

Too Close For Comfort? The Impact of Official Aid on Nongovernmental Organizations

Michael Edwards
Save the Children, London, U. K.

*David Hulme**
University of Manchester, U. K.

Summary

In promoting a "New Policy Agenda," bilateral and multilateral donor agencies are keen to finance nongovernmental organizations (NGOs) and grassroots organizations (GROs) on the grounds of their economic efficiency and contribution to "good governance." This paper reviews the impact of this trend on NGO/GRO programming, performance, legitimacy and accountability. It finds that much of the case for emphasizing the role of NGOs/GROs rests on ideological grounds rather than empirical verification. In addition, though the evidence is inconclusive, there are signs that greater dependence on official funding may compromise NGO/GRO performance in key areas, distort accountability, and weaken legitimacy.

Introduction

In recent years, and especially since the end of the Cold War in 1989, bilateral and multilateral donor agencies have pursued a "New Policy Agenda" which gives renewed prominence to the roles of nongovernmental organizations (NGOs) and grassroots organizations (GROs) in poverty alleviation, social welfare, and the development of "civil society" (Robinson, 1993). [1] The details of this policy agenda vary from one donor agency to another. There are significant differences between, for example, the World Bank and the European bilateral agencies, and among the bilaterals (Moore, 1993). In all cases, however, two elements dominate. The first is economic markets and private sector initiatives are seen as the most efficient mechanisms for achieving economic growth, producing goods, and providing services. Even if they do this imperfectly the argument is that "[i]mperfect markets are better than imperfect states" (Colcough, 1991, p. 7). NGOs are viewed by many official agencies and members of the public as more efficient and cost-effective service providers than governments, giving better value-for-money, especially in reaching poor people (Meyer, 1992; Sollis, 1992; Vivian, 1994). NGOs (especially the churches) have long provided services in health and education, but this was usually by default rather than design, as governments in Africa and Asia lacked the resources to provide universal coverage. In the New Policy Agenda NGOs are seen as a preferred channel for social welfare and this is a fundamental change. [2]

The second element in the New Policy Agenda is political: "good (I.e. democratic) governance" is seen as essential for a healthy economy, even though the evidence underlying this claim is mixed (Moore, 1993; Healey and Robinson, 1992). NGOs and GROs are awarded a key role in the democratization process by bilateral and multilateral agencies, as witness recent policy statements from the World Bank (1994)

Reproduced with permission from World Development, Volume 24, Michael Edwards and David Hulme, "Too Close for Comfort? The Impact of Official Aid on Nongovernmental Organizations" pp. 961-973. © 1996 Elsevier Science Ltd, The Boulevard, Langford Lane, Kidlington OX5 1GB, UK.

and the British Overseas Development Administration (ODA, 1993) among others. They are seen as an integral component of a thriving civil society and an essential counterweight to state power, opening up channels of communication and participation, providing training grounds for activists, and promoting pluralism. This role has been documented particularly clearly in Latin America (Loveman, 1992; Lehmann, 1990) and is supported by many NGOs and NGO analysts themselves, though delinked from the priorities of the donors (Korten, 1990; Clark, 1991). Salamon (1993, p. 1) goes so far as to claim that a veritable "associational revolution" now seems underway at the global level that may constitute as significant a social and political development of the latter twentieth century as the rise of the nation state was of the latter nineteenth century.

The Rise and Rise of NGOS

The prominence awarded to NGOs and GROs as implementers of the two dimensions of the New Policy Agenda has led official agencies to channel increasing amounts of money to and through them. Although the data vary considerably from country to country, two trends are visible. First, the proportion of total bilateral aid channeled through NGOs is increasing. The proportion of total aid from member countries of the Organization for Economic Cooperation and Development (OECD) channeled through NGOs rose from 0.7 percent in 1975 to 3.6 percent in 1985, and at least 5 percent in 1993-94 [3], some US\$2.3 billion in absolute terms (OECD, 1988; 1994; 1995). For some bilateral donors the figure is much higher; for example, 30 percent of total Swedish aid was channeled through NGOs in 1994 (OECD, 1995). Second, and perhaps more significantly, individual NGOs are becoming more dependent on official aid, especially during the last year or two when there has been a discernible flattening-out of voluntary income from the public in many Northern countries. For example, the five largest development NGOs in the United Kingdom all show a significantly rising trend, with levels of dependence on government grants oscillating between 18 percent and 52 percent in 1994, up from between 7 percent and 15 percent 10 years earlier. [4] Levels of dependence are much higher in continental Europe and in North America; for example, it is common to find government grants making up between 50 percent and 90 percent of the budgets of major NGOs in Scandinavia, the Netherlands and Canada, most of which is eventually passed on to NGOs in the South.

Figures for southern NGOs are harder to come by, but the explosive growth of NGOs in many countries is clearly related to the availability of official funding (Fowler, 1991; Constantino-David, 1992). In Nepal the number of NGOs registers with the governments increased from 220 in 1990 to 1,210 in 1993 during a donor "spending spree" (Rademacher and Tamang, 1993, p. 34). In Tunisia there were 5,186 registered NGOs in 1991 as opposed to 1,886 only three years earlier (Marzouk, 1996). Direct funding of Southern NGOs by bilateral and multilateral donors (by-passing the traditional Northern NGO route) is also increasing (Clark, 1993; Bebbington and Riddell, 1996). For example, the British Overseas Development Administration (ODA) is already funding over 450 local NGOs in India directly, and a similar number in Bangladesh (Good, 1994). Rapid growth in NGO numbers has been accompanied in some countries (particularly South Asia) by a trend toward expansion in the size of individual NGOs and NGO programs on a scale not witnessed before. NGOs such as BRAC and PROSHIKA in Bangladesh, Sarvodaya and SANASA in Sri Lanka, and SEW and the Working Women's Forum in India, each work with millions of people in thousands of villages. BRAC, for

example, has more than 10,000 staff, covers 15,000 villages, and plans to expand still further to work with three million people and with children in over 100,000 schools (Aga Khan Foundation/NOVIB, 1993, p. 7 and 16). The Orangi Pilot Project in Karachi (Pakistan) has assisted over 72,000 families to improve their sanitation and sewerage systems (Hasan, 1993). SEWA has over one million clients in its low-cost credit program, while Sarvodaya works in over 7,000 villages with more than half a million people (Edwards and Hulme, 1994). Official funding has been a significant factor in supporting this expansion: for example, most of the Working Women's Forum budget originates from UNFPA (Ramesh, 1995) and major inputs to other South Asian NGOs have come from European and Canadian bilateral agencies, and most recently from the World Bank (Hodson, 1996).

NGO growth and official funding of NGOs are not new phenomena, but the trends outlined above do give rise to important questions concerning NGO performance and accountability, NGO-state relations, and the ability of NGOs to act independently in pursuing their goals. Specifically, we hypothesize that official funding:

- 1) encourages NGOs to become providers of social and economic services on a much larger scale than hitherto, even though their long-term comparative advantage in this field is doubtful;
- 2) compromises the performance of NGOs and GROs in other areas of development activity such as institutional development and advocacy;
- 3) weakens the legitimacy of NGOs and GROs as independent actors in society;
- 4) distorts the accountability of NGOs and GROs away from grassroots and internal constituencies, and overemphasizes short-term, quantitative outputs.

