisions can be made, but there are dangers in becoming wedded to the market in this way. For one thing, the international aid business is a business in decline, so even if NGOs are successful they may not be able to guarantee their survival if the supply of foreign aid continues to fall. For another, a marketplace is a marketplace, and once the playing field for competitive tendering is leveled then NGOs may find themselves relatively disadvantaged against alternative suppliers in the commercial sector and among NGOs with a lower cost base. As in all markets, there will be a tendency toward monopoly (or oligopoly at least) as the largest agencies take business from—and eventually take over—the smaller ones. Market competition requires corners to be cut, producing decisions over fund-raising and operations which may conflict with core values and quality standards. Most important, however large the organization becomes, it is unlikely to make much of an impact on the structural factors that cause poverty and injustice, because attacking these things is not something that can be organized according to market principles.

NEW SOCIAL MOVEMENTS, LINKING THE LOCAL WITH THE GLOBAL

There is, however, a second route to more fundamental change. In this scenario, northern NGOs become equal members of emerging international movements, coalescing around common goals and values but working synergistically to achieve and advance them. The priority goes to working in one’s own society, and working from it to support the efforts of others—building capacity in different parts of the movement, making space for weaker members to become strong, coming together and breaking apart according to context and circumstance. This is the traditional role of international NGOs, played out much more forcefully and strategically in the context of globalization and shifting north-south relations. Each member of the movement concentrates on its area of comparative advantage, and has an equal voice in negotiating solutions to the dilemmas of governance, accountability, management, and communications in multilayered international alliances (Brown & Fox, 1998; Keck & Sikkink, 1998).

In this approach, impact comes not from the size or market share of individual NGOs, but from the multiplier effect of working together and leveraging change in much larger structures—markets, businesses, politics, ideas, and attitudes. Legitimacy is derived from the NGO’s social roots (its domestic constituency) and from demonstrable adherence to the values that hold the movement together. There is no intention of building up ever-larger NGOs, because the overall objective is to build support for the cause, not the institutions that promote it.
This strategy has a number of attractions for international NGOs. By sinking roots deeper into their own societies, they can generate a reliable, independent supporter base for their changing roles and relationships, and legitimize their position in an emerging international civil society. They no longer speak on behalf of poor people in other countries—only for their own constituency. And they generate the potential to be much more influential because of the multiplier effect that comes from activating a concerned citizenry to work for change in a wide range of settings. Grassroots projects, and financial support to partners, are not abandoned in this model. If there is a problem with village food security it would be odd to start by lobbying western supermarket chains. The real question is who does what best, and how different parts of the problem are addressed by different parts of the movement in a coordinated fashion. In that respect there is no logic to a continued operational role in other people’s societies for NGOs that are based in and governed from the industrialized world. However, because this implies a less central role for northern NGOs overall, it is not a strategy that will promote their own institutional growth—mergers, strategic alliances, and joint activities are more likely. Thus far, few have taken place (and—in contrast to domestic nonprofits in industrialized countries—NGOs rarely consider these options seriously).

CONCLUSION

The different strategies mapped out above are not, of course, mutually exclusive. Most international NGOs do not fall conveniently into one category or another—they constantly try to combine elements of both, in an echo of the confusion they have always faced about their roles and identity as market-based or social actors. Those in between these two identities end up by managing a muddle in the middle, desperately trying to be innovative in tackling fundamental problems while holding on to traditional ways of raising and spending their money. This is an attractive strategy for those who do not want to rock the boat too much (which means most charity trustees and directors), but is unlikely to remain viable beyond the next 10 or 20 years. We cannot fudge our way into the 21st century.

My contention is that this balancing act is insufficient to guarantee a secure and effective future in a rapidly changing world, and so all NGOs will be forced—sooner or later—to make a clearer choice about what they are and where they want to go. At present, international NGOs sense the need for radical change but are wary of the institutional consequences, so they try to defend the values-based approach of a social movement inside a framework that drives the organization further into the marketplace (Edwards, 1998). It may be that these organizations are already so large and cumbersome that radical changes are beyond them, in which case new organizations (both NGOs and others) will emerge to replace them over time. This is already happening with
the rise of more flexible forms of organization that use electronic communication to achieve economies of cooperation without building up a large bureaucracy—many new think tanks and knowledge-based networks work in this way (Kotter, 1998; Senge, 1998). In any case, each NGO’s response to the changing context will be different, dependent on history and tradition, the character of its supporter base, and its own particular strengths and weaknesses. There are going to be many routes into the future for NGOs, and in a sense this does not matter—so long as all NGOs are transparent and accountable for the routes they do choose. Those that cannot justify their decisions to a sceptical public will eventually go to the wall.

The global market approach described above offers the prospect of organizational growth with little impact, but only while the supply of foreign aid lasts and NGOs remain competitive against alternative providers. The second approach—global social movements—promises more impact but little growth, because constituency building is less attractive to donors and the focus is on building capacities and relationships with others, not the organization itself. This poses an acute dilemma for NGO staff and trustees, none of whom wants to be first to see their organization shrink, cede control over governance to more democratic structures, or risk the wrath of charity regulators in becoming more active, socially and politically. Nevertheless, the decisions they make on these questions will determine whether international NGOs are able to translate the gains of the past 10 years into a movement of global civic significance.

There is no reason why international NGOs should come to a consensus on the answers to these questions—the diversity of contexts and organizational characteristics makes uniformity of direction very unlikely. However, the responsibility to make strategic choices in favor of greater impact does remain as a challenge for the sector as a whole. The problem is—with a few exceptions—that NGOs lack the analytical capacity to make these choices. They have a tradition of underinvestment in learning, and weak links with the research community (Edwards, 1997). Conversely, international NGOs have been poorly served by academics, especially those who specialize in third-sector studies. Most lack the broad grounding in international development theory and practice that is required to situate organizational questions in the proper context. As I have argued elsewhere, there is an urgent need to mainstream crossboundary work in two areas: first, between development studies and third-sector studies; and second, between theory and practice in both (Edwards, 1999a; Fowler, 1998; Lewis, 1998). This is a challenge to all concerned. There is no need to suspend critical judgement to facilitate collaboration—alliances between different disciplines and between researchers and practitioners add value to what each already has to offer. However, it does require more openness to working in unfamiliar territory, different institutional structures and incentives, and more humility all around. Combining action and understanding in this way is the key to achieving the NGO mission for social transformation and to the training of a new generation of reflective
practitioners who will carry those transformations into the future. This issue of the *Nonprofit and Voluntary Sector Quarterly* is a small step in the right direction.

References


*International Development NGOs*

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