

SUSTAINABILITY AND NON-GOVERNMENTAL ORGANIZATIONS: AN OVERVIEW

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I. Introduction

Since Non-Governmental Organizations (NGOs) perform vital development functions, sustainability of the flows of goods and services they provide is important to their beneficiaries, to A.I.D. and to USAID Missions that fund NGO activities. Problems of sustaining NGO development benefits have received less study than problems of sustaining governmental or private enterprise benefits. At the same time, NGOs are continuing and growing in donor favor as instruments to provide a wide range of development services. In recent years Congress and A.I.D. have encouraged expansion of NGO efforts in such areas as microenterprises, business organizations, the environment, and democratic participation. All of these represent high priority programs.

Sustainability of NGOs raises important issues for NGOs themselves, for LDC governments, for A.I.D. and other official donors, and for the groups and individuals that make monetary or in-kind contributions. NGOs have key roles in providing development goods and services both for relief and humanitarian purposes and for "sustainable development" purposes. In light of this,

- * What issues should A.I.D. and the Missions consider in supporting NGOs?
- * How can NGOs achieve enhanced financial viability so that more of their benefits can be sustained?

This paper aspires only to identify relevant issues and perspectives related to these questions, not to offer solutions. The latter have to be tailored to NGO roles, objectives, funding sources, and operations in specific settings.

The observations below provide some perspectives on NGO development roles, on NGO financial viability and strategic management, and on A.I.D. policies and programs. The paper is intended to provide a preliminary view of how the topic of NGO sustainability can be dealt with in Asian Countries.

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II. NGO Roles and Functions

The development and humanitarian roles in producing specified sectoral goods and services differ for the private (market) sector, the government, and NGOs. Each of the three modes of development action has its own comparative advantage. Often the roles can be complementary; sometimes they can be collaborative through "partnerships."

NGO roles in relief need not be sustainable, since flows of goods and services to ameliorate disasters and emergencies are not necessarily intended to be continued. Humanitarian assistance programs which benefit very poor people, such as vaccination of children, food for work, control of epidemics, etc., should be treated from a sustainability point of view, because such programs meet continuing needs. The prospects for substantial cost recovery in NGO humanitarian programs may be limited, but other reliable sources of financing need to be found if the services are to be continued and to serve those in need.

NGO roles in sectoral development programs should be defined in terms of the specific social or economic functions they perform and the ability of beneficiaries to contribute. What specific functions fit NGOs' comparative advantage? What should be the boundaries between NGO and governmental or private sector functions? (For example, should NGOs run health clinics? Sell agricultural inputs? Compete with firms in production and distribution of private goods and services? Conduct policy analysis? Engage in policy advocacy? Enter politics?)

Just as their respective roles and functions will differ, the means that NGOs, for-profit enterprises, and governments use to confront problems of continuing financial viability will differ. Success for each will clearly include astute financial management, but go beyond finance to include strategic choice and management of development functions, operating efficiency, and client/customer relations. Also, since NGOs operate across a wide spectrum of development functions, strategies for achieving financial viability will differ greatly among different types of NGOs.

In any society that values pluralism, NGOs should have very broad scope to choose the roles and functions they wish to perform. However, the incentives and constraints indigenous governments provide will be significant in determining what roles they are most suited to perform. For example, recognition in law, registration requirements, tax provisions, and the presence or absence of government funding will all substantially affect the roles and functions that NGOs choose to perform, and their continuing financial viability.

III. A.I.D. Policy and Support for NGOs

How far should donors go in supporting the expansion of NGO development roles and functions beyond their original comparative advantage in relief and humanitarian assistance? Should and will donor and indigenous governmental support, once provided, continue as a reliable element of NGO finance? These are unanswered and too often unexamined questions.

A.I.D. support of new NGO functions is growing in part because NGOs have a comparative advantage for many functions they perform, and they often do a good job of performing them.² A.I.D. support is also growing because PVOs represent influential Executive Branch and Congressional constituents, and are articulate representatives of their interests.