If these hypotheses are true then this must cast doubt on the ability of NGOs and GROs to be effective vehicles for the delivery of the New Policy Agenda and its long-term aim of sustainable poverty alleviation. In relation to these hypotheses and on the basis of a review of the available literature, this paper aims to do two things: first, to outline why in theoretical terms current trends might give cause for concern; second, to evaluate whether these concerns are born out in practice. Before going any further two caveats are essential. First, although we have reviewed a very considerable literature for this paper, much of what has been written is anecdotal, produced within the NGO community, and based on small, selective samples; independent and rigorous comparative research on and about NGOs and GROs is still rather rare, and it is therefore dangerous to generalize from such scanty material. Second, it is difficult to disaggregate the impact of official funding from preexisting or coexisting trends (such as internally driven growth and weak performance measurement and accountability). Organizational growth, increasing dependence on official aid, and a focus on the provision of social welfare services, are not necessarily related to each other. Therefore, the paper goes to some lengths to lay out the general background concerning NGO performance and accountability, to provide some basic context for the discussion of official funding which follows. The paper aims to provide an overview of current trends rather than to present detailed case studies. Case material is, however, cited at key points in the paper and included in the references.

NGO Programming and Performance

Service provision

The belief among donors that NGOs give "value for money" has led to large amounts of official funds being channeled to NGOs for work in the health and education sectors, credit schemes, and small-scale infrastructure, sometimes under "Investment Funds" or "Social Funds" intended to mitigate the social consequences of economic and structural adjustment packages (Voorhies, 1993; Arellano-Lopez and Petras, 1994). The perception of NGOs as service providers is also common among governments in the South - as documented for example in India (Brown and Tandon, 1992), Bangladesh (Sanyal, 1991), Nepal and the Philippines (Farrington and Lewis, 1993), Zimbabwe and Ghana (Wellard and Copestake, 1993), and the Gambia (Davis, Hulme and Woodhorse, 1994). This is a global phenomenon and in the North government support to NGO service provision is also increasing, though here there is evidence that in addition to cost advantages, governments are attracted to NGO provision because NGOs can be discarded when necessary (Smith and Lipsky, 1993). [5] As noted above, the availability of large-scale funding for NGO service provision has fueled the rapid growth of well-known NGOs such as BRAC, particularly in south Asia. Although such large NGOs remain unusual, the trend toward expansion is clear.

Does the evidence support the case that NGO service provision on this scale is more cost-effective than state provision? [6] Following on from Tendler's (1982) work, recent studies of GRO and NGO performance in Africa (Riddell and Robinson, 1992; Fowler, 1991, 1993; Vivian, 1994; Weilard and Copestake, 1993), Asia (Riddell and Robinson, 1992; Farrington and Lewis, 1993; Hashemi, 1992) and Latin America (Lehmann, 1990; Carroll, 1992; Bebbington and Thiele, 1993) have questioned many of the accepted wisdoms about levels of poverty-reach, cost-effectiveness, popular participation, flexibility and innovation among NGOs and GROs. A new and more critical view of the comparative advantages and performance of GROs and NGOs is emerging based on empirical evidence. There is evidence that some large NGOs are able to provide some services more cost-effectively than governments. For example, the Orangi Pilot Project's cost of developing sanitation systems in Karachi is less than one-third of the equivalent cost in the commercial or government sectors (Hasan, 1993, p. 66). Similar cost advantages have been claimed for BRAC in primary education and the provision of credit (AKF/NOVIB, 1993), and both BRAC and other large NGOs (such as UNO in Brazil and AWARE in India) assert that there is no necessary tradeoff between scale of service provision and quality of work (Howes and Sattar, 1992; Carroll, 1992; Wils et al., 1993). NGOs are not, however, automatically more cost-effective than other sectors, as was shown by Tendler's research (1983 and 1989 -- which contradicts the evidence concerning UNO) and by Riddell and Robinson's (1992) study of 16 African and Asian NGOs. There is no empirical study that demonstrates a general case that NGO provision is "cheaper" than public provision. In terms of their evidence that NGOs commonly perform better than government or commercial institutions (Smillie and Helmich, 1993; Farrington and Bebbington, 1993). Claims that NGOs reach "the poorest of the poor" are often inaccurate, however, as had been demonstrated in the case of NGO credit schemes (Hulme and Mosley, 1995) and other economic interventions (Riddell and Robinson, 1992). Hashemi (1992) finds that large NGOs in Bangladesh fail to reach the poorest in their efforts to achieve rapid expansion in geographical coverage -- the drive for "breadth" rather than "depth." Even taken together, the largest NGOs in Bangladesh

(Including the Grameen Bank) reach less than 20 percent of landless households in the country (Farrington and Lewis, 1993, p. 55).

The sustainability of large-scale service provision by NGOs has also been questioned. Virtually all service-delivery NGOs operate on large subsidies from external donors, resources which increasingly are denied to governments. Were ministries of health and education allowed access to resources on this scale, it is argued, then over time they too would be able to provide services as cost-effectively. Indeed, the widening gap between government and NGO resources makes state inefficiency a "self-perpetuating reality" (Farrington and Lewis, 1993, p. 333). As a deeper level, there are worries about the long-term impact of NGO service provision on access to quality services for all (LaFond, 1995). Robinson (1993, p. 8) points out that large, influential and well-funded NGOs may be able to "concentrate resources in regions and sectors that might not be most important for national development," with a "patchwork quilt" of services of carrying quality emerging against a background of weak central oversight (Edwards, 1994a). NGO substitution for the state in key areas of provisioning also raises questions of accountability between a government and its citizens, which are discussed in section 4 (Wood, 1996).

There are echoes here of debates about the public/private mix in social services in countries such as the United Kingdom and the United States. The evidence from these debates suggests that such fears are well founded, with unequal access and spiraling costs already a reality (Salamon and Anheir, 1993). As Meyer (1992, p. 1123) puts it, "The preference of external donors for working with the non-profit sector in no way attests to evidence that public goods for the domestic economy will be better provided by the non-profit sector." Finally, there are arguments that NGO service provision acts as a palliative, a barrier to the more fundamental structural changes in the ownership of land and capital assets which are essential if significant economic and political changes are to occur (Riddell and Robinson, 1992). In this last respect it is worth noting, however, that recent criticisms of BRAC and other Bangladeshi NGOs from Islamic Fundamentalist groups have focused on their success, not their failure, in empowering women at the local level (Karim, 1995).

In their defense, large NGOs such as BRAC have argued that they are not taking over government responsibilities -- merely "helping to create the conditions that will ensure, in the future, that basic education is a real possibility for all children in the country" (AKF/NOVIB, 1993, p. 41) via a "temporary substitution role combined with training input" (Farrington and Lewis, 1993, p. 22). As F. H. Abed, the founder of BRAC has pointed out, "we have to act. . . do we sit small and beautiful or do we scale up and try to take the consequence? BRAC has decided to try to take the consequences of becoming large" (AKF/NOVIB, 1993, p. 16). The problem here is that governments may be unable or unwilling to: take over" responsibility for such services when BRAC withdraws (Farrington and Lewis, 1993), while the undesirable consequences of externally funded NGO growth prove more severe than predicted, as the case Sarvodaya cited below demonstrate (Perera, 1993). The evidence does not show that scaling-up the provision of services using donor funds inevitably leads to a decline in quality, nor to the wider problems highlighted above. But it does indicate that very careful management of

expansion is necessary to stop a face-off in quality and that most contemporary NGO service-provision is not sustainable in its present forms.