NGO services are sometimes less costly than those of consulting firms and other private sector, not-for profit, or university assistance instruments, especially given their own-source contributions. But the perceived difference is not always adjusted for the fact that, like universities, they pay no taxes. Neither are the differences commonly tested by strict measurements of economic utility or comparisons of service cost-effectiveness. (This is not to suggest that the comparisons would necessarily be unfavorable to NGOs, only that they are seldom attempted.)

"Grass roots development" or "participatory programs" advanced by NGOs are often seen as good for their own sake. But the recurrent unit costs of organizing village action or assisting poor people are staggering if the assistance does not include means to increase self-sufficiency and achieve multiplier and replication effects. A concern for sustainable development demands attention to such unit costs and to means through which they might be reduced or paid by those who are able to pay.

In many development sectors there are key roles for NGOs. NGOs can perform functions that are less driven by profit than businesses, or by politics than governments. NGOs can emphasize social benefits and the delivery of goods and services to poor and disadvantaged people more readily than businesses. They can focus on their chosen priorities, functions and tasks more sharply than ~~governments~~ since governments must try to reconcile many competing

² A 1978 study for the Office of Management and Budget by Elliot Schwartz, "Private and Voluntary Organizations in Foreign Aid," rated the PVOs favorably on effectiveness. The study was done toward the end of the "Basic Human Needs" period in U.S. foreign assistance, during which the comparative advantage of the NGOs was stronger than for other periods.

interests. NGOs are often less enmeshed in bureaucratic procedures than governments or large corporations, and usually strongly committed to their mission.

A.I.D. is an important source of funding for NGOs operating in Asia. Funds go to both U.S. and indigenous NGOs, including partnerships between them. Since A.I.D. prefers the term "private and voluntary organizations" (PVOs) this paper uses that term interchangeably with "NGOs."

A.I.D. funding for PVOs flows primarily through USAID channels. Regional Bureaus and the Office of Private and Voluntary Cooperation also provide funding, the latter through seven different grant programs. Field projects (sometimes regional projects) that fund PVOs require a cash or in-kind contribution of at least 25 percent from non-A.I.D. sources. Centrally-funded NGO grants also have non-A.I.D. funding requirements. Matching grants require the PVO to put up 50 percent of the cost (in cash); institutional support grants require 25 percent.

NGO roles performed with A.I.D. funding encompass a wide range of humanitarian and development activities. The 1992 Report of A.I.D.'s central Office of Private and Voluntary Cooperation³ distinguishes between the historic origins and continuing role of PVOs in humanitarian assistance, and the more recent emphasis on development assistance. The humanitarian role, covering disaster and food assistance, and assistance to serve basic human needs, has evolved toward grass-roots development assistance. The latter begins with PVO efforts to foster sustainable self-help efforts at the community level and to channel people-to-people projects that benefit poor people. The Report states, "PVOs are increasingly contributing their valuable resources to long-term development activities that A.I.D. considers crucial to improving conditions in the developing world: promoting economic growth that is broad-based and sustainable and also ensures a safe environment; fostering human capacity development, particularly the attainment of health and educational levels required for all citizens to contribute to, and benefit from, economic development; and encouraging pluralism and democratic institutions."

The 1992 Report cites several trends and priorities in the Agency's PVO funding:

- ◆ Building the capacities of indigenous NGOs in the field through training, technical assistance, and support to local

³ "Report of American Voluntary Agencies Engaged in Overseas Relief and Development Registered with the Agency for International Development," Bureau for Food and Humanitarian Assistance, A.I.D.

affiliates and community organizations;

- ◆ Working with the informal sector, particularly microenterprises, to build strong, free-market economies;
- ◆ Preserving the environment for future generations, while at the same time bringing about economic development and an equitable sharing of resources here and now; and
- ◆ Responding to fledgling democracies around the world and helping ensure that the trend toward democratization is sustained.