In terms of their capacity to innovate there is evidence that individual NGOs have been effective in some fields of service-delivery, for example in financial services for the poor (Hulme and Mosley, 1995), oral rehydration therapy (Howes and Sattar, 1992), and paraveterinary services in agricultural technology development (Farrington and Bebbington, 1993). NGOs have also played a pivotal role in pioneering new planning methodologies, particularly participatory rural appraisal (Chambers, 1993). As NGOs become more involved in large-scale service provision, however, and rely more on funding from official donor agencies, what happens to their flexibility and ability to innovate? Organizational growth necessarily brings with it a higher level of bureaucracy. It is certainly possible to manage growth successfully (Billis and Mckeith, 1992, Hodson, 1992), but the dangers of bureaucratization are very real (Korten, 1990; Hellinger, Hellinger and O'Regan, 1988; Friedmann, 1992). The acceptance of increasing amounts of donor funds, which usually come with complex (and often conflicting) requirements for project appraisal, reporting, evaluation and accounting, presents even large NGOs with problems (Salamon and Anheir, 1993; Smillie and Helmich, 1993). [7] When donors finance service delivery they expect contracted outputs to be achieved and may withdraw if targets are not met (Perera, 1996; Hodson, 1996). Commenting on the experience of World Vision in implementing health and welfare projects in Uganda with World Bank funding, Voorhies (1993) stresses the delays and damage done to implementation by the Bank's funding and procurement procedures, as well as by differences in philosophy, an experience also reported by ACTIONAID in the same program. A common complaint among such NGOs is that the need for flexibility on the ground "runs counter to the limited, logically framed, measurable outcomes favored by many donors" (Fowler, 1993, p. 335). In addition, there is evidence from Asia and Latin America that time and space for reflection and innovation are reduced, as NGOs become contractors to donors and/or governments (Farrington and Lewis, 1993, p. 33). There may also be a conflict as yet unperceived by official agencies, it seems, between the economic and political dimensions of the New Policy Agenda. Cost-effective service provision rests on standardized delivery systems and internal structures (often hierarchical) able to manage large amounts of external funding. The qualities required to promote success in democratization are very different: Independence from external interests, closeness to poor people, long time horizons for capacity-building, and a willingness to confront those in power. It is difficult to combine both roles in the same organization successfully.

"Local institution development" (Uphoff, 1986) -- strengthening GROs and indigenous NGOs to carry out their mission more effectively -- is clearly an important component of any program, which aims to promote sustainable approaches to poverty alleviation. NGOs in Latin America who are dependent on short-term funding from donors, however, often perform weakly in this process because they lack the time and incentives required to nurture local organizations (Carroll, 1992, p. 99). Fowler (1992, p. 23) makes a similar point about the dangers of "overfunding" NGOs and GROs in the South, predicting an inverse relationship between dependence on official donor funding and the capacity to support and facilitate what he calls "development-as-empowerment." The theory here is that donors will be unable or unwilling to support the long time horizons,

slow careful work, and gradual (and often nonquantifiable) results, which characterize successful local institutional development. An interesting corroboration of this prediction comes from Hasan (1993) of the Orangi Pilot Project in Karachi, who cites the unwillingness of the World Bank to adopt a "low profile" as one reason for the difficulties experienced in Hyderabad (Pakistan) when OPP attempted to replicate the success of their original work there with official funding. Current donor claims about a commitment to institutional development are inconsistent with the short-term, output-oriented project methodologies they utilize.

Democratization

From the literature it is possible to identify a growing involvement by GROs in representation, lobbying and (in some situations) formal party politics: and by NGOs in mediation, advocacy, training and "civic education" (Fowler, 1991). For obvious reasons, these roles are more highly developed in relatively open and democratic political systems such as India, where pressure from NGOs and GROs can achieve significant "micro policy reform" (Korten, 1990; Edwards and Hulme, 1992). When organizations come together to form federations and alliances, they can also influence the formal political process, as in the Philippines (the fall of President Marcos) and Mexico (participation in Presidential elections: CONVERGENCIA, 1993. Constantino-David, 1992). Despite these successes, some commentators remain skeptical about the prospects for GRO and NGO involvement in the formal process of democratization. Writing on Latin America. Lehmann (1990. pp. xiv and 205) points out that, in contrast to their leaders, the rank and file membership of many urban social movements show little enthusiasm for formal involvement in politics. While Latin America social movements have proved vital to the survival of the poor, they have made little impact on the formal political process and should "leave political parties to get on with the real business of ideological struggle", while being proud of their record in rendering "liberal democratic movements more sustainable and helping to cement human and political rights in society." Writing in the very different political context of contemporary Africa, Fowler (1991, 1993) reaches much the same conclusion. NGOs, he argues, are unlikely to have a significant impact on political reform, partly because African governments have become adept at containing such a possibility through regulation and fragmentation of the NGO "movement," and partly because NGOs themselves have failed to develop effective strategies to promote democratization, especially, what Fowler (1993, p. 28) calls "citizenship...the organic link between the state and citizens that is missing in much of Africa." In South Asia NGOs have played a "Janusheaded" role, claiming to be apolitical in terms of party politics while simultaneously "empowering" the poor (Hulme, 1994). SANASA's success in financial service delivery in Sri Lanka is partly attributable to its policy of noninvolvement with politicians and political parties (Hulme and Montgomery, 1994). In the same country, when the founder of Sarvodaya movement appeared likely to stand against the government as the leader of a united opposition, the movement was subjected to severe state harassment (Perera, Marasinge and Jayasekera, 1992).

In part, these disappointments (if that is what they are) reflect the paradox of organizations promoting democratization which are themselves only weakly democratic. GROs and cooperative movements (which are membership organizations) might be expected to perform better in this respect than NGOs, though Carroll (1992)

finds little evident for this in his sample of agencies in Latin America. A consistent criticism of NGOs and GROs in the literature is their failure to develop participatory mechanisms for internal debate and decision making, despite their stated values and principles (Bebbington and Thiele, 1993; Wellard and Copestake, 1993). It also reflects what is an unresolved dilemma for GROs and NGOs in most societies -- how to engage in the political process in order to achieve fundamental changes in the distribution of power and resources without becoming embroiled in partisan politics and the distortions which accompany the pursuit of state power (Constantino-David, 1992).

Funding from Northern governments for such activities complicates the picture considerably. Bebbington and Thiele (1993, p. 182) describe the politicization of NGOs in Central America during the 1980s when the US Agency for International Development (USAID) funded a range of right-wing groups, and Northern NGOs supported a range of left-wing groups. Is this strengthening civil society or is it merely an attempt to shape civil society in ways that external actors believe is desirable? Will this promote endogenous and sustainable forms of democracy or call forth a backlash of authoritarianism against "foreign interference" (Brautigam, 1992)? What role can "opportunistic" NGOs with no mission other than the winning of donor or government contracts play in democratization (Bebbington & Thiele, 1993, p. 57)? This is of particular concern where new NGOs are being formed very rapidly on the back of readily available official funding (as in the cases of some NGOs in Nepal or Tunisia) with weak social roots and no independent supporter base. In turn, this process may lead to a widening rift between well-resourced service providers and poorly-funded social mobilization organizations, a danger identified by Pearce (1993) in Chile and Central America. Important areas of GRO/NGO activity, which do not fit into the donor agenda, may therefore lose out, while NGOs may succumb to the temptation to on functions they know will attract large amounts of donor funding, to the detriment of other aspects of their mission. The increasing dependence on Northern NGOs on emergency grants from official donor agencies may reflect a similar process.