The Clinton Administration policy calls for increased work with indigenous NGOs:

In implementing a participatory approach to development cooperation, A.I.D. will develop goals and funding strategies in consultation with local non-governmental organizations (NGOs) as well as governments. A.I.D. will work with governments to help and encourage them to collaborate more effectively with NGOs and other civic associations.

A strategy must be implemented which takes advantage of a major instrument for people's participation -- indigenous non-governmental organizations. . . . Local participation ensures a far more sustainable approach than the traditional imposition of expensive, often times unpopular, projects designed from afar by experts and implemented by costly consultants who have little local knowledge or cultural sensitivity.⁴

USAID funding of NGO activities is usually provided through PVO co-financing projects or through NGO participation in a sectoral project.

One example of PVO co-financing is the USAID/Jakarta Strengthening Institutional Development Project (PVO co-financing III). The project provides grants to PVOs in sectors such as natural resource management, maternal and child health, informal sector entrepreneurship, and broad based participation in development.

⁴ Report of the Wharton Task Force to Reform AID-Related Assistance, Washington, D.C., Department of State, 1993, pp. 33-34; 56. A.I.D. Administrator Atwood's Statement before the Subcommittee on International Economic Policy, Trade, Oceans and Environment of the Senate Committee on Foreign Relations, July 14, 1993 added (p.10): "U.S. NGOs and PVOs--through their connections with local counterparts--are clearly critical to our success."

The project also provides TA to PVOs in basic management skills such as financial operations, long range planning, mobilization of local resources, organizational development, and executive leadership. PVO co-financing projects are also found in the portfolios of USAID/Kathmandu, USAID/Colombo, USAID/Phnom Phen and USAID/Kabul.

An example of NGO participation in a sectoral project is the USAID/Dhaka Family Planning and Health Services Project. This large project supports, among other things, the family planning activities of six indigenous and U.S. NGOs involved in the provision of community based and other family planning services. A second example in a different sector is the USAID/Dhaka Institutional Strengthening of Civic Participation Project. It features a grant to the Asia Foundation to strengthen public and private sector institutions that encourage civic participation in Bangladesh.

As these examples suggest, NGOs of varying kinds with varying missions are involved in Asian development work with A.I.D. funding. These differences in NGO type and mission, and especially differences in funding sources, must be taken into account in helping NGOs to achieve financial viability and to strengthen their contribution to sustainable development.

Systematic sectoral planning and programming by A.I.D. missions requires examination of alternative roles and partnership arrangements for NGOs, and allocation of funds to support NGO activities in roles that are strategic to program objectives. Since NGOs do have key development roles, the benefits they provide need to be sustained until such benefits are no longer needed--in many cases indefinitely. And, since current development needs served by NGOs exceed available resources, alternative means these organizations might use to augment revenue and increase efficiency deserve attention.

For the foreseeable future much NGO work will continue to be done by U.S. NGOs. The evolution of sustainable indigenous NGO roles and functions will, therefore, rely more and more on: a) U.S.-Indigenous NGO partnerships; b) A.I.D. funding of indigenous NGO activities, and c) Strengthening of strategic and financial management performance of indigenous NGOs with non-A.I.D. funding sources.

IV. Sustaining NGO Benefits in Asia--Six Key Issues

1. Roles and Functions

As noted above, in pluralistic societies NGOs should have broad scope to choose their own roles and functions. Indigenous laws,

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incentives, and policies will help shape the roles and functions NGOs choose. Similarly, donor policies, and funding decisions (including matching requirements) can have a substantial effect on the roles and functions of both international and indigenous NGOs.

2. Relationships with Host Country Governments

NGOs cannot avoid interaction with the governments of the country in which they are working. Such interaction differs for international and indigenous NGOs. Depending on their objectives and on government policy and attitudes, NGOs may be seen as threats or as vital partners in development. Quite apart from the possibility of providing funds, governments can facilitate or place obstacles in the way of NGO activities and NGO sustainability. In many cases NGO working relations with local governments can be closer and more productive than those with central governments.