One of these less attractive areas for official aid is advocacy -- addressing fundamental inequalities of power and resources by speaking out in favor of particular groups, organizing to defend the interests of poor people, and lobbying governments for policy change. As in other aspects of this debate, the impact of the New Policy Agenda on GRO/NGO performance in the field of advocacy may be both positive and negative. On the positive side, NGOs (especially international ones) now have unparalleled access to decision makers in the North, and are beginning to use this access in a much more sophisticated way. There is some evidence of impact from this activity on policy and practice, particularly in the World Bank (Clark, 1992; Edwards, 1993) although this should not be exaggerated. In theory, democratization should open up similar opportunities for NGOs and GROs in the South. The dependence of any NGO on external funding, however, is something of an "Achilles heel." Bratton (1989, p. 584) concludes that the African NGOs he has studied find it difficult to perform as "effective policy actors" because their own governments can dismiss them as "dancing to the tune of a foreign piper with no legitimate right of entry into domestic policy debates." He contrasts the influence of the Savings and Development Movement and National Farmers' Association in Zimbabwe, with the failure of Voluntary Agencies Development Assistance (VADA) in Kenya to assert any leverage over official policy, citing as

important factors the latter's lack of domestic funding base and popular support, and its financial dependence on USAID (Bratton, 1990). Similar comments have been made about the likely impact of government funding on NGO advocacy in the North. Increasing reliance on government contracts is already hindering the involvement of some US NGOs in public campaigning (Smith, 1990; Salaman and Anheier, 1993; Smith and Lipsky, 1993) and there is a fear that increasing reliances on government grants will induce a similar creeping compromise in the willingness of UK NGOs to speak out (Fowler, 1992; Edwards, 1993). A context in which NGOs compete against each other for official support seems unlikely to foster the collaborative relationships on which successful policy alliances are built (Miller, 1994; Covey, 1995). A final note of caution should be sounded on the possibility that very large NGOs (Southern or Northern) might "crowd out" their smaller sister agencies (Jorgensen, Larsen and Udsholt, 1993, p. 6), coming to dominate both resources and ideas to such an extent that they act as a barrier to the very pluralism and diversity of opinions and approaches that are the hallmark of a healthy civil society.

Performance Measurement, Legitimacy and Accountability

NGO legitimacy

The increasing funding of NGOs by official donor agencies thrusts the question of legitimacy into center stage, for if NGOs are becoming more responsive to external concerns, are substituting for government and are growing larger on the basis of foreign funding, what is happening to the links -- to their values and mission, and to their relationships with "the poor," supporters and others -- through which they derive their right to intervene in development? The Oxford English Dictionary defines "legitimacy" as "the condition of being in accordance with law or principle...conformity to sound reasoning...authenticity and genuineness." The last characteristic is particularly important for NGOs and GROs, since their distinguishing feature is voluntarism -- the fact that they can only invite voluntary involvement in their activities and must therefore use discussion, bargaining, accommodation and persuasion in their dealings rather than bureaucratic control (Fowler, 1988; Uphoff, 1993, 1995). Esman and Uphoff (1984), Bratton (1990) and others have pointed out that popular support and self-financing provide a basis for legitimacy. This implies that GROs or NGOs, which have shallow roots in society, depend for their survival on outside funding have a much weaker claim. But even if voluntary organizations are not member-controlled, they can still gain by being transparent, accountable and acting in a spirit of genuine partnership with others. In this respect, increasing dependence on official aid is significant, for at least three reasons.

First, legitimacy may be eroded by increasing reliance on official donor funding (Hellinger, Hellinger and O'Regan, 1988; Lehmann, 1990). As Van der Heijden (1987, p. 106), quoting a traditional African proverb, puts it, "if you have your hand in another man's pocket you must move when he moves." To what extent are organizations dependent on official funding "nongovernmental," and how does this affect their claims to legitimacy using the criteria listed above? Is it possible to have an independent mission while relying on donor funds? As we put it some years ago, The degree to which a strategy or mix of strategies compromises the logic by which legitimacy is

claimed needs to be considered carefully, and can provide a useful means of testing whether organizational self-interest is subordinating mission when a choice is being made" (Edwards and Hulme, 1992, p. 213).

Second, does the funding of NGOs to deliver social welfare services change the nature of the relationship with donors from one of partnership, to one of contracting? The switch from partner to contractor (like that from "beneficiary" to "consumer" when services are privatized) constitutes a fundamental change in the value base of the relationship. The legitimacy of the NGO is no longer based upon values and voluntarism but on its contract to a legitimate agency. The claim for legitimacy comes closer to that of a private sector operator -- being able to provide the service at the best price. Third, there are a deeper set of concerns about the possible "rewriting of the social contract" between government and its citizens as a result of NGO substitution for the state in key aspects of the development process, particularly the provision of services (Farrington and Bebbington, 1983, p. 188). The accountability of a non-elected NGO when providing services to "clients" is very different to the formal relationships between governments and citizens, giving rise to what Wood (1996) has called "a franchise state" in countries such as Bangladesh.

NGO accountability

The concept of accountability -- the means by which individuals and organizations report to a recognized authority (or authorities) and are held responsible for their actions -- is a crucial component of claims to legitimacy. Accountability is a complex and abstract concept, however, and relatively little research has been conducted on this topic with regard to NGOs (Brett, 1993). Although accountability is viewed as a desirable organizational characteristic by most writers, empirical studies commonly indicate that both leaders and subordinates in public and private organizations [8] seek to avoid accountability (Fox, 1992). The common perception that, somewhere else, there are organizations that are perfectly accountable must be dismissed. There is, however, clearly a level at which the absence of accountability begins to make the likelihood of illegitimate actions by an organization much more probable.

Effective accountability requires a statement of goals (whether in adherence to certain rules or achievement of identified performance levels), transparency of decision making and relationships, honest reporting of what resources have been used and what has been achieved, an appraisal process for the overseeing of authority(ies) to judge whether results are satisfactory, and concrete mechanisms for holding to account (i.e. rewarding or penalizing) those responsible for performance (ODA, 1993). GRO and NGO accountability may be formal (for example, an evaluation of whether agreed objectives in a program have been met) or informal (for example, ongoing discussion between partners). It may emphasize the honesty and efficiency with which resources are used (commonly referred to as "probity"), or the impact and effectiveness of work (commonly called "performance"). Avina (1993) usefully distinguishes between short-term functional accountability (accounting for resources, resource use and immediate impacts) and strategic accountability (accounting for the impacts that an NGOs actions have on the actions of other organizations and the wider environment).

Crucially, GROs and NGOs have multiple accountabilities -- "downwards" to their partners, beneficiaries, staff and supporters; and "upwards": to their trustees, donors and host governments. Multiple accountability presents any organization with problems, particularly the possibilities of having to "overaccount" (because of multiple demands), or being able to "underaccount," as each overseeing authority assumes that another authority is taking a close look at actions and results. Legally, most NGOs, as nonmembership organizations, are accountable to their trustees (a self-selecting group, usually of the "great and the good"). By contrast, GROs are accountable to their members. Both usually have an obligation to account to the governments of the countries in which they operate, though in practice this often means little more than a brief annual report and audit (Tandon, 1995). Morally, and in terms of their wider claims to legitimacy, they are accountable to other constituencies, most obviously "beneficiaries" and contributors, but also to staff, for whom a real stake in the organization is often an important *quid pro quo* for salaries, which are lower than their commercial sector counterparts (Hodson, 1992). But of course equal accountability to all at all times is an impossibility. Many of the concerns expressed about the nonaccountability of NGOs relate to the difficulties they face in prioritizing and reconciling these multiple accountabilities. The danger is that accountability will be skewed to the most powerful constituency, which under the New Policy Agenda may mean the official donor agencies. That is why clarifying and improving the accountability is the way to ensure that a line remains drawn between transparent compromise and blind cooption (Eade, 1993, p. 161).