3. International vs. Indigenous NGOs

Sustaining flows of host country benefits produced by U.S. or other international NGOs is a different matter than sustaining flows of benefits produced by indigenous NGOs. A NGO sustainability strategy should assume long-term continuance of services by U.S. NGOs, especially in the poorer countries. Private fund-raising for direct support of indigenous NGOs in the U.S. and other wealthy countries can be expanded. But such fund-raising will face greater difficulties in achieving contributors' confidence in and identification with indigenous NGOs as contrasted to international NGOs.

A.I.D.'s long-term NGO strategy should and does include assistance to help create and sustain flows of benefits provided by indigenous NGOs from indigenous funds. The transition to more action by indigenous NGOs will be aided by partnerships between U.S. and indigenous NGOs, and by USAID and private U.S. funding of indigenous NGOs, including funding for capacity-building. Expectations about prospects for indigenous NGO funding should arise from analysis of the current situation in a particular country. While most countries welcome development contributions of international NGOs in the short-to-medium run, they prefer development of indigenous NGOs in the longer run.

4. Sources of Funding

The strong government-NGO partnership that has evolved in the United States--especially since the 1960s--has produced substantial federal, state, and local government funding for NGOs. That same partnership has also produced expectations of continued and increasing governmental funding for NGO activities, including

international development activities.⁵ Given current fiscal constraints at all levels of U.S. government, however, the fulfillment of such expectations over the next few years is an open question. U.S. NGOs, while supporting A.I.D. funding of indigenous NGOs in principle, may be expected to prefer A.I.D. funding of U.S. NGOs and channeling of A.I.D. funding for indigenous NGOs through U.S. NGOs.

Asian NGOs will benefit greatly in the short run by funding channeled through partnership arrangements with U.S. NGOs. In the longer run they will need to develop more autonomous funding arrangements.⁶ Such arrangements should include increases in direct provision of funds by 1) international donors, 2) private contributors at home and abroad, and 3) indigenous governments. Also important will be increased efforts to generate income by 1) charging fees for services; 2) gradually building up capital through special funds, foundation grants or endowments; and 3) using various forms of entrepreneurship and partnerships.

For Asian countries, indigenous government funding of NGOs may well grow in coming years, but from a very low base as compared to the U.S. Given the fiscal pressures on governments in the region, indigenous NGOs would be prudent in assuming that their governments will not soon become a major source of funding.

Whether in the U.S. or in Asian countries, certain types of NGOs have substantial scope for cost-recovery, self-financing or entrepreneurial revenue. For example, business and professional organizations may charge membership fees, and can sometimes collect fees for provision of information. NGOs engaged in social marketing can recover a portion of their costs. Non-profit organizations engaged in training may support all or part of their costs through fees. A diversity of funding sources is good insurance against financial disaster should a single or major revenue source be lost.

In rough proportion to the funds they provide, USAID field programs should pay as much attention to NGO funding sources, financial

⁵ From 1972 to 1981 the PVO share of AID's Development Assistance Budget rose from 1.5 percent to 13 percent, and continued to rise during the 1980s. Landrum R. Bolling, Private Foreign Aid: U.S. Philanthropy for Relief and Development. Boulder, CO: Westview Press, 1982, p. 186.

⁶ Similarly, LDC governments which welcome participation of U.S. NGOs in development activities in the short and mid-terms intend to rely on their own indigenous NGOs for the long term. Bolling, ibid., p. 236.

viability, efficiency and sustainability as to similar factors in indigenous private sector or governmental programs. As some NGO representatives themselves assert, the humanitarian and social agendas that have characterized NGOs should not exempt them from the requirements of rigorous cost-effectiveness analysis and sound financial management.⁷

5. Relationships with International Donors

Because international donors are a major funding source, both U.S. and indigenous NGOs must decide what kind of relationship they wish to develop with A.I.D. and other international donors, and vice versa. To maintain some autonomy in pursuing their own objectives, NGOs need to limit their reliance on donor funding.

NGOs can influence international donors as well as the other way round. The relationship is not just one-way.⁸

6. Relationships with Group and Individual Contributors

U.S. experience provides at least a potential model for the evolution of NGOs in Asian countries. Of course, different cultures, religions, and political systems will have substantial impact on such evolution.

In the U.S., churches and groups/individuals with religious affiliation are easily the largest sources of charitable funding. Such groups may provide humanitarian assistance themselves or channel it through affiliated NGOs. NGOs that receive church funding often find it a reliable and consistent means to maintain financial viability.

The Aga Khan Foundation provides a non-U.S. illustration of the strength of a NGO that benefits from both religious connections and a wealthy patron. The Foundation promotes social development in low income countries of Asia and Africa by funding programs in health, education, and rural development. The Foundation selects grantees and beneficiaries without regard to race, religion, or political persuasion. Branches of this Geneva-based organization operate in India, Pakistan and Bangladesh as well as the U.S. and other countries.

⁷ Margaret Bowman et al, Measuring our Impact: Determining Cost-Effectiveness of Non-Governmental Organization Development Projects. Norwalk, CT: TechnoServe (Findings, '89).

⁸ As to U.S. NGO efforts to influence government policy, see Belling, ibid., pp. 194-205.

In the U.S. great advances in NGO action and sustainability have also been achieved by the commitment of corporate enterprises and wealthy families to socioeconomic causes. Contributions to philanthropy and development by corporations and foundations are a familiar and vital source of support to charitable and civic causes. NGOs that rely on such benefactors must persuade the latter of the merit of their objectives or adapt their objectives to benefactors' preferences.⁹

Over the past 30 years community action has been a domain of substantial growth in U.S. NGO programs and NGO-government partnerships. Local governments (cities, counties) and communities are often partners and contributors to NGO funding.¹⁰ Asian countries may well follow a similar path.

V. Toward Strategic Management by NGOs

In an insightful analysis of "The Management Needs of Private Voluntary Organizations" in 1984, C. Stark Biddle identified the following common priority management improvement needs of the PVOs sampled:¹¹

- ◆ Management of fund raising
- ◆ Financial planning
- ◆ Management of Human Resources
- ◆ Institutional planning
- ◆ Management of Board Relations

⁹ Brief descriptions of the extensive involvement of selected U.S. foundations in international activities is found in Bolling, op cit., Chapter 4.

¹⁰ A recent interesting account of local government-NGO partnerships in community-based development organizations (nonprofit housing and commercial developers) is Herbert J. Rubin, "Understanding the Ethos of Community-Based Development: Ethnographic Description for Public Administrators," Public Administration Review, September/October 1993, Vol. 53, No.5., pp. 428-437.

¹¹ C. Stark Biddle, "The Management Needs of Private Voluntary Organizations," A report prepared for the Office of Private and Voluntary Cooperation, Agency for International Development, May 2, 1984.

Biddle also acknowledged the excellent work that many PVOs do, and noted the continuing evolution of leadership style and management practices among PVOs. Still, the report establishes that many NGOs could improve their financial viability and effectiveness (i.e., their sustainability) through improved management.

One simple way to lay out benefit sustainability needs for NGOs is provided by a four-factor framework used by the University of Maryland, and supported by Asia and Near East Bureau of A.I.D. Any organization wishing to achieve long term viability needs to focus on:

- ◆ Resources (financial, human, technological, and natural)
- ◆ Sustainability Management (sustainability objectives and plans, participation, appropriate structure, adaptation)
- ◆ Client Responsive Services (public value, private value, marketing)
- ◆ A Supportive External Incentive Structure (policy, legal, bureaucratic, and social/economic/political)

Gross revenue is important, but even more important is the income left over to support operations after expenses are paid. NGOs that hold down administrative expenses--other things being equal--can achieve substantially more development impact. The same is true of NGOs that find ways to recover some of their operating and service costs.