Part of the dilemma faced by GROs and NGOs in this area lies in the nature of the work they do (which is qualitative and contingent) and the problems involved in measuring performance particularly if the objective is "empowerment" (Marsden, Oakley and Pratt, 1994). Many of the factors, which influence NGO performance, lie outside the control of the NGO concerned (government policies, for example). As Fowler (1995) points out, there is no obvious "bottom line" for NGOs in this area and organizational (as opposed to project) indicators are even more difficult to find, especially given the seeming obsession of many NGO managers with size and growth as indicators of "success." These problems make the measurement of "strategic accountability" extremely difficult. Yet without accurate ways of measuring performance it is very difficult to be properly accountable to anyone. [9] For some NGOs and GROs, there is also a political dilemma to accountability. If the organization's overt or covert goal is "empowerment" (i.e. making those who have little power at present more powerful) than transparency on this issue will at best, make it easier for vested interests to identify what is happening and thus more effectively oppose it or, at worst, lead to the deregistration and closure of the organization for being subversive.

Although the accountability of GROs (to their members) may seem straightforward, there is surprisingly little evidence that they perform better than NGOs in this respect. Indeed, Carroll (1992, p. 89) finds the opposite to be true in Latin America. These conclusions are confirmed by Bebbington and Thiele (1993, p. 21) who state "that we cannot say a priori that any one type of organization is inherently more or less responsive to, or representative of, the needs of the rural poor." In GROs problems of accountability often arise due to social and political factors (such as interest group manipulation), whereas among NGOs, economic factors (and particularly links to

donors) are likely to be more influential (Pearce, 1993). Indeed, it is NGOs, especially those based in the North that come in for the most damning criticisms. Lehmann (1990, p. 201) calls their lack of accountability "extraordinary," while Smillie (1993, p. 1) finds that "Northern NGO survival has been almost completely de-linked from performance," since they appear under little obligation to tell the truth to their supporters (Edwards, 1994b).

How, then, might the New Policy Agenda affect the accountability of GROs and NGOs? First of all, there is an obvious fear that donor funding may reorient accountability upward, away from the grassroots, supporters and staff (Edwards & Hulme, 1992; Fischer, 1994; Tandon, 1994). Carroll (1992, p. 90) use the example of ASEPADE, a Honduran NGO, to illustrate the conflicts which can emerge between devolution to the grassroots and accountability to donors. ASEPADE "allowed themselves to be carried away by their fears that standards of success, mostly imposed by the conditions of donors, would not be met if they didn't control the administration of the project." But "without meaningful accountability to their beneficiaries, scaling-up could seriously distance (NGOs) from the poor" (Pearce, 1993, p. 226). Fox and Hernandez (1989) and Fischer (1994) provide some evidence that GRO leaders can be further distanced from their members by foreign influence, though this can be mitigated by the deliberate encouragement of new generations of leaders from within the organization. Given that GROs are membership organizations, the reorientation of accountability away from the grassroots is a particular threat as de facto it turns members into customers. The type of appraisal, monitoring and evaluation procedures insisted on by donors, especially their heavy reliance on "logical framework" approaches or their derivatives (such as ZOPP in the case of the German agency GTZ) may also distort the accountability by overemphasizing short-term quantitative targets and favoring hierarchical management structures -- a tendency to "accountancy" rather than "accountability." In this process there is a particular danger that women will be penalized as qualitative changes in gender relations are inadequately monitored and women are excluded from senior positions in large, growing, hierarchical institutions. [10] The competitive nature of contracting also fosters an orientation toward treating information as a public relations activity (i.e. releasing the good and hiding the bad) and this compromises transparency. The contemporary management by large NGOs in both North and South of their external image provides evidence of this problem. [11] There is, however, some evidence that donor funding may strengthen some forms of accountability by increasing external pressures for accurate reporting (Tendler, 1989).

Second, the sheer volume of donor funds made available to GROs and NGOs may result in problems of probity, especially where internal management and financial systems are originally based on informality and trust. The example of Sarvodaya in Sri Lanka provides a good illustration of this. The organization's accounting and reporting systems were adequate for a small and medium-sized organization, with an energetic leader with highly personalized management style. Rapid growth, however, led to the breakdown of these systems and confusion on the part of the organization and donors as to whether functional accounting was simply weak or whether it was hiding improprieties (Perera, 1996).

Third, closer links with donors (and the suspicion of foreign influence this creates in government) may result in a move away from self-regulation to regulation from above by the state. This is not to say that self-regulation is always a good thing, nor that it is sufficient to ensure accountability, but the informal consultative processes and codes of ethic that characterize the voluntary sector in many countries (North and South) have preserved a balance between flexibility, innovation and regulation (Carroll, 1992, p. 93). More formal procedures may reduce NGO capacities. Brown and Tandon (1992) use the examples of CAPART, the National Wastelands Development Board, and the Central Social Welfare Board in India to show how government regulation of NGOs can discourage innovation and speed of response, and promote politicization and patronage. Similar criticisms have been made about the Social Service National Coordination Council in Nepal (Farrington and Bebbington, 1993, p. 51; Rademacher and Tamang, 1993). Government coordinating mechanisms may also provide avenues for the state to gain access to NGO funding and information on organizations they consider "subversive."

Conclusions

Our review of the literature suggests three conclusions in relation to the hypotheses presented at the beginning of this paper: (1) the New Policy Agenda and donor funding present NGOs and GROs with both threats and opportunities; (2) there are sound theoretical reasons, and some empirical evidence, to suggest that these threats are real and must be dealt with consciously and deliberately; (3) there are no universal relationships between increasing dependence on official aid, and particular trends in NGO programming, performance, legitimacy and accountability. Context, circumstances and the quality of relationships between the actors are of crucial importance. A partnership approach, which emphasizes participation, learning, reciprocity and transparency, may permit the problems that accompany organizational growth and donor funding to be managed: GRO/NGO performance, legitimacy and accountability need not be eroded. Donors (whether official or Northern NGO) must therefore be encouraged to move toward funding arrangements which provide stability and predictability in the long term, and timeliness and flexibility in the short term (Van der Heijden, 1987). Long-term institutional support requires a "continual dialogue about objectives and strategies, rather than simply a specification of outputs and targets" (Carroll, 1992, p. 164) and evaluations by overseas consultants. This is very different from the cut and thrust of the "contract culture." In this task, it may be better to channel official donor funds to NGOs and GROs via an independent public institution which can protect them from undue donor influence, as recommended for the United States (Hellinger, Hellinger & O'Regan, 1988) and in other countries (Smillie, 1993; Baron, 1993), or via local NGO networks which can ensure quality control through self-regulation and peer pressure, as in the Philippines (Constantino-David, 1992). Official donors (such as the European Union and the British Overseas Development Administration) who are considering more direct funding of the NGOs and GROs in the South need to reflect on the alternatives available to them in this respect, rather than simply expanding their own offices in Southern capitals (Cormbrugghe, Douxchamps and Stampa, 1993).