NGO income often depends on fundraising. Private fundraising is a difficult enterprise, even in the U.S. As one observer of private foreign aid put it:

The categories of [U.S.] private sources of funds are fairly obvious. Foundation, profit-making corporations, churches, wealthy individuals, and the general public of small givers all play significant roles in providing the needed financing. All their gifts taken together, however, fall far short of what is needed to sustain the private programs of relief and development abroad.

.....
Motivating people to give and organizing the solicitation effort is a major enterprise in American society; it is both a capricious art form and an arcane science. . . Fundraising among the general public offers enormous challenges and problems for churches and PVOs. Among them are high costs, competition, public apathy, hostility and ignorance, and never-ending uncertainty about what methods of fundraising

succeed best.¹²

In recent years U.S. NGOs have become very sophisticated regarding financial mechanisms and fund-raising techniques that can be used to provide more support and increase financial viability. Among these are wills, insurance policies, trusts, corporate matching of employee contributions, telethons, rock concerts, etc.

In Asian countries with much lower levels of wealth, NGO fundraising is an even greater challenge than in the U.S. Nonetheless, as the numerous and vocal indigenous NGOs in India illustrate, entrepreneurial NGO fundraisers can succeed. In Asia as elsewhere, NGOs should take advantage of cost reduction, cost recovery, and money-making strategies whenever appropriate so that fundraising and other income goes further in terms of goods and services provided.

An integrating framework for planning and action that NGOs have used to improve their prospects for financial viability is "strategic management" (sometimes called "strategic planning."¹³

Strategic management helps a good deal in addressing NGO needs in the category that Biddle refers to (above) as "institutional planning," but it also addresses the whole range of benefit sustainability requirements identified in the University of Maryland and ANE Bureau framework. Strategic management asks organizations and their leaders to answer the questions, "In the long term, what business are we in?" and "What business should we

¹² Bolling, *ibid.*, pp. 34, 41. Some U.S. NGOs have been quite progressive in their use of communications media for fundraising. "Use of the media by World Vision has probably been more extensive than by any other PVO. It has filmed a number of one-hour documentaries about its work and bought substantial amounts of air time to broadcast them to vast numbers of American television viewers. Sometimes it puts on a five-hour 'telethon,' in which it presents a series of documentaries about its work in various parts of the world. Always, World Vision unabashedly makes a vigorous appeal for money."- *Ibid.* p. 177.

¹³ See Benjamin L. Crosby, "Strategic Planning and Strategic Management," Technical Notes, Implementing Policy Change Project, No. 1, October 1991. Crosby cites eight publications dealing with strategic management dealing with public and nonprofit organizations. See also Beverly R. Hoffmann, "How Fundraising Flows From Strategic Planning," Access to Respite Care and Help, National Resource Center Coordinating Office, Chapel Hill, NC, May, 1992.

be in?" It addresses needs in the categories of financial planning, income, fund raising, and financial management. It addresses needs in the categories of human resources, board relations, and operating efficiency. It accommodates consideration of demand for goods and services, identification of risks in the environment, and anticipation of problems and opportunities. It provides a framework for planning and action to systematically address benefit sustainability needs of NGOs.

VI. Conclusions

NGOs have key roles and functions to perform in relief, humanitarian assistance and development assistance. A.I.D. has encouraged expansion of NGO development assistance roles in areas such as microenterprise, business organizations, democratic participation, and the environment. The State Department and A.I.D. are placing more emphasis on indigenous NGOs.

As the competition for available resources increases in the U.S. and Asia, international and indigenous NGOs will need to incorporate new concepts and approach in order to enhance their prospects for benefit sustainability. Strategic management provides a useful framework for planning and action that NGOs can use to improve benefit sustainability, and their contribution to financially sustainable development.

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