For their part, the evidence available to us suggests that NGOs who wish to remain effective and accountable under the New Policy Agenda should diversify their funding

sources and pursue strategies to raise funds locally -- the only way to promote sustainability (and associated legitimacy) in the long term. BRAC in Bangladesh, for example, already raises over one-third of its total budget from domestic resources, while the Indonesian NGO Bina Swadaya raises over 50 percent (AKF/NOVIB, 1993; Farrington and Lewis, 1993). Enhancing accountability is also vital. For example, the Organization of Rural Associations for Progress (ORAP) in Zimbabwe has developed a democratic structure from grassroots level (small groups of families) up to the Executive Board, so that representatives of each level can have a voice in decision-making at the next level up (Wellard and Copestake, 1993, p. 78). Traidcraft and the New Economics Foundations (in the UK) are experimenting with "social audits" which allow different stakeholders a voice in setting performance indicators and monitoring progress on an annual basis (Zadek and Gatward, 1995). Participatory methods for monitoring and evaluation are gaining increasing currency in NGOs such as the Aga Khan Rural Support Programme in India, using PRA and other techniques to promote downward accountability as well as more effective reporting to donors and trustees (Shah and Shah, 1995).

NGOs and GROs also need to invest more in their own organizational development so that they are better able to identify the negative impact of changes in their funding sources or role, and act accordingly. This means more attention to research, monitoring and evaluation, so that the all-important link between performance measurement and accountability can be strengthened. Above all, it means being clear about the overall direction of the organization and its function in society. With these things in place, NGOs and GROs may be able to position themselves to take advantage of the opportunities presented by the New Policy Agenda while avoiding the negative consequences that may flow from official funding, organizational growth, and a focus on service deliver.

Three things must be noted, however: first, the empirical evidence on trends in NGO performance is too limited to confirm or deny this speculative conclusion; second, the economic and political roles accorded to NGOs and GROs under the New Policy Agenda may be incompatible, at least in the same organization; and third, the close identification of NGOs and GROs with foreign donors may make it difficult for them to establish longer term (sustainable) relationships with national governments and domestic sources of funds. Our focus on the New Policy Agenda and the influence of official donors may have led us to underestimate the influence of endogenous factors, and overestimate the negative impact of donor funding, but it is on this basis that we posit that the modes of programming NGO and GRO operations, of defining performance indicators, of claiming legitimacy and of accounting for achievements may be being reshaped. From a neo-liberal perspective the encouragement of NGOs and GROs by official agencies is desirable for its contribution to economic efficiency and political pluralism, though it may only be transitional as the commercial sector evolves and effective interest groups crystallize. From a radical perspective it may lead to cooptation: the abandonment of a mission for social transformation to become the implementer of the policy agendas of northern governments.

Notes

[1] We use the term NGO as a shorthand for all nongovernmental, nonprofit developmental organizations. We distinguish between international NGOs with their headquarters in the North (Northern NGOs, such as Save the Children UK); intermediary NGO's in the South (or "grassroots support organizations" in Carroll's (1992) terminology, who support grassroots work through funding, technical advice and advocacy); and grassroots organizations of various kinds in the South (GROs, or "membership support organizations" in Carroll's words, which are controlled by their own members). The implications of the "New Policy Agenda" for programming, performance, legitimacy and accountability are quite distinct for each of these types of organization. The term "official donor agencies" refers to both multilateral organizations such as the World Bank and European Union, and to bilateral such as the British Overseas Development Administration (ODA) or the Swedish International Development Cooperation Agency (Sida). "Governments" refers, unless specified otherwise, to national governments in Africa, Asia, and Latin America. Our focus in this paper is on development activities rather than humanitarian assistance.

[2] Recently (in the 1993 World Development Report, for example), there have been intimations of a partial shift back toward donor support for state provision of a core of basic social services to the poor (Edwards 1994a). This may be a part of a wider recognition among donors that markets play a less effective role in the social sectors than first thought. This has not, however, changed the donors' belief that NGOs are efficient service providers that can be easily scaled-up.

[3] The figure for 1993-94 underestimates the volume of OECD aid flowing through NGOs very considerably, because it omits funding from the US government and ignores NGO funding multilateral agencies.

[4] For example, the share of total income received from the UK government by ACORD rose from 19 percent (1986) to 31 percent (1992), by Action Aid from seven percent (1986) to 18 percent (1992), by OXFAM from 15 percent (1984) to 24 percent (1993) and by Save the Children Fund from 12 percent (1984-85) to 37 percent (1992-93). It must be noted, however, that some of this is due to recent heavy injections of funds earmarked for emergency work.

[5] Witness the recent decision by the US government to privatize the functions of USAID, and the UK Home Office report (Knight, 1993) which recommended formal separation of existing NGOs into service providers contracted by government, and lobbyists. The report was shelved after intense NGO pressure, but the underlying intention was clear.

[6] Fowler (1988) makes the point that a sound, fair comparison between NGO and government cost-effectiveness cannot be made because of the different levels of power they have in determining the parameters of the operating environment in which effectiveness is to be realized and judged. NGOs can be made more or less cost effective by the policies and laws that governments formulate and apply. The reverse does not hold.

[7] Northern NGOs are sometimes guilty of similar requirements from their partners in the South.

[8] See *The Economist*, "A survey of corporate governance" (January 29, 1994) for a discussion of the weakness of accountability in private sector corporations.

[9] The complex issues of NGO performance measurement and accountability are covered in detail in Edwards and Hulme (1995).

[10] Some participants at the workshops at which an earlier version of this paper was presented criticized us for not paying explicit attention to gender issues in the discussion of NGO performance and accountability. This remains an important area for further research.

[11] It is very difficult to obtain accurate information on the performance and impact of NGOs, especially very large ones, in either the North or the South. There is anecdotal evidence that the credit repayment rates and other performance indicators quoted by large NGOs in Bangladesh and elsewhere are inaccurate, but until rigorous, independent evidence is established as is impossible to draw conclusions.

References

- Aga Khan Foundation Canada/Novib. (1993). *Going to scale: The BRAC experience 1972-1992 and beyond*. The Hague: Aga Khan/Novib.
- Areilano-Lopez, S. & J Petras (1994). NGOs and poverty alleviation in Bolivia. *Development and Change*, 25(3), 555-568.
- Avina, J. (1993). The evolutionary life cycle of non-governmental development organizations. *Public Administration and Development*, 13(5), 453-474.
- Baron, B. (1993). *Innovation and future directions in East Asian philanthropy: Strengthening the public/private interface*. San Francisco: Asia Foundation.
- Bebbington, A. & Riddell, R. (1996). New agendas and old problems: Issues, options and challenges in direct funding of Southern NGOs. In D. Hulme and M. Edwards (Eds.), *Too close for comfort? NGOs, states and donors*. London: MacMillan and New York: St Martins Press.
- Bebbington, A. & Thiele, G. with Davies, P., Prager, M. & Riveros, H. (Eds.) (1993). *NGOs and the state in Latin America: Rethinking roles in sustainable agriculture development*. London: Routledge.
- Billis, D. & MacKeith, J. (1992). Growth and change in NGOs: Concepts and comparative experience. In M. Edwards & D. Hulme (Eds.), *Making a difference: NGOs and development in a changing world*. London: Earthscan.

Bratton, M., (1989). The politics of government-NGO relations in Africa. *World Development*, 17(4), 569-587.

Bratton, M. (1990). Non-governmental organizations in Africa: Can they influence government policy? *Development and Change*, 21, 87-118.

Brautigam, D. (1992). Governance, economy and foreign aid. *Studies in Comparative International Development*, 27(3), 3-25.

Brett, E. (1993). Voluntary agencies as development organizations: Theorizing the problems of efficiency and accountability. *Development and Change*, 24, 87-118.

Brown, D. & Tandon, R. (1992). Public-NGO financing institutions in India: An exploratory study. Washington, DC: The World Bank.

Carroll, T. (1992). Intermediary NGOs: The supporting link in grassroots development. West Hartford, CT: Kumarian Press.

Chambers, R. (1993). *Challenging the professions*. London: IT Publications.

Clark, J. (1993). The state and the voluntary sector. Human Resources Working Papers, No. 12. Washington, DC: The World Bank.

Clark, J. (1991). *Democratizing development: The role of voluntary organizations*. West Hartford: Kumarian Press.

Clark, J. (1992). Policy influence, lobbying and advocacy. In M. Edwards & D. Hulme (Eds.), *Making a difference: NGOs and development in a changing world*. London: Earthscan.

Coclough, C. & Manor, J. (1991). *States or markets? Neo-liberalism and the development policy debate*. Oxford: Clarendon Press.

Constantino-David, K. (1992). The Philippine experience in scaling-up. In M. Edwards & D. Hulme (Eds.), *Making a difference: NGOs and development in a changing world*. London: Earthscan.

Covey, J. (1995). Accountability and effectiveness in NGO policy alliances. In M. Edwards & D. Hulme (Eds.), *Beyond the magic bullet: NGO performance and accountability in the post-Cold War world*. London: Earthscan, and West Hartford: Kumarian Press.

Crombrugghe, G., Douxchamps, F. & Stampa, N. (1993). *Evaluation of EC-NGO co-financing in relation to institutional support for grassroots organizations in developing countries*. Brussels: COTA.

Convergencia (1993). *Unveiling the faces of a new Mexican society*. Mexico City: Convergencia.

Davis, D., Hulme, D. & Woodhouse, P. (1994). Decentralisation by default: Local government and the view from the village in The Gambia. *Public Administration and Development*, 14(3), 253-269.

Eade, D. (1994). Editorial. *Development in Practice*, 3(3), 161-162.

The Economist (January 29, 1994). A survey of corporate-governance. London: Special Supplement.

Ewards, M. (1993). Does the doormat influence the boot? Critical thoughts on UK NGOs and international advocacy. *Development in Practice*, 3(3), 163-175.

Edwards, M. (1994a). International NGOs, good government and the new policy agenda: Lesson of experience at the program level. *Democratization*, 1(3), 504-515.

Edwards, M. (1994b). NGOs in the age of information. *IDS Bulletin*, 25(2), 117-124.

Edwards, M. & Hulme, D. NGOs and development: Performance and accountability in the New World Order. London: Save the Children Fund-UK and Manchester: Institute for Development Policy and Management.

Edwards, M. & Hulme, D. (1995). Beyond the magic bullet: NGO performance and accountability in the post-Cold War world. London: Earthscan, and West Hartford: Kumarian Press.

Esman, M. & Uphoff, N. (1984). Local organizations: Intermediaries in rural development. Ithaca: Cornell University Press.

Farrington, J. & Bebbington, A. with Wells, K. & Lewis, D. (1993). Reluctant partners? NGOs, the state and sustainable agricultural development. London: Routledge.

Farrington, J. & Lewis, D. with Satish, S. & Miclat-Teves, A. (Eds.) (1993). NGOs and the state in Asia: Rethinking roles in sustainable agricultural development. London: Routledge.

Fisher, J. (1994). Is the iron law of oligarchy rusting away in the Third World? *World Development*, 22(2), 129-143.

Fowler, A. (1988). Non-governmental organizations in Africa: Achieving comparative advantage in micro-development. IDS Discussion Paper No. 249.

Fowler, A. (1991). The role of NGOs in changing state-society relations: Perspectives from Eastern and Southern Africa. *Development Policy Review*, 9, 53-84.

Fowler, A. (1992). Distant obligations: Speculations on NGO funding and the global market. *Review of African Political Economy*, 55, 9-29.

Fowler, A. (1993). NGOs as agents of democratization: An African perspective. *Journal of International Development*, 5(3), 325-339.

Fowler, A. (1995). Assessing NGO performance: Difficulties, dilemmas and a way ahead. In M. Edwards & Hulme, D. (Eds.), *Beyond the magic bullet: NGO performance and accountability in the post-Cold War world*. London: Earthscan, and West Hartford: Kumarian Press.

Fox, J. (1992). Democratic rural development: Leadership accountability in regional peasant organizations. *Development and Change*, 23(2), 1-36.

Fox, J. & Hernandez, L. (1989). Offsetting the iron law of oligarchy: The ebb and flow of leadership accountability in a regional peasant organization. *Grassroots and Development*, 13(2), 8-15.

Friedmann, J. (1992). *Empowerment: The politics of alternative development*. Oxford: Basil Blackwell.

Good, A. (1994). Paying the piper, calling the tune? Present and future relationships among Northern NGOs, Southern NGOs and the ODA. Paper presented at the International Workshop on NGOs and Development: Performance and Accountability in the New World Order, Save the Children Fund-UK and Institute for Development Policy and Management (Manchester: June 27-29th, 1994).

Hasan, A. (1993). *Scaling-up the OPP's Low-Cost Sanitation Program*. Karachi: Orangi Pilot Project.

Hashemi, S. (1992). *State and NGO support networks in rural Bangladesh: Concepts and coalitions for control*. Copenhagen, Denmark: Center for Development Research.

Healey, J. & Robinson, M. (1992). *Democracy, governance and economic policy: Sub-Saharan Africa in comparative perspective*. London: Overseas Development Institute.

Hellinger, D., Hellinger, S. & O'Regan, F. (1988). *Aid for just development*. Boulder: Lynn Rienner.

Hodson, R. (1992). Small, medium or large? The rocky road to NGO growth. In M. Edwards & D. Hulme (Eds.), *Making a difference: NGOs and development in a changing world*. London, Earthscan.

Hodson, R. (1996). An elephant loose in the jungle? The World Bank experience of funding NGOs in Sri Lanka. In D. Hulme & M. Edwards (Eds.), *Too close for comfort? NGOs, states and donors*. London, Macmillan, and New York: St. Martins Press.

Howes, M. & Sattar, M.G. (1992). Bigger and better? Scaling-up strategies pursued by BRAC 1972-1991. In M. Edwards, and D. Hulme (Eds.), *Making a difference: NGOs and development in a changing world*. London: Earthscan, 1992.

Too Close For Comfort?
The Impact of Official Aid on Nongovernmental Organizations

Hulme, D. (1994). Social development research and the third sector NGOs as users and subjects of social enquiry. In D. Booth (Ed.), *Rethinking social development: Theory research and practice*. London: Longman.

Hulme, D. & Montgomery, R. (1994). *Sri Lanka: The federation of thrift and credit cooperatives in comparative perspective*. Manchester: Institute for Development Policy and Management.

Hulme, D. & Mosley, P. (1996). *Finance against poverty*. London: Routledge.

Jorgensen, H., Larsen, J. & Udsholt, L. *The role of Danish development NGOs: Challenges for the future*. Copenhagen, Denmark: Danish Volunteer Service.

Karim, M. (1995). NGOs in Bangladesh: Issues of legitimacy and accountability. In M. Edwards & D. Hulme (Eds.), *Beyond the magic bullet: NGO performance and accountability in the post- Cold War world*. London: Earthscan, and New York: St. Martins Press.

Knight, B. (1993). *Voluntary action*. London: Centris Associate/Home Office.

Korten, D. (1990). *Getting to the 21st century: Voluntary action and the global agenda*. West Hartford: Kumarian Press.

LaFond, A. (1995). *Sustaining primary health care*. London: Earthscan.

Lehmann, D. (1990). *Democracy and development in Latin America: Economics, politics and religion in the post-war period*. Cambridge: Polity Press.

Loveman, B. (1991). NGOs and the transition to democracy in Chile. *Grassroots Development*, 15(2), 8-19.

Marsden, D., Oakley, P. & Pratt, B. (1994). *Measuring the process: Guidelines for evaluating social development*. Oxford: INTRAC.

Marzouk, M. (1996). The associative phenomenon in the Arab World: Engine of democratization or witness to the crisis? In D. Hulme & M. Edwards (Eds.), *Too close for comfort? NGOs, states and donors*. London, Macmillan, and New York: St. Martins Press.

Meyer, C. (1992). A step back as donors shift institutions building from the public to the "private" sector. *World Development*, 20(8), 1115-1126.

Miller, V. (1994). *NGOs and grassroots policy influence: What is success?* Boston: Institute for Development Research.

Moore, M. (1993). Good government? Introduction. *IDS Bulletin*, 24(1), 1-6.

ODA (1993). Taking account of good government. London: Overseas Development Administration.

OECD (various years). Development assistance committee report. Paris: OECD.

Pearce, J. (1993). NGOs and social change: Agents of facilitators? *Development in Practice*, 3(3), 222-227.

Perera, J. (1996). Unequal dialogue with donors: The Sarvodaya experience. In D. Hulme & M. Edwards (Eds.), *Too close for comfort? NGOs, states and donors*. London, Macmillan and New York: St. Martins Press.

Perera, J., Marsinghe, C. & Jayasekera, L. (1992). *A people's movement under siege*. Colombo: Sarvodaya Publications.

Rademacher, A. & Tamang, D. (1993). *Democracy, development and NGOs*. Kathmandu: SEARCH.

Ramesh, J. (1995). NGO accountability in India: The Working Women's Forum model. In M. Edwards & D. Hulme (Eds.), *Beyond the magic bullet: NGO performance and accountability in the post-Cold War world*. London: Earthscan, and West Hartford: Kumarian Press.

Riddell, R. & Robinson, M. (1992). The impact of NGO poverty-alleviation projects: Results of the case study evaluations. Working papers No. 68. London: Overseas Development Institute.

Robinson, M. (1993). Governace, democracy and conditionality: NGOs and the New Policy Agenda. In A. Clayton (Ed.), *Governance, democracy and conditionality: What role for NGOs?* Oxford: INTRAC.

Salamon, L. (1993). The global associational revolution: The rise of the third sector on the world scene. Occasional Papers No. 15. Baltimore: Institute for Policy Studies, Johns Hopkins University.

Salamon, L., & Anheiser, H. (1993). *The third route: Subsidiary third-party government and the provisions of social services in the United States and Germany*. Paris: OECD.

Sanyal, B. (1991). Antagonistic cooperation: A case study of NGOs, government and donors' relationships in income-generating projects in Bangladesh. *World Development*, 19(10), 1367-1380.

Shah, M. & Shah, P. (1995). Participatory methodologies for increasing accountability of NGOs: A case study from India. In M. Edwards & D. Hulme (Eds.), *Beyond the magic bullet: NGO performance and accountability in the post-Cold War world*. London: Earthscan, and West Hartford: Kumarian Press.

Too Close For Comfort?
The Impact of Official Aid on Nongovernmental Organizations

Smillie, I. (1993). *Changing partners: Northern NGOs, Northern governments*. Paris: OECD.

Smillie, I. & Helmich, H. (1993). *Non-governmental organizations and governments: Stakeholders for development*. Paris: OECD.

Smith, B. (1990). *More than altruism: The politics of private foreign aid*. Princeton, NJ: Princeton University Press.

Smith, S. & M., Lipsky (1993). *Non-profits for hire: The welfare state in the age of contracting*. Cambridge, MA: Harvard University Press.

Sollis, P. (1992). Multilateral agencies, NGOs and policy reform. *Development in Practice*, 2(3), 163-178.

Tandon, R. (1991). *NGO-government relations: A source of life or a kiss of death?* New Delhi: India: Society for Participatory Research in Asia.

Tandon, R. (1994). *Civil society, the state and the role of NGOs*. In I. Serrano (Ed.), *Civil society in the Asia Pacific region*. Washington, DC: CIVICUS.

Tandon, R. (1995). *Board games: Governance and accountability in NGOs*. In M. Edwards and D. Hulme (Eds.), *Beyond the magic bullet: NGO performance and accountability in the post Cold-War world*. London: Earthscan and West Hartford: Kumarian Press.

Tendler, J. (1982). *Turning private voluntary organizations into development agencies: Questions for evaluation*. Evaluation Discussion Papers, No. 10. Washington, DC: US Agency for International Development.

Tendler, J. (1983). *Ventures in the informal sector and how they worked out in Brazil*. Evaluations Special Studies, No.12. Washington, DC: US Agency for International Development.

Tendler, J. (1989). *Whatever happened to poverty alleviation?* *World Development*, 17(7), 1033-1044.

Uphoff, N. (1986). *Local institutional development*. West Hartford: Kumarian Press.

Uphoff, N. (1993). *Grassroots organizations and NGOs in rural development: Opportunities with diminishing states and expanding markets*. *World Development*, 21(4), 607-622.

Uphoff, N. (1995). *Why NGOs are not a third sector: A sectoral analysis with some thoughts on accountability, sustainability and evaluation*. In M. Edwards & D. Hulme (Eds.), *Beyond the magic bullet: NGO performance and accountability in the post Cold-War World*. London: Earthscan and West Hartford: Kumarian Press.

van der Heijden, H. (1987). The reconciliation of NGO autonomy and operational effectiveness with accountability to donors. *World Development*, 15(supplement), 103-112.

Vivian, J. (1994). NGOs and sustainable development in Zimbabwe: No magic bullets. *Development and Change*, 25, 181-209.

Voorhies, S. (1993). Working with government using World Bank funds. Staff Working Papers, No. 16. Washington, DC: World Vision International.

Wellard, K. & Copestake, J. (Eds.) (1993). NGOs and the state in Africa: Rethinking roles in sustainable agricultural development. London: Routledge.

Wilis, F., Maddin, V., Alexander, K. & Sohoni, N. (1993). AWARE and its work with Tribals and Harijans in Andhre Pradesh. The Hague: Institute of Social Studies.

Wilis, F., Remmerswaal, J., Neggers, J., Anderson, J. & Dewes, J. (1992). Big NGOs in Latin American: Case studies in Peru and Bolivia, Program Evaluations, No. 47. The Hague: NOVIB.

Wood, G. (1996). States without citizens: The problem of the franchise state. In D. Hulme & M. Edwards (Eds.), *Too Close for comfort? NGOs, states and donors*. London: Macmillan and New York: St. Martins Press.

World Bank (1994). *Governance: The World Bank's experience*. Washington, DC: The World Bank.

Zadek, S. & Gatward, M. (1995). Social auditing or bust? Transforming the transnational development non-governmentals for the 21st Century. In M. Edwards & D. Hulme (Eds.), *Beyond the magic bullet: NGO performance and accountability in the post Cold-War world*. London: Earthscan, and West Hartford: Kumarian Press.

[* This paper began life as a background document for an international workshop on "NGOs and Development: Performance and Accountability in the New World Order" in June 1994, sponsored by Save the Children Fund-UK and the Institute for Development Policy and Management at Manchester University. Thanks are due to the participants at the workshop for their insights, and to the Swedish International Development Agency (SIDA) and the UK Overseas Development Administration (ODA) for their financial support. We also thank the two anonymous referees for the comments on an earlier draft of this paper. Responsibility for the contents of the paper and any errors it contains is ours alone; the views expressed are our views and not necessarily those of Save the Children Fund-UK or IDPM. Final revision accepted: January 2, 1996.]